Can a Good Manager be a Good Manager?

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Master’s Thesis in Applied Ethics
Centre for Applied Ethics
Linköpings universitet
Presented May 2004

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ABSTRACT

In this paper I explore the question ‘can a good manager be a good person?’ the answer is yes, no, or to a greater or lesser degree. Ultimately it depends on the ends at which the business, in which the manager works, aims towards. For these ends underpin what is ‘rational’ for how a manager should behalf. If a business’ end goal is purely profit maximisation then there is no room for a manager to take moral considerations into account, and therefore be a good person. If a business sees itself as a ‘practice’, consciously aiming to promote the social good the answer is yes, a good manager can be a good person. There are those businesses, and their managers, that fall somewhere in between these two ideal-types.
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**Insurers warned of climate change**

Mortgage finance giant Fannie Mae had rigged $US10.6 billion of its earnings so that executives could collect hundreds of millions of dollars in bonuses.2

A shortage of donors has resulted in women being offered illegal bribes of rent payments and holidays to donate their eggs.3

A recent McKinsey survey indicated that 84 per cent of large companies would say their corporate goals need to include a "contribution to the broader public good" in addition to shareholder returns.4

One of Japan's top investors is arrested in connection with share deals linked to internet firm Livedoor.5

PUBLICLY-LISTED biotechnology company Avantogen has failed to inform the market of adverse findings from its anti-cancer vaccine clinical trial.6

OXFAM has accused sportswear giants of failing to live up to their claims that they are improving working conditions of suppliers in Asia.7

We all know deep down when we've sailed close to the wind when it comes to tax advantaged investments and structures.8

THE lobby group representing investment banks has slammed the Australian Securities and Investments Commission's conflict-of-interest, insider-trading lawsuit against Citigroup.9

**Australia must remove fear and ideology from the nuclear debate** and recognise its key strategic role in the nuclear industry.10
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Introduction

One does not have to look far to see the relevance of business ethics. As the quotes above attest, business ethics issues abound in the media. These quotes are all from just one week, and by no means represent all the business ethical issues that were reported in the media that week. The stories that reach the media are just a hint of the ethical issues that managers deal with everyday, either admirably, disappointingly, or even illegally.

I am sure that any one who has said they are interested in or who are studying ‘business ethics’ has heard the familiar scoff, roll of the eyes, or retort: ‘isn’t that an oxymoron?’ Well, is it? As managers, what do the Fanni Mae executives think? What do the IVF clinic administrators think? What does Japan’s top investor think? What does Avantogen’s CEO think? To phrase the question a little more precisely, can a good manager be a good person? This is the central question considered in this paper.

The answer, in short, is no, yes and to a greater or lesser degree, depending on which perspective you accept. Perhaps not the most satisfying, and certainly not the most ‘tidy’ answer, but one which I hope is nevertheless edifying. In coming to this (or these) conclusions, I follow a number of different paths. In the rest of the Introduction I shall therefore offer what is more than just a mud-map of the paper to guide the reader through, but rather what amounts to detailed ‘hike notes’. Or to borrow a more technical notion from the business world, an executive summary; useful for both the time pressed reader and simply the confused reader who can refer back to this executive summary in order to locate themselves in the overall scheme.

After the Executive Summary I shall define what I mean by a ‘good person’ and ‘good manager’. I also note my recognition of Max Weber’s relevant analysis on the Protestant work ethic, but which I shall not explore in detail.

Executive Summary

In Chapter 1: Ladd’s ‘Business Language Game,’ I present John Ladd’s argument that it is irrational for a good manager to be good person. His argument is as follows.

P1 As an agent of business a manager must act to achieve the end goal of the business organisation.

P2 The end goal of business is (at least theoretically) profit maximisation.
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P3 Successfully (in this case efficiently and effectively) achieving the end goal defines what is ‘good’ (and ‘bad’) within a specifically defined context (which Ladd calls a ‘language-game’).

P4 Therefore, effectively and efficiently maximising profit defines the good manager.

P5 Seeking the ‘good’ is rational.

P6 Therefore what is rational within a ‘business language game’ is achieving the end goal in the most efficient and effective way. (I call this type of means-end rationality ‘efficiency rationality’.)

P7 A rational manager must seek profit maximisation in the most efficient and effective way.

P8 Action based on genuine moral considerations would not be the most efficient and effective way to maximise profit.

C Therefore it would be irrational for managers to take into account genuine moral considerations in their decision making.

It is from this argument that we get our first answer to our central question; no, a good manager could not be a good person if a manager is operating in a business that meets or is close to this ‘organisational’ ideal.

From this valid argument, concluding that it is irrational for the manager to take into account moral considerations in her decision making, Ladd tries, unsuccessfully I think, to argue that organisations are not the sorts of entities that can have responsibilities; therefore they have no moral responsibilities.

I counter this claim in Chapter 2: Moral Responsibilities, and argue that corporations have moral responsibilities by virtue of the definition of what it means to have a responsibility. The argument is as follows:

P1 To have a responsibility one must meet the following criteria: that an entity caused a state of events to occur, that the action was within the entity’s control, that the entity intended the consequences of the events, or could reasonably foresee the consequences of the action.

P2 Corporations meet the above criteria, either through methodological holism or methodological individualism.

C Therefore corporations can have responsibilities.

Just because taking moral responsibilities into account in business decision making might be irrational from one perspective does not necessarily excuse corporations from their moral responsibilities – they still deserve our moral condemnation or praise. In other words, just because it is irrational does not eliminate the double standard, for it is not irrational from the moral perspective.

In Chapter 3: Rationality Stalemate, I return to Ladd’s main argument and this notion of rationality from different perspectives. Premise 6, from the argument in the Chapter 1 summary above, clearly requires that the acceptance of Ladd’s argument includes acceptance of a bounded view of rationality – ‘efficiency rationality’. However, this is but one conception of rationality. If one accepted a moral mode of rationality instead, then a good manager could be a good person. The argument would look like this:
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P1 A criteria of being a ‘good’ manager is being ‘rational’.

P2 Being ‘rational’ includes taking into consideration moral considerations. (Thus, ‘rationality’ in a ‘business language game’ should not be limited to a bounded mode of rationality.)

P3 Acting immorally is acting irrationally (a theory called ‘moral rationalism’).

P4 Therefore, in acting rationally a good manager will take into consideration moral constraints in order not to act irrationally.

P5 Not acting immorally is to be a good person.

C A good manager (one who is morally rational) can be a good person.

The acceptance of this argument (which I merely sketch and do not justify in full) would also require the acceptance of a particular mode of rationality, a mode that was informed by some moral perspective. Unless there is some neutral ground from which one mode of rationality can be assessed as being more ‘right’ than the other mode of rationality, neither mode of rationality (and the ‘standard’ of action they support) can trump the other. If one mode of rationality (and associated standard) cannot trump the other, then they both stand as equally valid.

I identify three ways which this ‘rationality stalemate’ could be addressed, by –

1. Asserting pressure.
2. Justify the business language game, with its efficiency rationality, by the broader social goals it achieves, i.e. identifying a role morality.
3. Re-conceive the nature of business.

Chapter 4: Asserting Pressure outlines what is often suggested as the best way forward, and that is to use political and social pressure to simply make one standard (either the business or moral) more relevant to other. The most obvious way is through imposing legal requirements or through consumer activism. Business may adopt a ‘good ethics is good business’ policy to respond to consumer pressure.

While a ‘good ethics is good business’ policy might indeed be a good business policy I examine some of the problems with this as a good ethical policy.

a) The semblance of good ethics is enough to attain the desired result of improving the bottom line, so it can become a good public relations exercise.

b) Even if the strategy is backed up by genuine ethical action, this action is contingent on it actually maximising profit. In this case, good manager can be a good person, but only contingently good, and thus not reliably good.

Good Business is Good Ethics, the title of chapter 5, captures the notion of a business role morality. If the social good achieved by business activity can justify the means used to maximise profit, then the good manager can be a good person. However, I do not think this can be justified. The role moralities of the professions (e.g. the legal or health profession) get their prima facie justification from the intrinsically good ends at which their actions aim, actions which can by the standards of ordinary morality seem immoral. The ‘ends’ of business activity can be good, bad or amoral ends. The consequences (or externalities) of business activity can also be good or bad. Because the ends of business activity can be good, bad or amoral, the ends cannot even prima facie justify any immoral means.
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In Chapter 6: A New Conception of Business I present an example of a re-conception of business, one where the moral and business goals are aligned from the outset, thus ensuring a good manager can be a good person. The example used is a virtue business ethic, which has been conceptualized by Dawson and Bar theolownew, but based on MacIntyre’s concept of a ‘practice’.

In the last chapter, Chapter 7: The Way Forward, I suggest that companies can create some ethical space for good managers to act by adopting dual ends, or accepting ethical limits on their ends. The more they accept these limits, the greater accordance between being a good manager and a good person. Hence, a good manager can be a good person to a greater or lesser degree.

Defining a ‘Good Person’ & ‘Good Manager’

Good Person

I am envisaging a good person to be someone who acts in considered accordance with moral dictates. Some one who acts with the intent to only maximise their own selfish interest, even though this action may coincide (accord) with moral requirements, would not, in my conception, be a good person, for their action is in no way ‘considered’. Of course, to say this opens up the problematic question of how ‘considered’ must this consideration be? And of course, what a ‘good person’ looks like will depend on one’s moral stance. For a utilitarian, a ‘good person’ is one who acts impartially to maximise the good (for instance, acts to maximise preferences).

For a Kantian, the good person is one who acts out of duty according to the categorical imperative. For an Aristotelian, the definition of a ‘good person’ is quite a bit ‘thicker’, for being a ‘good person’ is central to being moral, and thus defining how a ‘good person’ acts will define a moral action. For all of these normative stances, the requirement of being good will necessarily require moral consideration in many day-to-day management decisions. Other normative moral concepts might require this ‘consideration’ to be quite minimal. For instance, it might be acceptable that a manager thinks their actions are justified by the mysterious workings of the market (i.e. essentially justified by a role morality). Secure in this thought, they put all other moral considerations to one side and act ruthlessly in their day-to-day business operations. For many people, perhaps those less philosophically conscientious, a ‘good person’ may just be one who acts in accordance with culturally accepted moral norms – i.e. essentially descriptive relativism. However, for the purposes of this paper, I am going to put the complicating issue of descriptive relativism to one side and I am going to assume that even cultural moral norms can be substantiated by some normative moral theory.

I must admit from the outset that many, perhaps even most, managerial decisions and actions are either consciously or unconsciously in accordance with morality, or simply have no moral import at all, i.e. they are amoral. So when I say a good manager cannot be a good person, I should more accurately say a good manager cannot be a good person all of the time when business dictates conflict with moral dictates. I am of course, interested in those situations where the dictates of morality and business can or do conflict. However, to consistently add this extra qualification would be awkward and possibly confusing. Instead I ask the reader to keep this caveat in mind when reading the paper.
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**Good Manager**

I use Ladd’s conception of a good manager, which is essentially that a good manager is whatever the business conceives a good manager to be. Thus in the précis of Ladd’s article I shall say more about this. However, it should be noted that what a good manager looks like might vary between different businesses. It will largely, and certainly theoretically, be defined by the goals the business sets for itself; whether this be maximising profit through the provision of a good or service, or providing a good or a service in a morally acceptable way and earning a profit to ensure survival.

I slip between using the terms ‘business’, ‘company’ and ‘corporation’ in this paper, partly because Ladd talks about organisations and businesses, and I start with Ladd’s analysis. However, I think of all of these terms as synonyms for that particular type of economic organisation which has publicly traded stocks (unless of course the context makes it clear otherwise). That said, much of this analysis could be applied to all other types of businesses as well. Nevertheless, I think publicly listed corporations pose the biggest problem when considering the gap between a good person and good manager, with their theoretical neoclassical economic presuppositions, agent/principal relationship between manager and shareholder and the maximising profit requirement. Other businesses are not bound by the same theoretical restrictions to the same extent. With that said, a ‘good manager’ can thus be conceived as a manager of a publicly-traded corporation.

**A Path Not Taken**

In his book *The Protestant Ethic and the Spirit of Capitalism* Max Weber traces the influence of religious belief in our capitalistic culture, through the concept of the ‘calling’. The notion of a ‘calling’ (“a life-task, a defendable field in which to work.”) took hold through the teachings of Luther in the 15th century. By the 17th century the Protestant church, epitomised by the Puritan, Richard Baxter, was preaching that it was only by hard mental and physical work that one could further the glory of God; and every hour wasted or spent on personal pleasure was an hour lost. In order to answer the question, can a good manager be a good person, I could have followed in Weber’s footsteps and analysed my question in the context of religious doctrine, specifically this Protestant work ethic. Although acknowledged, this is a path I do not take in favour of exploring the analytic philosophical underpinnings from a secular perspective.
Chapter 1: Ladd’s ‘Business Language Game’

In an article called *Morality and the Ideal of Rationality in Formal Organisations*, Ladd argues that there is an inherent incompatibility between the “organisational ideal” and “ordinary principles of morality.”¹² According to Ladd then, a good manager cannot be a good person. Thus he argues the alienation a manager feels from her own moral conscience is a logical necessity given the organisation’s rational decision making structure. In this chapter, my main aim is to outline Ladd’s argument for this inherent incompatibility, which I do primarily in the section ‘Why it is irrational for managers to act morally’. Although his analysis is at a theoretical level, in the section titled ‘Empirical Support’ I present some empirical evidence supporting a correspondence between theory and practice. I.e. some managers do experience this logical alienation (although, as we shall see, not very many of them do, for managers have other ways they conceive of their roles which avoids the alienation problem). I think Ladd has made a valid argument concluding that it is irrational for the manager to take into account moral considerations in her decision making. However, Ladd tries, unsuccessfully I think, to argue that organisations are not the sorts of entities that can have responsibilities; therefore they have no moral responsibilities. This argument is discussed in the last section of the chapter ‘Why businesses have tremendous power but no responsibilities.’ In the next chapter, I shall counter this argument.

