

# Theoretical Issues in Management Ethics and Moral Performance

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## ABSTRACT

*Theoretical issues in management ethics provide the conceptual grounds upon which practical managerial moral performance occurs. Three selected theoretical issues in management ethics today are impacting managerial moral performance and are treated: (1) the moral monism versus limited moral pluralism theories; (2) the moral cognitivism versus moral non-cognitivism theories; and (3) the moral foundations versus moral rationality theories. The explicit and implicit theoretical choices embedded in managerial moral performance are critical to understanding and improving that performance. Increased awareness of and engagement with these three theoretical issues in management ethics can lead to more responsible managerial decisions and improved moral performance.*

## INTRODUCTION

Theoretical issues in management ethics emerge from understanding and analyzing the manner in which the major management theories and the major ethics theories account for and challenge managerial moral performance. Practical business managers who believe themselves exempt from theoretical influences are often the slaves of unacknowledged theories and when those theories are seriously flawed the behavior they legitimize may seriously harm others. For example, a tobacco firm manager may decide to implement an advertising strategy in a developing country to encourage pre-teens to smoke based upon his intentional or unintentional prioritized choice of certain management theories and ethics theories that legitimate the moral desirability of increasing short term profits to shareholders despite harming others over alternative management and ethics theories. The explicit and implicit theoretical choices embedded in managerial moral performance are critical to conceptually understanding and improving that performance. Increased awareness of and engagement with alternative management and ethics theories can lead to more responsible managerial decisions and improved moral performance.

Three theoretical issues in management ethics will now be treated: (1) the moral monism versus limited moral pluralism theories; (2) the moral cognitivism versus moral non-cognitivism theories; and (3) the moral foundations versus moral rationality theories.

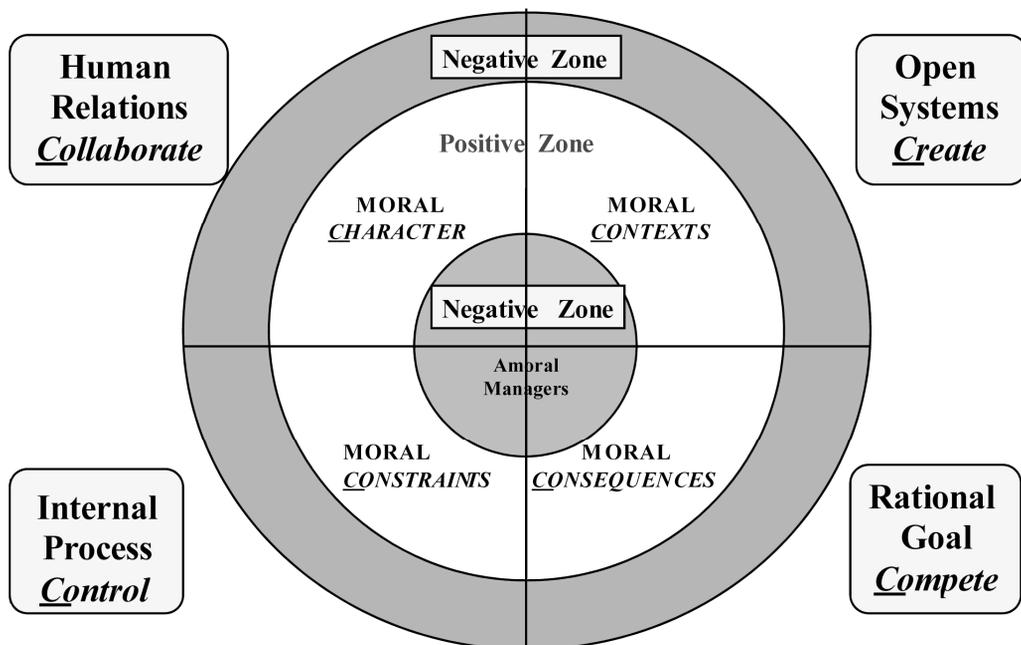
## MORAL MONISM VS. LIMITED MORAL PLURALISM

One management ethics theoretical issue can be framed as the difference between two alternate theoretical perspectives: managerial moral monism and managerial limited moral pluralism. Moral monism maintains that managerial moral performance is and ought to be ascertained by the consistent and determinative interpretation of a single management theory with a single ethics theory. For example, a manager who is an ethical egoist relying on rational goal management theory can propose that optimal managerial moral performance is and ought to be determined by the degree to which his individual wealth

and success are enhanced. In other words, how that personal enhancement is secured, whether that person's character is debased, how many persons are harmed along the way, and the eventual moral context and precedents that emerge from that achievement are theoretically irrelevant to management ethics. This doubling down on a moral monistic focus has the advantage of being a decisive, effective and efficient moral decision-making process that facilitates rapid action. However, the inadequacy of theoretical consideration of other management theories and the roles of moral constraint, character and context on managerial decision-making would eventually incentivize egoistic managers to continue to use stealthy or illegal means to enhance personal wealth and success and in the process erode their characters by becoming more vicious rather than virtuous, impose risks onto other stakeholders, while also creating a corrupt culture that perpetuates greed and malfeasance.