Why it is irrational for managers to act morally

Ladd uses Wittgenstein’s “language-game”¹³ model to describe the ideal¹ organisational decision making.ᵇ

The game not only determines what should and what should not be done, but also sets forth the goals and moves by which they are to be attained. More

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¹ Ladd’s use of ‘ideal’ here derives from Max Weber’s ideal-type. Ladd says, “I shall try to formulate Weber’s ideal-type of bureaucracy as a way of representing a certain pattern of thinking...as a kind of rational or moral order.” (Ladd, 1970, p 490) However, I think Weber’s explanation of his term is more instructive: “The construction of a purely rational course of action in such cases serves the sociologist as a type (‘ideal type’)...By comparison with this it is possible to understand the ways in which actual action is influenced by irrational factors of all sorts, such as affects and errors.” (Weber, 1947 p 92).

ᵇ Wittgenstein says, “I shall call the whole, consisting of language and the actions into which it is woven, the language-game.” (Wittgenstein, 1958 para. 7.) However, its use is just a “tool of analysis” (Ladd, 1970, p 491), a useful descriptive concept. The argument would, I think, work just as well if Ladd used an equivalent reference, perhaps something like a ‘contextual analysis within a closed system’, which is more cumbersome. For this reason, I don’t think it is necessary to analysis the concept of Wittgenstein’s ‘language-game’ itself, and whether Ladd has used it correctly.
Ladd uses a ‘chess language-game’ as analogous to the ‘business language-game’. The goal of chess is to checkmate your opponent’s king within the established rules of the game. A good move or a bad move is defined by their ability to achieve this end-goal. Note that ‘good’ and ‘bad’ moves within this context have no moral import. Within a specific language-game context, the aim is always to achieve a specified end.

What is rational then, is efficiently and effectively acting to achieve that end. Rationality is thus a means-end ideal. If I want x end, I must do y and z to get it; in Kant’s terminology, it is a hypothetical imperative. As Ladd says, “Behaviour...is rational insofar as it selects alternatives which are conducive to the achievement of previously selected goals.” Ladd calls this, at one point, rational efficiency (I shall call it, for ease of reference, ‘efficiency rationality’). Within a language-game, efficiency rationality does not say anything about what the goals ought to be.

The end-goal of the business language-game is profit maximisation. (At least this is theoretically the end-goal of corporations, which is the type of organisation I am focusing on.) Ladd acknowledges that in actual fact other implicit or explicit goals are also at play, e.g. survival, growth and power struggles are all competing goals. Max Weber thinks that “In principle, there is an indefinite number of possible standards of value which are ‘rational’ in this sense.” I.e. there are other valuable things which could serve as rational ends of organisations and businesses, whether they be ethical, hedonistic, status, or equality. But since we are operating at a theoretical level, I will accept that the goal of a corporation should at a theoretical level (according to neoclassical economics) be profit maximisation.

In fact, in the United States corporations are legally required to maximise profit for their shareholders. They have no other authority to do anything else, such as pursue social goals. In fact, it would technically be illegal for them to do so. As Bakan identifies in his book, The Corporation, “The law forbids any other motivation for their actions, whether to assist workers, improve the environment, or help consumers save money...Corporate social responsibility is thus illegal – at least when it is genuine.”

It follows then, from efficiency rationality that any considerations not related to furthering the goal of the organisation - which is to maximise profit - should be excluded. There are of course “limiting operating conditions” that must be taken into account when making decisions and planning for the future. “…These constraints will factor into a manager’s cost-benefit computations” and the realistic implementation of plans to achieve sub-goals and ultimately the main goal. Limiting operating conditions or constraints include, “scarcity of resources, of equipment, of trained personnel, legal restrictions, factors involving employee morale.”

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6 According to Bakan, requiring employees to act in the ‘best interests of the corporation’ is now explicitly stated in most countries’ corporate laws. (Bakan, 2004, 37) However, in the US it seems that the law requiring the corporation to act in the stockholders interests - assumed to be maximising profit - is not legislation but case law, the precedent being set in Dodge v Ford. This is interesting, for in theory at least, this is thus susceptible to a change in precedent.
Morality, Ladd argues, would also be a limiting condition (to the extent that moral actions did not maximise profit). However, since moral constraints would be a self-imposed limiting condition then it would be irrational to take them into consideration. A good manager, one that is efficient and effective at achieving the organisation’s end goal, cannot by the standards of efficiency rationality take morality into account. If a manager cannot ‘rationally’ take morality into account, they cannot therefore be a good person. Of course, good business decisions might in fact accord with the requirements of morality, but this would only be accidental, and certainly the good manager would not be motivated to act morally directly, or even consciously factor in moral considerations. The need to survive could also be seen as a limiting condition for it might conflict with maximising profit in the short term (and assuming that survival is in the best interests of stockholders). Survival might require the company to take into account aspects such as reputation. Such ethical (or perhaps they are only seemingly ethical) considerations will be addressed in the Good Ethics is Good Business section in Chapter 4.

Ladd’s argument assumes an ‘ideal type’ of business, one with certain theoretical presumptions; presumptions that can, and will in the course of the essay, be challenged. If a manager works in a business that meets, or is close to, this business ‘ideal-type’, then one answer to our central question is no, a good manager could not be a good person. Of course, a manager may not work in such organisation, which necessitates a different answer.

Empirical support

The fact that we do recognise this ‘ideal-type’ of the business-language game gives credibility to Ladd’s argument. Therefore, we would expect to find alienated managers in practice. Empirical research undertaken by Peter Ulrich and Ulrich Thielemann supports a correspondence between the theory and practice. In fact, their research identifies managers who not only fit with Ladd’s ‘theoretical manager’, but also managers who fit with other theoretical managers presented in this paper: i.e. managers who are role-moralists; managers who believe that ‘good ethics is good business’; managers who believe in voluntarily placing limits on their actions according to the rules of society.

Ulrich and Thielemann undertook a qualitative study by interviewing Swiss managers regarding their moral consciousnesses. They did not measure managers’ ethical consciousness or awareness, or decision making against some particular standard, for they think this is approach is problematic from the outset (i.e. requiring one to assert a

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In a similar vein, Quinn and Jones refer to (Arrow and Hardin’s) arguments that managers who act ethically voluntarily within a setting where firms are aiming to maximise profit would face a prisoner’s dilemma setting. If managers practiced moral restraint, for example by not exploiting market imperfections such as information asymmetries, market coordination problems and creating negative externalities, then the company would face greater costs compared to other companies, and over time, moral firms would ‘lose out’ to immoral firms, ensuring their own demise. (Quinn, D.P., Jones, T.M., 1995, p 25-26.)
particular standard as the ideal by which to measure). They attempted to explain "How do managers reconcile the requirements of achieving and preserving managerial success with the ethical demands of which they as responsible persons are, or ought to be, aware?" (Already in this research question it is assumed that there is a disconnect between the morality and managerial success.)

Ulrich and Thielemann categorised their results into ‘basic types of business-ethical concepts’, which managers perceived, and then further categorised the results into ‘types of business-ethical thinking’, which managers had demonstrated. For my purposes here, I shall focus only on a very simplified explanation of the business ethical concepts that managers displayed. Figure 1 below, is a summary table of their results in this aspect.

<table>
<thead>
<tr>
<th>Dim. 1</th>
<th>Dim. 2</th>
<th>System-oriented</th>
<th>Culture-oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harmonists</td>
<td>Metaphysical Economists</td>
<td>88%</td>
<td>34%</td>
</tr>
<tr>
<td>Conventionalists</td>
<td>Reformers</td>
<td>54%</td>
<td>10%</td>
</tr>
<tr>
<td>Conflict Perceivers</td>
<td>Idealists</td>
<td>12%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Fig. 1. Basic types of business-ethical concepts.


Dimension 1 in this Figure refers to ‘degree of problem and conflict awareness’. Managers’ responses were categorised as falling into two groups, either managers perceived that there was harmony between the pursuit of managerial success and appropriate ethical conduct (as you can see from the table, 88% of interviewees fell into this group) or it was perceived that there was conflict between the pursuit of management success and appropriate ethical conduct (only 12% fell into this group).

Dimension 2 relates to the way in which the economy is perceived. System-orientated managers can be broadly categorised as those who think that the economy is its own autonomous system with its own internal logic (44% of interviewees were system-oriented thinkers). Alternatively, managers perceive the economy to be just one more “sphere of life”, with its own prevailing culture. These managers (56% of interviewees) did not perceive the economy as its own closed system with its own “ethic-free functional logic.”

Of course one can never totally eliminate one’s standards or value judgements from one’s experiments or observations, there is no totally ‘objective’ experiments, but that is another philosophical story.
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You can see from the table that these two dimensions create a further four categories. *Metaphysical economists* are therefore those who think there is harmony between success and morality because the market will ensure that the economy takes its proper course. They place their faith in the impersonal, anonymous workings of the market, rather than in human practical reason.\(^{28}\) I would categorise these managers as those who believe in a business role morality, the ones who take Adam Smith’s invisible hand (which I will discuss in Chapter 5) quite seriously.

*Conventionalists* also perceive harmony between their moral conduct and managerial success, however, unlike the metaphysical economists, they think the harmony is a product of managerial character. I.e. as long as managers follow the acceptable ethical constraints or (more probably) ethical norms of society then there is harmony. There are different types of conventionalists (which I will not discuss in detail, but refer you to Ulrich and Thielemann’s article) and acting within acceptable ethical constraints or norms can range from simple compliance with legal requirements, to the view that ethics is an *accompanying factor* that managers need to take into consideration.\(^{29}\) Thus Conventionalist managers would certainly think a good manager can be a good person. However, Ulrich and Thielemann suggest “systematic constraints of profitability do not play any systematic role in Conventionalist’s arguments – neither a harmonizing nor a problematic role.”\(^{30}\) I understand Ulrich and Thielemann to mean that although the Conventionalists do think there are limits on the way a corporation *should* act, and in so acting they bring harmony between the pursuit of success and ethics, they do not perceive that the pursuit of profitability in itself is too problematic. I.e. they do not perceive deep conflict between pursuit of profit and ethics. I believe Ulrich and Thielemann are suggesting that these managers do, at some implicit level, unquestionably rely on the market structure to justify the system and their role in it: “Their reconciliation concept contrasts with the economistic one – *at least on the surface* – in that management ethics is not guaranteed by anonymous system logic intrinsic to the market.”\(^{31}\) (Emphasis added.)

In the Introduction when I said a *good manager can be a good person to a greater or lesser degree*, it was this type of manager I was referring to. I think these managers are the managers who can be seen to be trying to reconcile the ‘ideal mode of moral rationality’ with the ‘ideal mode of efficiency rationality’ by placing voluntary ethical limits on their behaviour. The more successful they are at doing this in an organisation that accepts this approach, the more there is accordance between being a good manager and being a good person. I shall expand what I mean by this (within the theoretical framework) in Chapter 7.

The *Reformers* are aware of the conflicts between managerial (and market) success, and ethical conduct. “In their view, the crucial prerequisite to put the manager’s ethical responsibility into practice is...in the general rules and incentives for successful economic activities.”\(^{32}\) I would categorise these managers as those who would seek a ‘good ethics is good business’ strategy.

*Idealists* are Ladd’s true alienated managers. They regard the pursuit of profit as ethically problematic, and are very aware of the conflict between seeking success and seeking profit. Unlike the Harmonist, they do not reconcile this conflict by placing their faith in the anonymous workings of the ‘market’, for they think the problem lies in our cultural attitudes. “For the Idealist, this conflict between ethical demands and
the pursuit of market success is ultimately insoluble; his business-ethical commitment is literally at the expense of the company’s success.”

**Organizations have tremendous power, but no responsibilities**

Ladd I think has validly argued that it is irrational for a manager to take into account moral constraints. He then uses this as a basis to argue that businesses have no moral responsibilities. In this section I shall explain what I understand his argument to be: but I shall also make two further comments, one related to the ‘basis of authority’ and the other comment regards one implication resulting from a lack of business moral agency.

The individual within the organisation makes decisions on behalf of the organisation. When acting within their organisational authority they can be said to be acting as an agent of the organisation. (The organisation itself is acting on behalf of its stockholders, so acting on behalf of the organisation is theoretically equivalent to acting as agents on behalf of the stockholders. But Ladd’s point is that employees are acting within the authority of the organisation.) When employees make decisions their actions and the outcomes of their actions can be attributable to the organisation. When an employee acts outside of their organisational authority their actions and outcomes are attributable to the individual. Ladd thinks this agent relationship between employee/managers and the organisation legitimises an abdication of individual’s responsibility for the outcome of their actions/decisions within the context of the business language game. Since Ladd believes individuals have abdicated their personal responsibility, then any judgement on the outcome must be assigned to the organisation. Note that this is not saying that the manager abdicates all responsibility; under this conception: they cannot abdicate their responsibility as an agent of the organisation.

**What is the basis of this authority?**

If an agent abdicates their personal responsibility because they are acting within the authority of the business, what is the basis of this authority? For if one could establish legitimate basis for the authority of the organisation, then it is a short step to justifying the role of the manager within the organisation. If we could justify the manager’s role within a legitimate authoritative business, then it might provide an answer to our central question – can a good manager be a good person (using essentially a role morality route).

Ladd explores four possible answers to the question ‘what is the basis of a business’ authority’; a contractarian, utilitarian, and ‘general will’ argument, and concludes (with the fourth) that the most plausible basis of organisational authority is that of superior knowledge. However, even this superior knowledge explanation he implies has a shaky foundation. It would take me too far from my main course to critique Ladd’s analysis for the basis for authority, and thus a role morality. I shall just agree with him that the foundations seem shaky, but acknowledge that a legitimate basis for their authority could provide a legitimate role morality. However, I do consider the usual routes for a role morality in Chapter 5.
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**Businesses have no responsibilities**

I think the essence of Ladd’s argument for denying that organisations have moral responsibilities is as follows. If individuals abdicate their responsibilities to the authority of the corporation, then when they undertake an action, the corporation is said to be responsible for that action. As we have already seen, any managerial action that is not aimed at efficiently maximising profits is irrational; therefore if a manager keeps a promise, or acts morally responsibly, then this would be irrational. A “…formal organization cannot make promises, for it cannot bind itself to a performance that might conflict with the pursuit of its goal. The principle of rationality, as applied to formal organizations, makes no provision for the principles that promises ought to be kept, indeed, if the keeping of promises, or of a particular promise, is inconsistent with the goals of the organization, that principle requires that they be broken.”

Since there is no way for the business as a ‘system’ to keep promises or live up to other responsibilities, a business is not the type of entity that can keep promises or have responsibilities. Since they are not the type of entity that can keep promises or have responsibilities, they are not moral agents. “Organizations have [he thinks] tremendous power, but no responsibilities.”

**Lack of moral agency – one implication**

Since organisations are not moral persons, Ladd concludes they do not then deserve our moral consideration, i.e. we can act coercively, manipulatively or unscrupulously towards them. (Although, Ladd warns, we must be careful not to treat individual employees, qua individuals, without respect.) In his analysis of the basis of organisational authority, Ladd makes no distinction between employees and those “outside it who have dealings with it”. If this is the case, then one could ask why an employee should not apply their own moral standards when making decisions within the organisation. This would certainly be irrational of them from the point of view of the organisation, but since it might be rationally required from the point of view of the individual to apply their own moral standards, and since organisations do not deserve our moral respect, then why is an individual not justified in applying her own moral standards? The only plausible answer is that if one did apply one’s own moral standards, then one runs the risk of getting fired, overlooked for promotion or ostracised for not making ‘good’ decisions according to the internal rational efficiency standards. Note, however, that it would not be immoral from the point of view of the organisation, for the individual to apply their own moral standards, for Ladd’s analysis of a business-language game does not provide a moral basis for acting but just a rationally compelling basis for acting. It must also be noted that the business-language game, as Ladd has conceived it, does not provide a role morality for business, it just defines a rationally (and culturally compelling) role. I shall say more about this issue of role moralities, in Chapter 5.

In my view, Ladd’s argument for concluding businesses are not the kind of entities that can keep promises or have responsibilities is fundamentally flawed. His argument implicitly acknowledges that that there is a way that a business can keep promises and act responsibly – and that is through people. In the same way that a manager can
fulfil the necessary obligations of a contract on behalf of the organisation, a manager can fulfil the obligations of a moral compact (such as a promise) on behalf of the organisation. Whether the manager is motivated to do so or not is another matter. Thus, all he has succeeded in arguing – again – is that it is internally irrational for managers to fulfil the obligations of a compact if it conflicts with the pursuit of its goal. He has not shown that an organisation cannot fulfil the obligations of a compact, or, more specifically, that an organisation is not responsible for their actions.

If Ladd has not (successfully) argued that a corporation cannot, or does not, have moral responsibilities, then how can a corporation be morally responsible? It is to this question I shall now turn in the next chapter. **Chapter 2: Moral Responsibilities.** I shall counter Ladd’s conclusion by arguing why I think businesses are the sorts of entities that can have responsibilities. In Chapter 3 I shall return to this issue of ‘rationality’ and what that means for our central question.
Chapter 2: Moral Responsibilities

In the last chapter I presented two of Ladd’s arguments. The first argument concluded that it was irrational for a manager to take moral considerations into account. I think this is a valid argument and, to the extent that businesses meet the presuppositions of the ‘ideal-type’ on which the argument is based, it is a sound argument at a theoretical level. Ladd’s second argument used this conclusion as a premise to argue that businesses are not the kind of entities that can have moral responsibilities, therefore they have no moral responsibilities, and therefore they are not moral agents. I argued that this was internally flawed.

In this chapter I will argue that organisations are the sorts of entities that can have responsibilities. I come to this conclusion by defining:

a) what it means to have a responsibility (presented in the section ‘What does it mean to say an entity has a responsibility?’); and then

b) Identifying how corporations can meet these conditions for responsibility (presented in the sections ‘Do corporations meet these conditions?’ and ‘Collective responsibility & liability’).

What does it mean to say an entity has a responsibility?

What do we mean when we say a corporation, a person, or an entity has a responsibility? A responsibility derives from the fact that an entity is responsible. What does it mean to say an entity is responsible?

An entity is responsible if the following conditions (which are numbered below) are met:

1. The entity must have caused an event, or a state of affairs to occur, or “at least that his action or omission made a substantial causal contribution to it.”

2. The action must be within the entity’s control.

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\[ ^{1} \text{I use the word ‘entity’ here because it is all inclusive: any entity that meets the stated conditions can be called ‘responsible’, and thus have a responsibility for their actions.} \]

\[ ^{2} \text{To talk about actions raises the question, what counts as an action? However, I hope our ‘coarse-grained’ commonsense understanding suffices; i.e. basically some type of purposeful movement. (Hornsby, J., 1998). This of course requires people, but as I will argue it can also be attributed to the corporation.} \]
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If the entity was forced, coerced or perhaps they just did not have any other choice in acting a particular way, then although they might have caused an event, they are not responsible for the outcomes of their actions.\(^b\)

These two conditions are enough to say, in the most basic sense, \(x\) is responsible for \(y\). However, this really is not saying too much more than \(x\) caused \(y\).

3. If these two conditions are met, then we can say the entity is responsible for the intended results of their actions.\(^b\)
This implies that the entity is capable of intentions. Christopher Meyers wants to add that the entity must not only have the capacity for self-reflection about their own intentions/beliefs/wishes, but also be capable of being aware of other entities’ intentions/beliefs/wishes. This is necessary so the entity can reflect on what the impact of their actions are likely to be, and can thus fully form their own intentions.

4. The entity is, prima facie, responsible for events which one could reasonably expect will result from their actions.\(^b\)
This is important, because there are many cases in which an entity does not intend an outcome, but a reasonable person would expect that the entity should have foreseen the outcome, as in the case of negligence. There are also situations where an intended outcome is unachievable without some other unintended, but unavoidable outcome. To use a wind farm example; it may not be the intention of the corporation to ruin the local view with their imposing wind turbines, but in order to produce electricity for the region, it is recognised that this will be an outcome, and is required to achieve the primary outcome.

5. If the above conditions are met, then the entity is answerable, or accountable, for their actions, and can therefore be judged, blamed, praised.\(^b\)
When we judge that a person or corporation is accountable (i.e. in a legalistic sense), then it can be said they have a responsibility for their actions; a ‘responsibility’ which is more than just causal in nature. In ‘answering’ for their actions, the entity would be asked: ‘why did you act like that? What were your reasons and/or the circumstances?’ In John R. Danley’s words, we are “resorting to the language of defeasible responsibility”.

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\(^b\) Perhaps Ladd would argue here, that the individual managers responsible for making decisions on behalf of the organisations did not have a choice but to act to maximise profit. But this is usually not the case; in most cases they could choose to act to act in a way which maximises profit no holds barred, or they could choose to maximise profit operating within certain parameters that respected the rights and claims of others. Certainly if the individual manager or employee did not feel they had any other choice, then the organisation’s senior management might still be said to be responsible and blameworthy for creating an environment where there was no other choice. This fault may be so diffuse between people that it would be unhelpful to actually assign blame for what amounts to structural or systematic failures. (Such structural or systematic failures are, I think, evidence for methodological holism, but I need not argue this here.) Ladd argues that the organisational structure requires people to abdicate their personal responsibility” but this does not mean that they cannot (or on a moral standard should not) act responsibility on behalf of the organisation, as Ladd concludes.

\(^b\) The reader can see from the references that I am indebted to Duff and Feinberg for their analysis of ‘responsibility’. For the most part their analyses largely, but not totally, overlap. I have taken what I believe are the essential elements for responsibility, and used what I believe is the better terminology.
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Ascriptions, akin to defeasible claims in law. If there were negative outcomes, there may be mitigating reasons why they acted in this way, which may excuse them from any blame. Or, even if there were positive outcomes, perhaps the positive outcomes were not intended, and thus they should not be praised for these – unless one is a utilitarian. Feinberg thinks that if an entity is blameworthy, then they can be said to be at fault, or their behaviour was faulty.

A moral responsibility is just a sub-species, probably even a large sub-species, of responsibility in general. When the intended or reasonably foreseeable results of an action have a moral aspect (e.g. it causes harm or good), then the entity is answerable for these moral outcomes, and the ensuing responsibility can be called a moral responsibility. Many of our responsibilities are amoral in nature. For instance, a company may have a responsibility to use a particular system of accounting, but it is unlikely to be a moral responsibility, more a practical or legal one.

Do corporations meet these conditions?

It is easy to see how a person can meet these criteria. However, it seems that from a commonsense perspective corporations also meet these criteria. Corporations clearly cause events or states of affairs to occur; for instance they build bridges, mine diamonds, produce medicines, and cause environmental damage. They may or may not be forced or coerced into certain actions, and certainly employees of a corporation may or may not be forced into action. If they met these criteria then they can said to be responsible for their intended and reasonably foreseeable outcomes, and are thus answerable for them.

However, in what sense do corporations have intentions, as required by condition 3? This can be explained in at least two ways. It could refer to the intentions of the individuals that make up the corporation (i.e. employees, board members, shareholders). It is these people, in the framework of the organisation - with a certain structure, goals, cultures, roles and expectations - who have intentions, and make decisions and act on them. Clearly Ladd would argue that a good manager’s, or good employees’, intentions will always be to maximise profit with the resources and operating conditions available to them; but these are intentions nevertheless. It is their intentions, on behalf of the greater social entity called the corporation, which we are referring to when we say a corporation acts intentionally. This sort of explanation draws on a ‘methodological individualism’ explanation. Methodological individualists believe, “all social facts must be explained wholly and exhaustively in terms of the actions, beliefs and desires of individuals.” However, I do not think this analysis necessarily precludes the possibility of ascribing responsibilities to the ‘corporation’ as something more than just the sum of the individuals involved, i.e. the ‘corporation’ as it supervenes on the individuals involved.

This second conception of a corporation is known as ‘methodological holism’. Holists believe that social phenomena, like structures or social events, cannot be reducible to the actions and attitudes of the individuals involved. Social phenomena must take into account the relationships and environment of the individuals involved. The ‘individualist’ would probably agree that relationships and environment must be taken into account but they would still want to ultimately reduce it to the individuals, i.e.
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these relations are just relations between individuals and their environment, albeit complex relations. What is important are the beliefs, attitudes, motivation, in short the psychological states, of the individuals. The holist would argue that it is just not reducible.\textsuperscript{45}

The holist argues that individual’s motivations lie embedded in social practices, and that the identification of any intention is impossible without examining the social context within which agents think and act.

It was once thought that holists believed in supra-substances hovering over and above all individuals; that they were carrying forward the Cartesian legacy of substance-dualism by introducing yet another substance called the social. This is unfair to the holist who must be seen instead to be advocating property pluralism and emphasizing the distinctive causal efficacy of social properties.\textsuperscript{46}

However, for my purposes here, I do not need to resolve the individualist/holist debate. Whether a corporation’s responsibilities (and/or intentions) is more accurately explained utilising an individualist or a holist account is a further debate; what is important here is that there are at least two ways in which we can explain how corporations have responsibilities – either as a sum of the individuals or something more than that.

**Collective responsibility and liability**

Joel Feinberg identifies a category of liability that is useful in capturing what we usually mean when we say a corporation has a responsibility, which is ‘vicarious liability.’\textsuperscript{47} Vicarious liability is when one party in a relationship (e.g. the employee) has caused or helped cause a particular event, and thus is answerable for it, but another party (e.g. the corporation) bears the responsibility in the sense that they are liable for it. So what we really mean in this situation is that the employee is responsible (based on the conditions above), but when we say the corporation is responsible, what we mean is that it is liable. Vicarious liability does not capture every sense of a corporate responsibility\textsuperscript{1}, but it is the main version.

Note that this argument does not make the further, stronger, claim that corporations are moral agents. For I think to be a moral agent requires further characteristics which the corporation does not have: for example, the capacity to be rational and have free will (a Kantian-like condition), or perhaps the capacity to see oneself as an entity in time and space (a Peter Singer-like condition).

I hope I have shown that corporations do not escape the charge of having moral responsibilities.\textsuperscript{k} I have argued that a corporation has responsibilities as a particular sort of collective of people. This group is either simply a group and nothing more (methodological individualism) or the entity ‘the corporation’ supervenes on the group of people (methodological holism). Nevertheless, perhaps it would be more accurate for me to say that it is the employees, on behalf of the organisation, that have

\textsuperscript{1} Please refer to Joel Fienberg’s article, *Collective Responsibility*, for an explanation of these other types of corporate responsibility.

\textsuperscript{k} I have argued that a corporation has responsibilities as a particular sort of collective of people. This group is either simply a group and nothing more (methodological individualism) or the entity ‘the corporation’ supervenes on the group of people (methodological holism). Nevertheless, perhaps it would be more accurate for me to say that it is the employees, on behalf of the organisation, that have
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to have a responsibility, and describing how corporations can meet these responsibility criteria, especially that of intentions (either through a conception of methodological individualism or holism), and describing the link between collective responsibility and liability.

If one accepts Ladd’s analysis, then it may indeed be *irrational* (on their own internal conception of rationality) for a corporation to act morally responsibly, but this does not *exempt* them from their moral responsibilities. To say that their own internal rationality does not exempt them from their social responsibilities says nothing about how or if a good manager can also be a good person. What this analysis of responsibility does highlight is that there are two standards by which a manager can be judged. Ladd is well aware of this when he says, a manager’s actions “…are subject to two entirely different and, at times, incompatible standards: social decisions are subject to the standard of rational efficiency (utility) whereas the actions of individuals as such are subject to the ordinary standards of morality.”

These two standards which the manager can be judged by are underpinned by two different conceptions of ‘rationality’, or to use Alasdair MacIntyre’s term, ‘modes of rationality.’ In the next chapter, *Chapter 3: Rationality Stalemate*, I shall critique Ladd’s main argument: i.e. that it is *irrational* for a manager within the business-language game to act morally.

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the responsibilities which are ascribed or attributed to the corporation. In practice this amounts to the same thing as having responsibilities.
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Chapter 3: Rationality Stalemate

In the last chapter I countered Ladd’s claim that corporations are not the sort of entities that can have moral responsibilities. However, his claim that it is irrational for a manager to take into account moral constraints remains valid. At least, it is irrational from the perspective within the business language-game (in businesses that approach the ‘ideal-type’ proposed by Ladd). However, not only is it not irrational from outside the business language-game, to expect corporations to act morally responsibly, it is in fact required by definition of what it means to have a responsibility! As I concluded at the end of the last chapter, we seem to have two standards by which we judge a manager, both underpinned by different ‘modes of rationality’.

In this chapter I discuss this notion of ‘modes of rationality’. In the section ‘Moral rationalism perspective’, I then sketch an answer to the question can a good manager be a good person from a moral rationalism perspective; and from this perspective I conclude that the answer is yes. In the final section, ‘Where to from here?’, I outline the plan of the next four chapters, given our discussion of what I have called the ‘rationality stalemate’.

Modes of rationality

What I have called ‘efficiency rationality’, i.e. a means-end rationality, which operates in a specific context such as a corporation, is but one mode of rationality. It is a ‘bounded rationality’ (i.e. it bounded by its own specified ends). The mode of rationality (or perhaps ‘rationalities’) that informs ‘ordinary morality’ is less bounded in that it usually includes some ‘other-regarding’ considerations. On Ladd’s analysis, what justifies the standard of a ‘good’ manager’ is determined within the business language-game by efficiency rationality, and what justifies the standard of ordinary morality is some other mode of rationality, that is not purely means-end. Even if the rationality that informs ordinary morality is a type of means-end – e.g. consequentialist – rationality, it would be on a much broader societal scale that requires impartiality in applying it. This of course says nothing about which standard (or underlying rationality) is psychologically or motivationally more pervasive. I agree with Ladd when he says, “For the most part…the organizational (or utilitarian) standard tends to take over.”

Unless it can be shown that the requirements of one standard somehow outweighs the requirements of the other standard, then one standard does not necessarily ‘trump’ the other.

Defining or discussing other modes of rationalities that inform ‘ordinary morality’ would be a long and detailed discussion. It suffices for my purposes now to recognise
that they exist. To give just two examples: instrumental and non-instrumental are concepts of reason (or modes of rationalities) that have been recognised within the moral tradition. “An instrumental conception takes reason to serve ultimate goals that are set by something other than reason itself.”\textsuperscript{50} In fact, Ladd’s efficiency rationality is a form of instrumental reasoning. However, within the ethical domain, the goals toward which we should ‘rationally’ aim are taken to be moral ends, such as impartially acting to promote a valuable good, like preferences or happiness. A non-instrumental concept of reason “while admitting reason has an instrumental component, also ascribe to reason a role in defining unmotivated ends of action.”\textsuperscript{51} So a non-instrumental concept of reason will allow reason a role in defining what the ends of our actions should ‘rationally’ be. Kant most famously falls into this category. In a similar vein to Weber’s ideal types, I am taking rationality (or the concept of reason, I have not made a distinction between them here) to be an ideal towards which one should aim. I am not conceiving of rationality (or reason) as a process that we necessarily actually engage in – although this of course another way of conceiving it.

\textbf{Moral rationalism perspective}

In the analysis of Ladd’s argument, we have explored if a good manager can be a good person from a particular ideal-type, underpinned by a particular mode of rationality – efficiency rationality, and the answer was no. If we answer this question assuming the same sort of profit motivated organisation, but coming from a moral mode of rationality, then the answer I think could be yes. I will however, only sketch the argument.

Assuming that it is a criterion of the good manager to be rational person, if one was coming from a the perspective of a moral view of rationality, and if one was convinced by a sound argument for a particular moral constraint (e.g. one was convinced you should not violate employees basic human rights) then a good manager would, by the necessities of the moral rationality, take moral constraints into account in their decision making. In this way, a good manager could also be a good person. The good manager would be a good person because in being a good (rational) manager, they would have already taken into account moral considerations in their decisions and actions, i.e. moral considerations would be included in their rational considerations. If they did not take account moral considerations into their business decisions, then they would not be acting entirely rationally, and if we accept that rationality is a criterion for a good manager, then they should take this into account.

This argument assumes moral rationalism. “According to the tradition known as moral rationalism, moral constraints are like rational constraints, and so acting immorally is a way of being irrational.”\textsuperscript{52} If I wanted to defend this argument comprehensively, then I would have to establish the following three points.

1. Being a good manager requires being rational. (This is at least intuitively appealing. The concept ‘good’ in this context implies that a manager has all or most characteristics compared against some ‘ideal’. Rationality is a usual requirement of an ideal decision-making role. Conversely, it is hard to imagine that arbitrary or ‘emotional’ decisions would form part of such an ideal.)
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2. That the mode of rationality the manager should have is a moral mode of rationality i.e. is beyond what I have described as efficiency rationality. (Perhaps I could argue that by virtue of being a moral agent first and foremost – i.e. moral agency is ontologically prior to any ‘professional roles’ one fulfils – then the moral view of rationality should take precedence over an efficiency-bounded rationality.) Note that this would not preclude the manager necessarily from being efficiency rational as well, but it would mean that sometimes moral constraints, if they are rational, will trump efficiency requirements if the two conflict.

3. Some coherent version of moral rationalism.

This is an ambitious task, but one I think which could be successful. The point of laying out the requirements of such an argument, without actually fully defending it, is to highlight that it would also hinge (as does Ladd’s) on a certain conception of rationality. However plausibly I argue for a given conception of rationality and what the normative moral implications of such a conception are, then as long as one can also intelligently understand a means-end rationality, moral rationalism would simply be asserting itself against the means-end (efficiency) rationality. Unless there was some neutral ground by which to examine rationality then the argument is subject to an impasse. I suspect, as does Alasdair MacIntyre, that no such neutral ground exists. “There is no independent standards of rational justification by appeal to which the issues between contending traditions can be debated.” It was the project of the Enlightenment to find such a ‘neutral’ ground, an ideal rationality that could be applied regardless of time and place: “…An aspiration the formulation of which was itself a great achievement, to provide for debate in the public realm standards and methods of rational justification by which alternative courses of action in every sphere of life could be adjudged just or unjust, rational or irrational, enlightened or unenlightened.” MacIntyre argues that the Enlightenment project failed: no such grand principles have been found. In fact, it had to fail, for ‘timelessness’ is itself a concept with a history.

In Whose Justice? Which Rationality? MacIntyre suggests that “Fundamental disagreements about the character of rationality are bound to be peculiarly difficult to resolve. For already in initially proceeding in one way rather than another in approaching disputed questions, those who so proceed will have to assume that their particular procedures are the one which it is rational to follow.” MacIntyre was referring to different concepts of rationality between different traditions. He presents his case by example; by describing the different concepts of rationality, and how the concept of rationality informs a tradition’s concept of justice whether this be in the Homeric, Athenian, Aristotelian, Augustinian, Aquinian, Scottish or Liberal traditions. Each successive tradition takes something from, or reacts against their...
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historical predecessor/s. MacIntyre’s analysis is applied to ‘traditions’. I am not sure if he would regard ‘business economics’ and ‘morality’ as different traditions, or perhaps they are just different disciplines, coming from a shared social tradition. I nevertheless consider MacIntyre’s main thesis is applicable in this context. That thesis is, in short, a) that there are different modes of rationality; b) the end adopted will affect the mode of rationality adopted; and c) in turn this will influence the way we think and act.

As MacIntyre observes, a difference between standpoints does not entail that disputes between the standpoints cannot necessarily be solved or resolved. A better understanding of the starting positions is likely to yield a better understanding of the way forward especially when a tradition shares some standards of rationality and belief, and gives a certain authority to logic and consistency. All traditions he argues, are in a state of flux, and MacIntyre analyses what he sees as the stages of this flux: a process of change which may or may not reach “intellectual maturity.”

Perhaps one can not strictly apply this analysis to a language-game (as distinct from a tradition or discipline) for if the rules of the language-game changed significantly, then it becomes a different language-game. But remember that the concept of a language-game is only a helpful ‘tool of analyses’. It is a helpful descriptive, or shorthand term, to describe a particular context that is governed by its own goals, with its own ‘rules’ and internal logic. Language-games are situated within life and within traditions and/or disciplines, and in this indirect way can be subject to the processes of change.

My point is that an elucidation of the above argument, and what moral rationalism would require of a good manager (i.e. that this would require a good manager to take into account moral considerations) would not necessarily settle the answer to our central question, can a good manager be a good person. It ultimately depends on which mode of rationality one subscribes to. Unless one rationality underlying each standard can be assessed as being more ‘right’ than another, then neither standard can trump the other, and both efficiency and moral standards stand. In this case the manager continues to be irreconcilably judged by a double standard, sustaining the alienation that Ladd thinks is inevitable. Although one rationality may not ‘trump’ the other, a dialogue between people coming from different disciplines, business/economics and morality (or perhaps more successfully, between managers who are themselves concerned about the two different standards) can develop a new way forward, embodying an understanding of both points of view. Based on Ulrich and Thielemann’s empirical research, the type of manager most likely to adopt this point of view will be the Conventionalists or the Reformers.

Christopher McMahon makes a similar point, but in relation to the organisation as a political structure: “As far as I am aware, however, investigations in business ethics typically suppose that morality itself establishes a point of view – the moral point of view, as interpreted by whatever moral theory is correct – from which managerial

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*a Although in reality this alienation is not inevitable. Not only does the Ulrich’s empirical research demonstrate that managers reconcile the conflicts between good business decisions and ethical imperatives, but as Thomas Nagel points out, “…the exercise of power, in whatever role, is one of the most personal forms of individual self-expression, and a rich source of purely personal pleasure.” (Nagel, 1978, p 77) Thus power may obliterate any alienation, or considerations which led to it. In fact, one could analysis our central question, purely in terms of the pervading power relations.
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decisions are to be assessed.....I do not dispute that there is a point of view inherent in morality itself, the point of view of some sort of ideal agent or observer, from which the considerations that morality identifies can applied. But I believe that the political theory of organisations forces us to abandon the notion that the moral assessment of managerial performance in large organisations is to be accomplished from such a point of view." Clearly McMahon favours a non-moral standpoint (although he does not justify why), whereas as I think the two 'points of view' if underpinned by equally valid modes of rationality, just result in a stalemate – a rationality stalemate.

**Overridingness**

At this stage one might object and say, ‘but the moral mode of rationality does trump any other mode of rationality – that is what it means to be moral’. Richard Hare in his book *Moral Thinking*, outlines three necessary (but perhaps not sufficient) elements of the term ‘moral’. The three elements are 1) universalisability, 2) prescriptively and 3) overridingness. The concept of overridingness means that although two principles for action (e.g. a business and moral principle) are both prescriptive (i.e. they prescribe what one should do in a particular circumstance) a moral principle overrides all other prescriptive principles when they conflict with it. If one accepts this, a moral principle is one that should override all other principles for action, and in such a case, a moral principle would *trump* a business principle. I accept that this is what it means to be moral. However, as we have seen, the ideal manager, characterised in Ladd’s ideal organisation is *not moral*.

Let us say that Barbara epitomises the good manager in Ladd’s ideal type business language-game. I could sit Barbara down and patiently explain to her that her decision to hire children to increase production in the company’s factory in South East Asia was immoral. She could sigh heavily and reply, ‘I know and I feel terrible, but I had to do it to meet the company’s sales targets.’ I could go on and patiently explain that if she recognised that hiring child labour was immoral, then she should have recognised that this should override her obligations to meet the company’s sales targets. She would sigh again, and with a downcast look reply, ‘I know it should override the company sales targets, after all, that is what it means to be moral. But what can I say, I’m immoral! I am not a good person.’ She could then perk up and say, ‘But I am a damn good manager. We not only met the sales target but improved on it by 10%, enabling us to pay out a higher than forecast dividend. Our share-price is through the roof!’

This encapsulates the whole problem. The standards of what it means to be a good manager (in a particular ideal-type business) conflict with the standards of what it means to be a good person. The manager is forced to choose one way at the expense of the other. It is not even that Barbara is facing a weakness of will in the traditional sense, i.e. being *tempted* not to obey what she knows she ought to do. She might really want to act according to the moral dictates but is required by her position to do otherwise.

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*Actually Hare refers to ‘must’ and ‘ought’ for he thinks the word ‘moral’ can have too many broad interpretations (a problem I admit I have left myself open to by using the word moral). I shall however, for consistency in this paper, use the word ‘moral’.*
**Where to from here?**

We now have two answers to our central question: *can a good manager be a good person:* 1) from the efficiency rationality perspective – no, 2) from a moral rationality (moral rationalism) perspective – a tentative yes.

Given these considerations, where to from here? I identify three ways one can respond to this rationality stalemate.

1. **Asserting pressure:** First, individuals or groups could influence through political and cultural pressure which ‘standard’ takes precedence by:
   a) asserting dominance directly and intentionally through the use of legal requirements or more indirectly and perhaps less intentionally, asserting dominance through the cultural prevalence and preference of a particular mode of reasoning; or
   b) Consumers applying pressure, thereby forcing corporations to take moral considerations into account as a legitimate limiting condition, and making a ‘good ethics is good business’ strategy a viable option.

   The contingent nature of a ‘good ethics is good business’ strategy also makes the answer to the question, *can a good manager be a good person* contingent.

2. **Good business is good ethics:** Secondly, one could argue that despite the appearance of a double-standard, good business is good ethics and in fact organisational efficiency rationality is actually a *role morality*, not just a *role* within the particular business language game. This looks to the broader goals outside the bounded rationality in order to justify the bounded rationality. The usual route in justifying business as a role morality is to appeal to Adam Smith’s invisible hand argument. If such an argument was to work, *then a good manager could be a good person.*

3. **A new conception of business, a new conception of a good manager:** Thirdly, one could argue for a different conception of the ideal business. Bakan equates corporations as pathological, profit maximising, externality machines. (Bakan, I think would be in firm agreement with Ladd’s analysis.) This *is* the case, but many have argued that this *should not* be the case. Such arguments can range from promoting *radically* different business conceptions (e.g. Marxism) to simply acknowledging that, even theoretically, there is more than one business goal which needs to be genuinely balanced against the profit maximisation goal. Just one such different conception is a virtue ethics approach to business. If the basis of these different business conceptions is inherently moral (i.e. they present a new basis for a business role morality) or at the very least they accord with the dictates of morality, *then a good manager could be a good person.*

These three approaches will form the basis of the next three chapters.
Can a good manager be a good person?

Chapter 4: Asserting Pressure

In this chapter I will explain what I mean by ‘asserting pressure’ so one standard simply takes precedence over the other. As mentioned above, consumers can apply pressure thereby forcing corporations to take their concerns into consideration, and making the proposition ‘good ethics is good business’ a viable option. I shall discuss this in the ‘Good ethics is good business’ section.

This first approach simply accepts that a theoretical resolution between the requirements of efficiency rationality and moral rationalism will not be found, unless one just adopts a particular stance (but which would not be much of a resolution between the stances). In this case the manager would continue to be irreconcilably judged by a double standard, unless the stalemate could be broken by influencing the power relation between the standards so one standard simply asserts dominance or influence over the other standard. As noted above, the institutionalised power of corporations over people tends to be the dominating standard influencing behaviour, but people could in effect force organisations to take moral considerations into account as legitimate ‘limiting operating condition’. Ladd thinks, “It follows that the only way to make the rights and interests of individuals or of the people logically relevant to the organizational decision-making is to convert them into pressures of one sort or another, e.g. to bring the pressure of the law or of public opinion to bear on the organizations.” This is essentially my point too, but to couch it in the way Ladd does here is automatically giving precedence to the efficiency standard, requiring the moral standard to make itself relevant to the business standard.

Bakan argues that corporations are entities created by the state for the good of the state. They thus ultimately get their power from the state, which thus has the power to revoke a corporation’s ‘licence to operate’. To conceive it another way, if the corporation is a corporate ‘person’, or a separate legal entity, as it is under corporate law, the state has the authority to kill it. In the United States Bakan asserts that they do so regularly - they revoke small corporations’ right to operate for technical infractions such as not paying income tax or small time tax evasion. However, despite well documented criminal activity of some large corporations, the courts (for political reasons of course) never use their powers to revoke the ‘licence to operate’ of large corporations. My point here is this that use of legal power can theoretically be a very

I am thinking of power relations and “social power structures” (Gutting, G., 2003) here in a Foucaultian sense. Foucault is perhaps most famous for his analysis of sexuality as a dominant locus of power in the relations between people; I am not suggesting that sexuality is at play between a moral or efficiency standard vying for dominance, but I am suggesting that there are political, economic and social forces that have an influence on which standard gets ‘heard’ more loudly and thus which standard people ‘filter’ their decisions and judgements through.
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effective way to change the status quo and the locus of power, and to do so in a way that requires businesses to make themselves relevant to moral standards, not the other way around as Ladd thinks is inevitable. That said, I think Ladd is right, in that as the situation stands the locus of power seems to lie with the efficiency standard, and this is becoming increasingly entrenched as the main standard by which we should measure rational action.

**Good ethics is good business**

The second approach to changing the status quo through influencing power relations is to raise consumer awareness and apply consumer pressure in order to make moral considerations “logically relevant to the organizational decision making.” Thus making ‘good ethics is good business’ a viable business strategy. There is evidence that consumers are becoming increasing concerned about social issues, and the impact of corporations on people and the environment, and that these concerns are manifesting themselves in buying and investment decisions, thus directly influencing a corporation’s bottom line. For instance, “By the end of 1997 assets worth more than a thousand billion US dollars were managed in socially and environmentally responsible portfolios having increased by 85% in just two years.”

The obvious concern with this approach, from the moral perspective, is that ethical conduct is not legitimately being encouraged, but becomes a marketing or public relations strategy. Or, even if it is more genuinely motivated this profit maximisation will nevertheless trump any ethical considerations if there is an obvious conflict between the dictates of each, thus failing to achieve what the moral standard really requires. Bakan illustrates this point in his book *The Corporation*. Bakan describes the socially responsible policies of Pfizer Inc., the world’s largest pharmaceutical company. Pfizer provides services to promote the prosperity of the local low-to-middle-income community of Williamsburg, where the Pfizer headquarters are located. These services include a security system in the local subway station, and part funding for a children’s school and a middle-income housing development. The company donates millions of dollars’ worth of products and cash globally, making it, in the words of one senior vice president, “…one of America’s most generous companies.” But Pfizer’s CEO, Hank McKinnell acknowledges that “…Corporate self-interest is, and must be, the primary motivation behind his company’s good deeds…I have the ability to do both well for the shareholders and to do a lot of good in many, many parts of the world,” McKinnell claims. Therefore this ‘good’ is only legitimate if indeed it is benefiting the company financially.

Doctors Without Borders is one organisation that feels unable to rely on Pfizer contingent goodwill. This organisation, which treats trachoma (a contagious eye disease that often causes blindness) in Mali Africa, has rejected Pfizer’s offer of free drugs, because their drug supply is then vulnerable; “If shareholders’ priorities change, if the media spotlight no longer shines on AIDS in Africa…what are these people going to do if Pfizer just simply takes away, for example, its Diflucan or fluconazole donation program?” More fundamentally troubling, Bakan thinks, is that Pfizer’s profit motive requires emphasis on profit-making drugs that target rich west countries, such as drugs for baldness and erectile dysfunction. This is at the expense of focusing research and production capacity on life saving drugs for malaria
and tuberculosis, for instance, which predominately benefits less profitable developing countries.  

Sir John Browne, head of BP, the world’s second largest oil company, has been hailed as an enlightened and “astonishing” leader: one that has broken ranks with the “church of the oil industry” and not only acknowledged global warming as the environmental challenge that lies ahead, but actively endorsed the Kyoto Protocol. Browne recognises the competitive advantage that a ‘green’ consciousness can give his company. “Performance is enhanced,” he says, ‘when a company is aligned with the interests and wishes of its consumers…The reputation of a company in the widest sense has a direct impact on its commercial fortunes.”  

However, when it comes to a decision about whether to drill on the Arctic Circle’s coastal plain, drilling that may well destroy the Arctic aboriginal peoples’ twenty-thousand year way of life, it is likely that BP will be there. “The costs to the company of not drilling could be huge. The benefits – customer goodwill or positive publicity – would likely be relatively small by comparison.”  

A moral consequentialist would argue, against a Kantian for instance, that a moral motivation is not necessary required for moral action, what counts is morally good consequences. However, if morally good consequences are going to be consistently achieved without a moral motivation, then there at least needs to be some reliable basis on which it can be achieved. It is questionable whether a ‘good ethics is good business’ strategy provides the required reliable basis. Bakan is certainly sceptical: “Corporate social responsibility…holds out promises of help, reassures people, and sometimes works. We should not, however, expect very much from it. A corporation can do good only to help itself do well, a profound limit on just how much good it can do.” If the bottom line remains the driving force behind it, then the appearance of ethical commitment might achieve the same end.  

Nevertheless, surely genuinely good consequences that result from a ‘good ethics is good business’ strategy are better than the absence of those good consequences. This is true, especially from a consequentialist standpoint, but ultimately an endorsement of the ‘good ethics is good business’ strategy would depend on the alternative options. One could acknowledge that some good consequences are better than the lack of those good consequences, but reject this strategy in favour of a better strategy altogether. A ‘better strategy’ may be a re-conception of the basis of business, a re-conception that more closely aligns the goals of morality and the goals of business; or encourage businesses to accept moral limits on how they achieve their goals. This is an argument I shall return to in Chapters 6 and 7.  

A ‘good ethics is good business’ strategy, could even self perpetuate good consequences, changing the accepted and unquestioned attitudes about the ‘way things are done around here’ by creating an environment where it is acceptable to at least raise and consider ethical considerations. So like Peter Railton’s sophisticated hedonist, a manager, having decided that ethics is good business, can put that to one

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9 Bakan seems to make no distinction between corporate social responsibility as essentially ‘business charity’ (e.g. Pfizer’s free drug program) and responsibility for the corporation’s own impacts (e.g. BP’s drilling in the Arctic coastal plain). He is sceptical of both. I think a business has a responsibilities for their own impacts (as argued in the Chapter 2: Moral Responsibilities) but not necessarily for supererogatory actions.
Can a good manager be a good person?

side and be guided in her day-to-day actions by decisions that have incorporated ethical considerations. This is similar to the hedonistic paradox raised by Railton. This paradox is that if one’s ultimate end is happiness, the direct pursuit of happiness may well prevent one from experiencing the greatest sources of happiness. “The hedonist, looking around him, may discover that some of those who are less concerned with their own happiness than he is, and who view people and projects less instrumentally than he does, actually manage to live happier lives than he despite his dogged pursuit of happiness.”

Railton uses an analogous example of a tennis player to illustrate the problem. The tennis player is so obsessed by winning that this actually keeps him from playing his best, and thus often keeps him from winning. A successful tennis player tells him the secret lies in his devotion to the game. He is told to put aside his obsession with winning, and be committed and dedicated to the skill of the game. So he does, and finds, much to his delight, that his game improves and he starts winning. His objective goal remains unchanged, the goal of winning. However, his subjective motivation has changed; he is motivated on a day-to-day basis by improving his skill as a tennis player. So it could be with a manager. If her objective goal is financial advantage, and another successful businessperson convinces her that good ethics is the path to financial advantage, then she may be motivated on a day-to-day basis by good ethics. Perhaps in the business environment, with its means-end rationality, this break between objective goal and subjective motivation is not quite so easily practised, or even justified. However, the point is that a ‘good ethics is good business’ strategy may create an environment of acceptance from which to build; i.e. it can be an aspect of changing the status quo. As Ira Jackson, a former Harvard business scholar notes: “Just a few years ago’, says Jackson, ‘you’d have been laughed out of the office, if not escorted out by an armed guard’ for suggesting to a CEO that his corporation should abide by the UN Universal Declaration of Human Rights. Yet recently in New York, a hundred CEOs from the world’s largest corporations met with their counterparts from NGOs such as Greenpeace and Amnesty International, along with national ambassadors, to sign a promise to adhere to the general principles of the Universal Declaration of Human Rights.”

Perhaps a manager, who is a good person, could use a ‘good ethics is good business’ strategy to justify their good deeds to management.

So to return to our central question, if a good manager intentionally pursued an ‘ethics is good business’ strategy, would she be a good person? This partly depends of course if one is a Kantian or a consequentialist. Bryan Husted and David Allen answer, in short, yes if you are a utilitarian (because if such a strategy’ maximises utility then it’s the ethical thing to do) and no if you are a Kantian (because one must be motivated by one’s duty to act ethically, and one’s intentions would need to be judged independently of the strategy). However, this response might be too quick. For if the ‘utility’ is ethical utility (as I assume it would be), then impartially maximising happiness or preferences, and not just efficiency utility, would mean, as Bakan suggests, that a ‘good ethics is good business’ strategy sometimes maximises ethical utility and sometimes it does not. But as I commented above, it is not a reliable source of ethical utility. And even if one was a Kantian (Kantian in the sense that they believe that the right motivation matters) then the manager who was subjectively motivated on a day-to-day basis might also pass as being a good person in some
circumstances. This suggests that sometimes a manager can be a good person, when there is an alignment between the two goals and sometimes they can not. Certainly such a strategy might allow a manager to be a good person to the best of their ability even if they nevertheless required to adhere to the efficiency standard as the overriding standard of their actions.

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Note, however, that a strict Kantian (i.e. one who totally agreed with Kant) could not accept that it is enough to be subjectively motivated by ethical considerations. For Kant argues an action is only moral if it is motivated by the good will – i.e. motivated by moral duty. This moral duty is a strong requirement for Kant, and to act morally it is not enough to act in accordance with duty, but it must be out of duty. Thus even accepting that a manager is genuinely subjectively motivated by ethical considerations on a day to day basis, the contingency of such action on the benefits to the bottom line prevents such action from being motivated from one’s moral duty.
Chapter 5: Good Business is Good Ethics

The next line of argument that I must address to ascertain if a good manager can be a good person is if the business language game, with its internal efficiency rationality, can appeal for its moral legitimacy to broader goals; i.e. is it a role morality. Ulrich and Thielemann’s research suggests that certainly some managers, those categorised as Metaphysical Economists justify their actions by an appeal to this type of argument. If successful, then it means a good manager can be a good person. However, I do not think the argument works, at least not from a consequentialist approach.

I will first outline what I mean by a role morality. In the section The Invisible Hand and McMahon’s Market Morality I do four things a) present Adam’s Smith’s argument, b) identify common objections to it c) explain Christopher McMahon’s ‘implicit market morality’ if the invisible hand is to work and d) explain why I do not think his implicit market morality works as a role morality. In the last section of the chapter I present my own objection to a business role morality based on the invisible hand argument, which is, as the heading of this section implies, The Ends do not Justify the Means.

What is a role morality?

Role moralities are usually the domain of the professions. Professions aim at a significant human good or social end. For instance, health is the end of the medical profession, justice the end of the legal profession, education the end of the teaching profession. A less common approach is to attempt to justify a role morality on a deontological basis, by essentially arguing that it is a manager’s duty to act to maximise profits as an agent of the shareholder. This is another path not taken in this paper: I will not explore this deontological line of argument in favour of focusing on the usual ‘invisible hand’ role-morality defence. That said, I will make a few cursory comments to direct the reader in the right edifying direction. Justification of an agent’s duty usually comes down to a contract approach. Although one can easily justify that a manager does have a contractual obligation to shareholders to act in their best interests, it is not at all clear why such contractual obligation should trump all other obligations – as Milton Friedman wants to argue (see his article The Social Responsibility of Business is to Increase its Profits).

Objections to justifications of a deontological role morality take a similar form to objections to the consequentialist line of argument – and that is a manager can act in her principal’s best interests, i.e. to maximise shareholder wealth, but she must do so in a way which accords with the moral principles that enables her to be acting as an agent in the first place. “No principal can offer, and no agent can accept, a contract that takes increasing the wealth of the shareholders as the unconstrained goal of the firm.” (Quinn & Jones, 1995, p 37.)

That said the contract approach remains an important approach: there are at least two business ethics that use a social contract justification as their basis, and this is ‘stakeholder theory’ and Tom Donaldson’s Integrative Social Contract Theory.
profession. Each profession faces moral situations and dilemmas that are unique to it. In order to provide guidance to individual professionals in these situations, ethical codes of conduct or role moralities have been developed to further the specific end that the profession aims at. These role moralities can permit actions that are usually considered wrong, or unjustified, by general or everyday morality. For example, the legal profession expects lawyers to act zealously in defending their clients, even if they suspect their client is guilty. Although it seems that any specific instance of zealous advocacy is immoral, it is argued that it is in fact the best overall means to promote justice.

Thus seemingly immoral actions within the professions are prima facie morally justified by their ends. Thus professional role moralities tend to be consequential in nature. However, this does not mean that ‘anything goes’, and any practice in pursuit of the good end is morally permissible. There are often constraints, for instance, respect for privacy is fundamental in medical ethics, yet disclosing patient information’s might actually promote community health.

If the business language-game was to follow the template of the professional role moralities, then the good end which would justify self-interested action of business is societal welfare. I.e. business activity is instrumental in achieving societal welfare. If this is in fact a successful basis of a role morality for business, it is still a further question of what, if any, constraints on the pursuit of this goal there should be. This point was made by McMahon in his article *Morality and the Invisible Hand*. He identifies what he thinks the constraints should be – which I shall now turn.

**The invisible hand & McMahon’s market morality**

The argument justifying business for its contribution to societal good can be couched in a number of ways, but perhaps the most common and famous, is that articulated by Adam Smith in his ‘invisible hand’ argument.

> By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its product may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention. Nor is it always the worst for society that it was no part of it. By pursing hi own interest he frequently promotes that of society more effectually than when he really intends to promote it.

How one defines what the ‘social good’ is requires further explanation, an explanation that I feel will lead me too far from my main path here. It should suffice to note that social good extends beyond simply a measure of how much money society, or even individual’s in society, have. As Smith rather painstakingly points out, “It would be to ridiculous to go about seriously to prove that wealth does not consist in money, or in gold and silver; but in what money purchases, and is valuable only for purchasing.”

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1 It also theoretically promotes individual welfare, since every body is acting in their own best interests. Although this assumes that one’s own interest is to maximise monetary wealth, which is a very limited conception of one’s own interests.
Although he feels, as I do, that this is too commonly overlooked, and we seem to forget all too often that money does not equal the social good. In Aristotelian terms the ‘social good’ should contribute to the flourishing of the individual’s who make up society. This is often translated in economic terms as contributing to the quality of living of the individual members of society. According to Smith, “Every man is rich or poor according to the degree in which he can afford to enjoy the necessities, conveniences, and amusements of human life.”

An ‘invisible hand’ justification requires at least two requirements to work. The first is perhaps obvious, but important. Given it is a consequentialist argument it requires that the social good is actually being achieved through securing one’s own self-interests. This depends of course on how one defines social good, and is thus questionable, especially when considered on a global scale, given the level of poverty that exists in the world today. Nevertheless, I do grant that social good (considered as higher standard of living, for instance) is secured through business activity, especially in western capitalist societies. Secondly, the justification requires that the self interested action which is supposed to achieve social good does not directly undermine that social good, nor should it undermine the processes that enable the link between self-interested action and social good. This observation has been made by many theorists; and particular business practices (e.g. erecting barriers to entry) have been criticised for not living up to this requirement.

In his book *Ethics for Adversaries*, Arthur Applbaum criticises the appeal to the ‘invisible hand’ argument as a justification for seemingly immoral acts, given these immoral acts are deliberately designed to undermine the competitive nature of the capitalist system that enable the ‘invisible hand’ to work. Managers cannot therefore appeal to the workings of the invisible hand to justify their actions, this is incoherent. McMahon makes the same point: “…A system of profit-seeking firms promotes the value of social prosperity. Thus the managers of profit-seeking firms have a moral reason to refrain from pursuing profit in any way that is incompatible with the system’s achieving this goal.”

If an implicit ‘morality of the market’, based on the workings of the invisible hand, is to work, McMahon argues in his article *Morality and the Invisible Hand*, then it needs to satisfy at least the following three components:

1. The prohibition of anticompetitive actions.
2. Perfect information flow.
3. Morally laden organisational decisions must be put to the shareholders.

The first two components rely on accepting economic efficiency as the best way to achieve social welfare. If the market aims at efficient research distribution (as in Pareto efficiency) then these conditions are needed to achieve this end. The first component coincides with Applebaum’s point, and thus includes a prohibition on practices such as monopolies and oligopolies.

“If markets are to be efficient, there must be perfect information with respect to the quality and nature of the product and prevailing price. In light of this assumption of perfect information, it appears that the implicit morality of the market will contain various requirements to facilitate the flow of information.” This therefore rules out
Can a good manager be a good person?

any actions that intentionally mislead another, including lying, fraud, deception and even exploiting a lack of knowledge. In fact, it could even require correcting mistaken beliefs held by those with whom one deals.\textsuperscript{84}

The last requirement McMahon identifies rests on the theoretical requirement that managers must make decisions which they believe are the preferences of the stockholders. This raises a ‘diversity of wants’ problem i.e. all the different stockholders will most likely have different preferences. Finance theory ‘solves’ this problem by directing management to seek a strategy of maximising net present value of cash flow. This way, owners who want their money so they can consume in the present, can do so by borrowing against anticipated earnings of the corporation, while those who want to consume in the future can do so by lending out current earnings at the going interest rate. This assumes however, that shareholders only have consumption preferences, or at least, it only caters for shareholders’ consumption preferences. This of course is not the case. Shareholders will have moral preferences as well. Thus, McMahon argues, any management decisions which are not of the consuming preference kind, i.e. any moral decisions, must therefore be put to the shareholders to truly identify their preferences.

These arguments identify reasonably significant constraints on the means at which corporations can act in their own self interest and still justify their actions by an appeal to the good of society. Nevertheless, it may allow some practices that are considered by the usual standards of morality to be immoral. For instance, McMahon’s three components do not necessarily prohibit the use of sweatshop labour, environmental pollution, or unsafe work practices – not if the shareholders prefer those states of affairs in order to maximise their own profit, and not if all information was provided to the relevant contractual parties and no anticompetitive behaviour was adopted.

McMahon does identify principles that are usually found in everyday morality that are not found in his ‘implicit morality of the market’, and these include the principle of mutual aid, the principle of nonmaleficence, and respect for other people’s autonomy.\textsuperscript{85} He demonstrates through the use of examples that at least in some instances, respect for these ‘everyday’ moral principles might actually undermine the workings of the market achieving optimum resource distribution, and therefore social welfare.

Can McMahon’s ‘implicit morality of the market’, with its limitations on acting, then become a legitimate role morality, by ensuring that the ‘invisible hand’ may do its work? Above we recognised that the morality of the market may allow practices that are unethical by ordinary standards. For instance, sweatshop labour, environmental pollution, or unsafe work practices. Yet if we accept McMahon’s morality of the market as a role morality, then such ‘seemingly’ unethical conduct would actually be justified by business activity taken as a whole. We would just have to accept these ‘seemingly’ immoral practices in order to focus on the bigger picture – something I think we have learnt to tolerate very well in society today.

However, justifying such a move would require a more considered conception of the ‘social good’ than I have presented. For instance does the exploitation of a few hundred migrant workers in
sweatshops justifies the good of offering cheap fashionable clothing to thousands)? Is 'social good' to be understood in aggregate terms, or does social good include some protection of certain rights? If the social good is understood to include protection of human rights, then it could hardly be said that the implicit market morality promoted the social good. Or if one thinks that the social good could be understood in aggregate terms, the argument would then require further justification of why the aggregate social good outweighs certain individual rights – this is a classic 'rights versus utilitarian' problem, and a problem that morality faces more broadly. Thus it becomes hard to see how the implicit market morality remains a role morality at all.

To summarise the argument thus far: McMahon identifies minimal conditions for a morality of the market. These create quite stringent restraints on business action. However, even the morality of the market conflicts with some everyday moral principles. Yet, does this morality of the market as a role morality, justify any actions as long as they are within the confines of the market morality constraints? I.e. could we accept that immoral actions judged by an everyday morality are in fact justified by the social good they produce in the bigger picture? If these immoral actions are justified by the social good, then they would need to meet the first basic requirement - that they do in fact contribute to the social good. To identify if this is the case, will depend on one's definition of the social good, but it also just collapses back into a broader ethical question, and it no longer acts as a role morality.

One may well ask, why do professional role moralities escape the charge of expanding back into a broader morality? Of course, some may answer that in fact they do not escape this difficulty, but I certainly think they have a better chance of escaping it. This brings me to my objection of the invisible hand as a business role morality.

**The ends do not justify the means**

From society’s point of view, the purpose of business - its objective - is to provide for the social good, to provide the goods and services to cater for the needs and wants of the individuals who together make up society. This ‘social good’ can be called the moral justification. Wealth maximisation is a strategy to fulfil this objective. However, from a business’s point of view (and the manager’s point of view as an agent of her organisation), the purpose of business is to maximise profits. The strategy they use to do this is to provide goods and services to fulfil society’s needs and wants. From the individual’s point of view (that of the individual employee, or the individual shareholder) the activity of business is only a means to fulfil his own needs and wants by earning money, either in exchange for labour or investment. This multi-layered relationship is represented in Figure 2 below.

<table>
<thead>
<tr>
<th>From the perspective of:</th>
<th>SOCIETY</th>
<th>BUSINESS</th>
<th>INDIVIDUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>The purpose of business is to:</td>
<td>Maximise wealth</td>
<td>Strategy</td>
<td>Objective</td>
</tr>
<tr>
<td></td>
<td>Fulfil societal needs and wants</td>
<td>Objective</td>
<td>Strategy</td>
</tr>
</tbody>
</table>
As I have said above, the professions aim at some significant human or social good, e.g. health, justice, education, directly. We value professional ends because they are *intrinsically* valuable, i.e. good in themselves. This is not to say that they are *unconditionally* valuable; i.e. good no matter what the circumstances. For instance, pursuing the scientific education of chemical or biological weapons scientists would be hard to justify in the name of promoting education. There are moral limits to the means by which these intrinsic goods can be sought. Nevertheless, the role morality usually gets its legitimacy from the intrinsically good which the role aims at. Because the end is intrinsically good, it prima facie justifies certain (usually) immoral means to secure that good end. My argument here is that the ‘ends’ of business are not likewise intrinsically good, and thus the ends of business do not even prima facie justify immoral means.

This is not to say that business activity does not produce good ends – I accept that business activity does contribute to the social good. In fact business activity produces good ends in two senses, which I have loosely categorised as ‘ends’ and ‘consequences’, a categorisation which shall become clear below. My argument is that the *good ends* and *good consequences* of business activity do not even prima facie legitimise usually immoral means to secure those good ends. The reason is that business activity does not only produce good ends and good consequences, but *bad ends* (at least morally questionable) and *bad consequences* as well as *amoral ends* and *amoral consequences*. If a manager did want to appeal to the ‘invisible hand’ to justify usually immoral actions (by the standards of everyday morality), then they would have to demonstrate that their actions were consistent with producing *good ends* and *good consequences*, as distinct from the bad ends and bad consequences. Thus the ‘invisible hand’ does not provide a blanket role morality, but would need to be assessed on a case-by-case basis – which as I argued in the section above, then just becomes just a moral question of balancing good consequences against the means by which to achieve them. However, the whole point at introducing a business role morality is to justify those immoral (by the standards of ordinary morality) actions. If those actions need further justification in every case, then the point of a role morality is undermined.

Let me explain (albeit in an overly simplified way) why I think business activity produces not only good ends and good consequences, but bad (at least morally questionable) as well as amoral ends and consequences, keeping in mind the multilayered relationship summarised in Figure 2 above.

The direct end at which business aims is profit maximisation, on behalf of their shareholders. As explained above, they do this through producing goods and services. Yet as Smith notes, profit (money) is just instrumentally good in acquiring the necessitatis, conveniences and amusements of life – in short, satisfying our needs and wants through the consumption of these goods and services. The ability to satisfy our needs and wants is the ultimate end of business activity – from a societal point of view. Thus profit enables shareholders, through dividends and capital gain (when selling shares), to satisfy their needs and wants. Profit also allows employees to satisfy their needs and wants through being paid wages or salaries. However, our needs and wants, and the goods and services produced to satisfy these needs and wants can be unquestionably good things or good *ends*, bad, or even amoral ends.
Most goods and services that satisfy our basic needs and essential desires could probably be classified as ‘good’ ends, e.g. houses, transportation, educational books, and clothes. There are some goods and services which are bad, or at the very least morally questionable in some circumstances, e.g. weapons, addictive drugs, snuff films, degrading porn, and forced prostitution. There are many goods and services, probably many that fulfil our frivolous wants, which are amoral in most situations, e.g. fashion accessories, magazines, perfume, chocolate, and postcards.

In addition to the good, bad and amoral ends, business activity produces good and bad consequences, what the economists and policy makers call positive and negative externalities, which positively or negatively affect individuals as citizens of society, or as employees through the means of profit maximisation. Prosperous business activity can create essential positive externalities such as higher corporate and income tax revenue which enables governments to provide goods and services not usually catered for by the private sector, such as public health care, garbage collection, electricity production, water provision, and national defence. However, business activity can also generate negative externalities, such as environmental pollution, noise pollution, human rights abuses (so although employees might benefit from wages, the conditions in which they earn these wages might constitute human rights abuse or at least exploitation), worker injury and death through unsafe work practices.

This relationship is summarised in Figure 3, below.

**FIG 3**

**Professional Legal Role Morality:**

- Immoral actions (by the standards of ordinary morality)
- Directly aims towards Intrinsically valuable end of justice
- This prima facie justifies A ‘blanket’ role morality

**Compared to:**

- Satisfaction of good needs & wants
- Satisfaction of ‘bad’ needs & wants
- Satisfaction of amoral needs & wants
- Positive consequences (externalities)
- Negative consequences (externalities)

- May provide justification
- Does not provide justification
Of course this picture becomes even more complicated if the immoral action generates both positive and negative externalities (as no doubt many do), in which case the positive externalities may out weigh the negative ones. Nevertheless, the point is that this requires a case by case consideration, not a blanket justification.

I hope I have shown that I do not think that a business role morality, based on the usual justification of ‘the invisible hand’ works. There are two main objections. First, one can not use the ‘invisible hand’ to justify acts that undermine the workings of the ‘invisible hand’, i.e. undermine the workings of effective resources distribution. Secondly, the diverse ends of business activity do not justify a blanket justification of any means. In the next chapter I will turn to the third response to the ‘rationality statement’ identified in chapter 3.
Chapter 6: A New Conception of Business

We have thus far explored the question *can a good manager be a good person* from a number of different angles, and indeed answered the question in both the affirmative and the negative depending on which rational perspective you think a manager should act from, or depending on if you are convinced that the social good business activity generates, justifies a business role morality. I argue above that although I grant that business can and does produce social good, this social good does not justify a role morality.

As Ladd has identified, ultimately the tension lies in the double standard, standards which are underpinned by different ‘modes of rationality’. I have argued that unless we can identify the superiority of one mode of rationality over the other, or unless we can simply make one standard more *relevant* to the other through political and social pressures, then the two standards stand.

The analysis of Ladd’s argument, and the possible responses based on that analysis, have thus far all presupposed a theoretical explanation of ‘ideal type’ of the organisation; an ‘ideal type’ that has certain presuppositions. It accepts, for instance, the agent relationship between manager, organisation and stockholder. It accepts that shareholder’s interests are always to maximise profit. These concepts, Bakan claims are not only widely held by managers and economists, but enshrined in (at least in the USA) corporate law. It accepts that the business language game is governed by ‘ideal’ efficiency rationality. If one accepts all these theoretical ideals, then one is logically alienated, so the argument goes.

The point is that the analysis so far *accepts* a certain conception of business, as defined by Ladd’s business language game. However, the aim of this chapter is to argue that if one *rejects* this conception of a business (with its presuppositions), and endorses a different conception of business then *a good manager could be a good person*. There are a myriad of ways one could re-conceive the theoretical basis of business. However, this is not to say that by just re-defining the basis of business this will *ipso facto* mean that a good manager can be a good person, the answer will still, of course, depend on how it is re-defined. For instance replacing the ‘profit maximisation’ end-goal with an end-goal of ‘maximising production whatever the cost’ is unlikely to make it any easier for the good manager, under this conception of business, to be a good person. Yet, if one was to consciously re-conceive business with a *morally legitimate base in mind*, defined by some moral rationality, then a good manager would be a good person.
I shall explore one example of such a re-conception of business – with a morally legitimate base in mind, and this is a *virtue business ethic*. Under this conception, a good manager would be a good person. The sense of a ‘good person’ would be a much ‘thicker’ concept of what is required to be a good person, than the ‘thin’ conception I have been utilising so far. It is important to note that I am *not* intending to provide a complete defence of a business virtue ethic. For I think there are difficulties with it; for instance it is not clear to me how investors are supposed to fit within a virtue ethic conception. My aim in this section is to argue that a re-conception of business could result in a need for a re-evaluation of our central question: *can a good manager be a good person*. The virtue business ethic merely provides an example to illustrate how this revaluation might look. This is not the only possible re-conception of business; others might serve just as well. In fact David Dawson and Craig Bartholomew (two proponents of a virtue business ethic that I shall illustrate) conclude that although they may be judged as naïve for thinking their virtue business ethic, with its subordination of profit, could really be accepted by the current liberal individualistic tradition, what they are in fact trying to do is “…build a critique of the current tradition, an alternative that someday may be able to challenge the current social order.”

They are thus quite conscious that their virtue business ethic stands as a re-conception, an alternative to the dominant conception; an alternative that conflicts and would not necessarily be acceptable in the current environment.

*A virtue business ethic based on MacIntyre’s concept of a practice*

The virtue ethic approach to business focuses on habituating a good character. A good character is constituted by virtuous characteristics. These virtuous characteristics (i.e. virtues) are aimed at promoting human flourishing. For human flourishing is seen as an ultimate end of human life, as the final end in itself.

Dawson and Bartholomew propose a virtue ethic approach that draws upon MacIntyre’s concept of a virtue, deriving from a ‘practice’. This differs from the traditional Aristotelian concept in a number of ways, but one way is Aristotle’s virtues are derived from leading a good life, not just being a virtuous practitioner.

MacIntyre analyses the history of virtues and identifies three different conceptions; from these different conceptions he identifies what he sees as a ‘core concept’ which provides a “conceptual unity” of the different approaches. Essentially the core concept of a virtue is that human trait, or characteristic, that is connected with achieving excellence in some well defined human activity – which he calls a practice.

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86 It is interesting to note that Robert Solomon, another leading proponent of virtue business ethics, concludes that the re-conception needs to happen in the minds of the manager’s, for in fact the difference between the “humane aspects of corporate life” and the “brutal features” are “far more matters of perception than practice.” He goes onto say, “It is unfortunate that so many managers and employees and even executives do not…care or show compassion as they should, in part because of the brutally competitive and chauvinist images in which they conceive of what they do.” (Solomon, 2004 p 1040.)
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This activity enables the attainment of what he calls internal goods. His concept of a practice is quite specific:⁹

By a ‘practice’ I am going to mean any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, which the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended.⁸⁸

The notion of ‘internal goods’ is central to this definition. MacIntyre explains this concept using an example we are already familiar with from Ladd’s analysis – and that is chess. He compares a child who is enticed to play chess because she is promised candy if she plays, and even more candy if she wins, to the same child who, over time, develops a love of the game. In the first stage, the ‘good’ of playing chess, to attain the candy, was external to playing to the game. There is therefore nothing that would stop the child from cheating, for this might in fact enable her to attain the candy more readily. In playing for candy (and being unable to get away with cheating) the child, over time, develops a love of the game. The rewards of playing the game, (the good) become internal; her enjoyment is in achieving “…a certain highly particular kind of analytical skill, strategic imagination and competition intensity.”⁸⁹

Thus if the child cheats now, she would really only be cheating herself, for she would not achieve the internal rewards which make it worth playing. Thus internal goods are specific to a specific practice and can only be experienced by participating in the practice in question.⁹⁰

Every practice has developed, over time, particular goals, rules and/or standards appropriate to that practice which will inform the nature of the internal goods. The goals and standards are not necessarily fixed; just as they developed over time, so too might they change over time. The internal goods of a practice will in turn define the virtues needed to achieve and enjoy these internal goods.

MacIntyre notes that this does not preclude the possibility of a very successful but mean-spirited chess player, or a chess-player that displays some other chess vice. But it does mean that the mean-spirited chess player would be relying on other virtuous chess players to sustain the practice which she is successful in. She would also be denying herself the benefits of the internal rewards.⁹¹

This notion of internal goods can be compared to the notion of external goods, such as fame, fortune and status, which MacIntyre thinks, by their very nature are objects of competition. Thus to have winners, there must necessarily be losers. He does not deny that external goods are indeed goods, genuinely valued by people, but enjoyed differently to internal goods. However, in seeking the internal goods through developing the virtues which underpin a practice, we might undermine the achievement of external goods. He warns that “…we should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtue might suffer first attrition and them perhaps something near total

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⁹ MacIntyre also acknowledges that virtues are not only exercised through practices. (MacIntyre, 1981 p 187) Presumably he means that there are virtues that append to life generally (perhaps in a more Aristotelian way). He suggests that such a virtue could be ‘integrity’ (MacIntyre, 1981, p 203).
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Thus there is a “certain subversive arbitrariness” in our moral life. For instance, one could choose to genuinely seek internal goods and be prepared to do so at the possible expense of external goods, or one could choose to seek external goods at the risk of being a winner or a looser.

MacIntyre uses an example of two fishing crews, on the opposite ends of the practice-profit spectrum to draw out the difference between what he sees as a practice and what he sees as a business. Being a spectrum, there are organisations that fall between these extremes.

A fishing crew may be organized and understood as a purely technical and economic means to a productive end, whose aim is only or overridingly to satisfy as profitability as possible some market’s demand for fish. Just as those managing its organization aim at a high level of profits, so also the individual crew members aim at a high level of reward...When however the level of reward is insufficiently high, then the individual whose motivations and values are of this kind will have from her or his point of view the best of reasons for

There is arbitrariness unless one accepted there is a “telos [purpose] which transcends the limited goods of practices by constituting the good of a whole human life, the good of a human life conceived as a unity...” (MacIntyre, 1981, p 203)

MacIntyre is in fact extremely scathing of the bureaucratic manager, i.e. one embedded in a bureaucratic hierarchy. In short, MacIntyre criticises the Enlightenment Project for trying to make the humanities social sciences. Because they are supposed to be sciences they are – copying the model of the natural sciences – supposed to find “law-like generalisations” (MacIntyre, 1981 p88) by which one can predict and ultimately influence human behaviour. This necessarily requires a mechanistic view of human behaviour. Social scientists, indoctrinated with this view, hire themselves out to governments and corporations as ‘experts’ able to predict which policy or action will likely to be more effective in achieving some aim, and the ability to implement such a policy and affect such change. Thus as a manager, they necessarily stand apart from others with the intention to manipulate other’s mechanicistic responses according to their own intentions and purposes.

MacIntyre argues that there are four sources of unpredictability. Thus the managerial so-called ‘expertise’ is illegitimate, for it has no stock of law-like generalisations and thus little predicative power. MacIntyre concludes that what is actually advanced, and is disguised as ‘expertise’, is in fact private will and preferences sought for the goals of power and authority.

Dawson and Bartholomew deal with this critique essentially by suggesting what is needed is change. They see nothing in MacIntyre’s view which precludes change towards a more ‘practice-based’ conception of business. However, MacIntyre’s analysis fits into a wider critique of the current state of the liberal, moral environment; it is for this reason that to address his concerns directly would take us too far from our main goal here.
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leaving this particular crew or even taking to another trade. And when the level of profitability is insufficiently high, relative to comparative return on investment elsewhere, management will from its point of view have not good reason not to fire crew members, and owners will have not good reason not to invest their money elsewhere.  

Clearly the goal is external to the activity of fishing itself, and this external goal ultimately dictates the actions of the crew, managers and owners. There is little room here to develop the genuine virtues required to attain the internal rewards of fishing, for this would require devotion to the activity of fishing, and therefore different considerations in decision making, e.g. the decision about whether to weather low profits.

Consider by contrast a crew whose members may well have initially joined for the sake of their wage or other share of the catch, but who have acquired from the rest of the crew an understanding of and devotion to excellence in fishing and to excellence in playing one’s part as a member of such a crew. Excellence of the requisite kind is a matter of skills and qualities of character required both for the fishing and for achievement of the goods of the common life of such a crew…For the members of such a crew…the goods to be achieved in attaining excellence in the activities of fishing and in one’s role within the crew will, for as long as possible, outweigh the economic hardships of low wages and periods of bad catches or low prices of fish.

Dawson’s and Bartholomew’s Virtue Business Ethic

Dawson and Bartholomew point out that at the heart of this objection lays the ‘profit motive’ as the driver of business activity. They rightly identify that there are businesses that do not have profit maximisation as their overriding goal, for instance charities and companies not owned by stockholders. They argue that while companies would of course have to have wealth accumulation as one of their aims, it could, as these other organisations demonstrate is possible, be a subordinate end. In fact, they highlight that many practices require trading to redistribute the tangible goods they produce to sustain their activities.

MacIntyre is, I think, well aware of this. He makes a distinction between institutions and practices and acknowledges that institutions are needed to sustain practices, and in order to sustain practices they do need to sustain themselves. However, he thinks that the practices are vulnerable to the “…acquisitiveness of the institution.” Thus MacIntyre might agree that trade is needed to sustain practice, but would argue that businesses are necessarily institutions, and cannot be a practice. Dawson and Bartholomew clearly disagree that businesses would need to be categorised as institutions (although they might agree that currently most businesses are institutions). They argue that in sustaining certain practices the business itself can be a practice. The example of the second fishing crew, is after all, still a business. They argue that on this conception the external goal of wealth would be a subordinate end. Although they do not explicitly state it, I assume they envisage the overriding goal to be what is often captured in a company’s mission or motto: e.g. “To make, distribute & sell the finest quality all natural ice cream” (Ben & Jerry’s), “To enable people and
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businesses throughout the world to realize their full potential” (Microsoft), “We are ladies and gentlemen serving ladies and gentlemen” (Ritz Carlton hotels).98

Dawson and Bartholomew think that to be truly virtuous, a businessperson needs to be self-conscious about the importance of business to the wider social good. Not only does the businessperson need to know this, but they also need to know how their role and actions fit into this wider social good. This will require the businessperson to make decisions which will “…influence the development of human good through the process of production or provision.”99 Thus their decisions will necessarily take into account the impact on the social good; this would be a part of what it means to be a good manager, which is not only compatible with being a good person, it would be being a good person. This conscious awareness of the wider social good, and subordination of the profit motive differentiates Dawson’s and Bartholomew’s conception of business from MacIntyre’s conception (a conception which precludes business being a practice).

Dawson and Bartholomew’s conception of a virtue ethic requires that the ends or goals of practices (and thus their associated virtues) must be underpinned by some moral justification of these ends. They say, “The point of a practice is to contribute to the good of humans, both the wider community and ourselves.”100 The consideration of the wider social good is what gives Dawson’s and Bartholomew’s conception of virtue business ethic its moral foundation. On this conception a virtuous business manager, with their consideration of the wider human good, would not a) contribute to the production of ‘bad’ products or services or b) to negative externalities. If they did consciously contribute to this, then they would not be a good manager. This of course raises the question; if a manager was not consciously contributing to the societal ills (and in fact they thought they were contributing to the social good but were not) would they still be a good manager, and a good person? Dawson and Bartholomew think a virtuous manager would have developed a sense of what reasonable knowledge is required to judge the effect of one’s actions. Thoughtlessness could not be considered a virtue of a manager.101 Thus if one had taken reasonable measures to identify the effects of one’s actions and acted accordingly (but even if this did in fact produce negative consequences) then one could still be judged a good manager and good person.9

However, I think Dawson and Bartholomew have misinterpreted MacIntyre in thinking that his conception of virtue requires that end or goals of the practice need to aim at morally justified ends. They think “MacIntyre is clear on this point.”102 I think MacIntyre is quite clear in his acknowledgement that his conception of a practice can in fact be ‘evil’. In no way, he thinks, do we have to approve of all practices, and some practices might well be ‘evil’ or at least morally objectionable and thus open to criticism because of this.103

9 Given MacIntyre’s critique of management’s inability to make predictions based on law-like generalisations (see footnote e), I wonder what would constitute as reasonable measures to identify the effects of one’s actions? That said, MacIntyre in his critique, does not deny that we can make common sense predictions, or that we can and do make generalisations, it’s just that these social science generalisations are a) not law-like even if they may be generalisations and b) susceptible to Fortuna (i.e. fortune, understood essentially as unpredictability).
A moral conception of a practice and of the virtues associated with that practice requires "as its counterpart a conception of moral law." Certainly the three different conceptions of virtues that MacIntyre analysed initially all had a moral-law counterpart, but MacIntyre’s conception of the virtue does not per se. Therefore those practices that are in accordance with a defendable moral law are moral and those practices which are not in accordance are not. However, I don’t think this misinterpretation undermines Dawson’s and Bartholomew’s claim that a virtuous business manager needs to have as one of their goals the greater good of society in order for its moral legitimacy, which will ensure that a good manager can also be a good person.

This, I hope, provides an outline of what a virtue business ethic might look like as an alternative conception of business. A conception in which the question ‘can a good manager be a good person’ can firmly be answered, according to Dawson and Bartholomew, in the affirmative. This is not to say that there are not unanswered questions or criticisms of business ethics. For instance, the account so far has said nothing about what the virtues ought to be, or what a virtuous business manager would look like. It has also been argued that a problem with business virtue ethics is that it does not help a manager solve a specific ethical problem when the way forward is unclear. Answers to these questions have been attempted (by Robert C. Solomon for example). What is not clear to me is what role investors would have in this conception of business. If a business is privately owned and run, in other words if it is not publicly traded in the stock market, then it is much easier to see how the ‘corrupting’ influence of the desire for external goods can be kept as a subordinate end, in exchange for the internal rewards. It is harder to see how a corporation-qua-practice, which I am assuming will necessarily have stockholders in order to be defined as a corporation, could resist this ‘corrupting’ influence.

Perhaps what is needed for the conception of a corporation-qua-practice to work is a further re-conception of the manager-stockholder relationship from one characterised as agent-principal to one characterised as investor-manager relationship. As the name implies, under this re-conception, shareholders are not owners as such, but investors. Thus it is not the corporation’s responsibility to directly further their interests, which are assumed to be to maximise profit. It is the investor’s responsibility to know what the corporation’s-qua-practice goals and virtuous code of conduct is, and if it suits them, then the investor ‘signs-up’ by buying shares. McMahon draws an analogy with betting. Investors place their ‘bets’ with a corporation (in this case with a corporation-qua-practice) and if they don’t like the way the game is being played, they can place their bets at another table. McMahon notes, “But this view, which denies that the preferences of the stockholders are decisive in the management of a firm, is not in accordance with the assumptions of finance theory.” I am of course suggesting this investor-management relationship as an alternative to the existing conception of business that is currently in accordance with finance theory.

However, even if investors are not owners, which relieves the corporation’s responsibility to further the interests of the owners, there remains a tension between
internal goals of the corporation-qua-practice, and investor’s external goal of profit.\(^2\) Let me explain.

Corporations seek investors in order to access a pool of capital that they can not otherwise access (through other means such as bank loans, or private equity etc). Accessing a large pool of capital enables them to engage in expensive activities that they would probably not otherwise be able to undertake (otherwise they would have utilised some other means). It is conceivable that even a business-qua-practice would seek to undertake activities that require access to this large capital pool – so it is conceivable that a business-qua-practice would wish to incorporate, and become a corporation-qua-practice.

However, even if one could conceive of what a corporation-qua-practice might look like (i.e. how it might be structured, what the decision procedures would be etc) why would stockholders invest in such a practice? For such a corporation-qua-practice would necessarily be willing to sacrifice profit to seek excellence in the activity. They would be willing to absorb higher costs of doing business in a socially responsible way – which would include consciously making decisions which are good for society. The higher costs of running a corporation in this way would not be seen as a negative by the corporation-qua-practice, for it would be seen as part and parcel of engaging in that practice, necessary to achieve the internal goods.

Yet if the investors do not actively participate in the practice then they do not stand to partake in the internal goods. This presumably means that they would continue to invest in any corporation, even a corporation-qua-practice, in order to seek an external good – profit. If the corporation-qua-practice needs investors to sustain their expensive activities, then there will remain a tension between making decisions to keep investors happy (i.e. making investors at least enough profit to dissuade them from withdrawing their money) and decisions which are based on what is good for the corporation-qua-practice.\(^3\)

Therefore is MacIntyre’s distinction between a practice and institutions (such as corporations) needed to enable and sustain practices, but ultimately with different ends, inevitable? Perhaps it is. Perhaps businesses can be practices, but corporations inevitably remain institutions with an inherent tension between decisions which are motivated by internal rewards compared to those motivated by external rewards. This is not to say that such decisions would never overlap, they often would, but there will be times when they do not, and a decision must be made one way or another.

In this chapter I have outlined what a virtue business ethic would look like, as an example of a re-conception of business with an inherently moral base. In the next, I articulate what I mean by my answer a manager can be a good person to a greater or lesser degree, and also to point to the way forward.

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\(^2\) In addition, this re-conception may not be desirable in practice, for it theoretically puts even more power in the hands of the executive management, for they would not even be nominally acting in shareholder interests, but in their own. If such managers were operating a corporation-qua-practice, then the genuine seeking of internal rewards would be enough to stive off the desire for external rewards, which might lead to self-interested action.

\(^3\) For presumably if they were not interested in any profit and interested only in philanthropically sustaining the practice, then this would be effectively equivalent to charity.
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Chapter 7: The Way Forward

Let me now return to my central question: *can a good manager be a good person*. Our discussion of Ladd’s business language-game, with its efficiency rationality led to the conclusion that a good manager was a rational manager, and it was not rational to take into account moral considerations if this did not maximise profit. Thus they could not be a good person. However, this was contrasted with a manager who was rational, but who was *morally* rational.

In Chapter 3 I argued that this leaves us with two standards of rationality, and no ‘neutral’ way to choose between them – this I called a rationality stalemate. I then suggested three ways we could address this stalemate: a) by trying to make one standard more relevant to the other standard through asserting social and political pressure, b) by trying to identify a business role morality (which as I have argued I do not think works), or c) by offering a different conception of business, one that aligns the goals of morality and business from the outset. I will not summarise again what import these considerations have on our central question – I refer the reader back to the comprehensive executive summary for that. What I do propose in this concluding chapter is another way forward.

If we accept that a good manager is defined internally by the business language-game, then the ends of the language game will greatly determine what is rational for the manager to aim at, i.e. the ends at which we aim greatly define the prevailing rational standard. We have considered two types of ‘idealised’ ends i.e. one where the manager aims to maximise profit as efficiently as possible, and the manager of a re-conceived business, where business and moral imperatives are internally aligned from the outset. This highlights the crucially important function the end or ends at which the business aim, play in defining what is rational and what is good. Therefore if a business has genuine moral ends which go beyond simply profit maximisation, then this creates a space for managers to act ethically. These goals might be to maximise profit but in a morally responsible way, or it might be in the form of dual goals, such as to maximise profit while being the most environmentally friendly oil and gas company in the industry. When such goals conflict in an incommensurable way (although this it is theoretically possible they never will, it is practically unlikely) then some sort of prioritisation and/or guiding principles would need to be developed, either by individual managers or company policy. Dual goals, or limits on action will by no means ensure that a manager will act ethically; this would depend very much on the company culture, and not on what the business *says* their goals are, but what they actually *are*, i.e. what is actually valued.
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Such self-imposed limits on acting or the balancing of dual goals might entail what has been described as a ‘morality tax’, by Milton Friedman for instance. Friedman argued that if a corporate executive spends money on social responsible activities “…he is in effect imposing taxes, on the one hand, and deciding how the tax proceeds shall be spent, on the other.” However, this so-called ‘tax’ should theoretically be acceptable to companies that would be achieving their purpose of profit maximisation within socially responsible bounds, or achieving both dual goals to the best of their ability. In fact, it would only be conceived of as a ‘tax’ under a Ladd-like conception, and would otherwise be seen as a necessary cost of doing business in a particular way. However, how this fits with the obligations to shareholders is perhaps problematic. (However, as footnote S suggests, there are possibly constraints on the ‘contract’ between shareholders and managers.)

The closer the good manager comes to accepting all the limits on action that morality implies the closer the good manager comes to being a good person. Thus, a good manager can be a good person to a greater or less degree, depending on how or what extent they accept the moral limits on their actions. However, is this argument inconsistent with accepting that there is a rationality ‘stalemate’? I am suggesting what needs to change is the ends of business; but for this to genuinely work, and have genuine impact on managerial action, it would require a corresponding shift in the rationality mindset of managers, at least if the company was coming from an efficiency rationality mindset in the first place. I have two responses to the charge that I am being inconsistent.

Firstly, I understand MacIntyre to mean that although there are irresolvable disagreements between traditions, as a result of their incommensurable starting positions, this does not mean that every disagreement between traditions is irresolvable, or that there can never be agreement between traditions. In Whose Justice? Which Rationality? MacIntyre makes it clear that a) that a tradition (underpinned by a mode of rationality) is not static and b) that dialogue between the different traditions is possible and happens. Ladd’s analysis of the business-language game with its bounded efficiency rationality which I think theoretically captures the dominant ‘ideal type’ situation as it currently stands for many managers in mainstream the business paradigm in western, liberal countries. For this reason I think it is an important analysis. There are of course certain historical reasons why it currently stands like this, but there might be certain historical reasons why the dominate business paradigm may be different in fifty years time. Traditions, and their underpinning mode of rationality, are “advanced, modified, abandoned, or replaced”\(^{108}\); although of course they are always advanced, modified, abandoned or replaced from the perspective within a particular tradition and according to its own standards.\(^{bb}\) MacIntyre also notes, “It does not follow that what is said from within

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\(^{bb}\) MacIntyre is of course talking about traditions. As I noted in chapter 3, I do not know if MacIntyre himself would regard ‘business economics’ and ‘morality’ as different traditions, but I think the same notions can be applied. After all, the ‘business economic’ discipline (or perhaps tradition?) has its own sociological and cultural story regarding why the theory itself has become so engrained in practice. For example, Weber tells part of the story in The Protestant Ethic, regarding the religious influence has been in embedding an efficiency rationality mentality, that supports a materialistic, profit-centred culture. In his book Status Anxiety, Alain de Botton suggests another part of the story, through our quest for status and how this was achieved in the past, but now is increasingly being sought and measured through financial achievement.
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one tradition cannot be heard or overheard by those in another.” He seems to allow that traditions can draw on arguments, beliefs and texts of other traditions to address the inadequacies and further mature their own. Different traditions can share some rational standards.

I now come to my second reply to the charge that I am being inconsistent in proposing that, on the one hand I conclude that there is a rationality ‘stalemate’, yet on the other conclude that managers can move between these two rationalities. My reply here is that a manager is perhaps a special case compared to the usual problem of incommensurability between traditions and their underlying modes of rationality: a manager is both a moral agent by virtue of being a person, but by virtue of being a manager they are also a efficient rationality agent; to use Ladd’s terms, a cog in the organisational wheel. As we have already acknowledged, the dominant mode of rationality that usually defines the managers actions is that of efficiency rationality, hence the alienation. While I have argued that this does not exempt the manager from being judged by the standards of both business and morality, neither does it always remove the rationally motivated requirement/desire to act ethically. As Quinn and Jones said, “We doubt…that the ethics movement could have achieved as great a hold on senior managers and business academicians if the main motivation for the concern for ethics were solely shareholder wealth.” To make a sociological claim, perhaps the more a company creates an environment which makes it acceptable to act ethically, and to raise ethical considerations, the more likely managers will ‘voluntarily’ place limits on how they achieve the company’s goals; if these managers include the executive level and ‘opinion setting’ managers, the people who also influence what defines a ‘good manager’ then the managers in such a company can move down the spectrum. In other words, I am suggesting a cultural change may create its own momentum. On this view, perhaps a ‘good ethics is good business’ strategy is a useful intermediate step, not because it’s philosophically the best move but because it could create the environment which would enable a manager to move down the spectrum.

Given our discussion, I make clear that my suggestion for the way forward comes from the moral perspective, but that noted, this suggestion is to encourage businesses, through dialogue and political and social pressure, to accept ends which is are more than just maximising profit, and more than just window dressing, thus creating the ethical space for a good manager to act as a good person.

However, I acknowledge that if one remains a staunch capitalist, bounded by efficiency rationality, conceiving themselves within a closed system of a business language game, then this way forward will remain simply unnecessary. If one was fixated in maximising profits (and perhaps their own fortune and glory) then accepting limiting conditions on how to achieve those ends would remain unconvincing.

To conclude by saying that a good manager may, or may not be a good person (or can be to a greater or lesser extent) depending on what type of business that manager works in (i.e. depending on the ends at which the business in question aims) is perhaps obvious. What I hope I have done is given a theoretical underpinning to what amounts to a commonsense answer; a theoretical understanding which, as I stated at the outset, I hope is at least edifying.
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End Notes

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