Limited moral pluralism maintains that managerial moral performance is and ought to be ascertained by the inclusive and balanced determination of input from a limited core number of management and ethics theories. It takes the phenomenon of the organized complexity of management ethics seriously and responds accordingly. One contemporary example of limited moral pluralism combines both the competing management values framework (Quinn, Bright, Faerman, Thompson & McGrath, 2015) and the integrity capacity framework (Petrick, 2008, 2001).

The competing management values framework has been named as one of the forty most important frameworks in the history of business (ten Have et al., 2003). The relationship of the four core major theories of management can be organized in terms of two axes, as long as economic exploitation is avoided and reliance on evidence-based decision-making is the norm. The vertical axis ranges from individual and collective flexibility at the top to control at the bottom. The horizontal axis ranges from an internal organizational focus at the left to an external focus at the right. Each major management theory fits into one of the four quadrants of emphases formed by the intersection of the two axes, as indicated in Figure 1.



**Figure 1: Managerial Competing Values & Integrity Capacity Framework**

In Figure 1 the four core major management theories and their emphases (in italics) are designated outside the circle in their appropriate quadrants of emphasis: the rational goal theory emphasizes competing effectively in the external market, the internal process theory emphasizes controlling efficiently within the organization, the human relations theory emphasizes collaborating with employees and other stakeholders, and the open systems theory emphasizes creating new products and/or environments and accessing external resources.

From the competing values framework, core managerial role performance is the outcome of organizational effectiveness (*competing* to achieve goals fast), operational efficiency (tradeoffs *controlling* to do things right and not waste resources in the process), stakeholder community character building (*collaborating* to do things together to motivate multiple stakeholder engagement and cooperation) and continual innovation (*creating* to do things first and continually adapting to new external challenges and opportunities) and in a dynamic political economic setting of supply and demand (Cameron, Quinn, DeGraff & Thakor, 2007).

Each management theory has a competing opposite. The human relations theory, defined by flexibility and internal focus, stands in opposition to the rational goal theory, which is defined by control and external focus. In the first, for example, people are inherently valued. In the second, people are of value only if they contribute greatly to market goal attainment. The open systems theory, which is defined by flexibility and external focus, runs counter to the internal process theory, which is defined by control and internal focus. While the open systems manager is concerned with adapting to the continuous changes in the environment, the internal process manager is concerned with maintaining stability and continuity within the system. In addition, complementary parallels among the theories are important. The rational goal and internal process theories share an emphasis on control. The open systems and rational goal theories share an emphasis on external focus. The internal process and human relations theories share an emphasis on internal focus. And the human relations and open systems theories share an emphasis on flexibility. Furthermore, the negative zones of managerial quadrant competence are indicated by the central bullseye circle which represents defective performance (amoral management) and the outer ring which represents excessive overemphasis. For example, a rational goal manager who repeatedly overemphasizes the goal of achieving a profitable quarter every quarter at all costs while ignoring contract quality violations, avoidable safety risks to employees, and the loss of valuable research and development resources demonstrates managerial malpractice.

On the other hand, superior managers who demonstrate inclusive, moderate and prioritized judgment along with appropriate congruent conduct with that judgment by balancing these four competing and complementary theories when dealing with complex managerial challenges can command high compensation for their skills in the global marketplace. For heuristic purposes (Gigerenzer & Hertwig, 2015), these are sometimes referred to as *the four C's* (underlined in Figure 1) of management competence: *competing, controlling, collaborating, and creating*.

From the ethics perspective, the four core major ethics theories in Figure 1 are designated inside the positive zone of the circle in their appropriate quadrants of emphasis: moral consequences, moral constraints, moral character, and moral contexts. Each theory is critical to the analysis and resolution of management ethics issues. Ethical managers, however, demonstrate inclusive, moderate and prioritized judgment along with appropriate congruent conduct with that moral judgment by balancing the input from these four core ethics theories when dealing with complex managerial ethics challenges. In effect, the way people manage implicitly or explicitly discloses their accustomed moral value priorities and emphases, e.g., rational goal “bottom line” managers are naturally disposed to emphasize consequential ethics,

internal process “by the book” managers are naturally disposed to emphasize constraint ethics, human relations “bleeding heart” managers are naturally disposed to emphasize character ethics, and open systems “change agent” managers are naturally disposed to emphasize contextual ethics.

From this limited moral pluralism perspective, improving ethical managerial performance requires that managers move out of their intuitive moral comfort zones and engage in structured dialogue and discourse to elicit and consider the most compelling evidence and soundest arguments for a course of action, and after critically evaluating these inputs from the core moral theories, make a decision on the basis of the preponderance of evidence (Petrick, 2014). For example, a rational goal manager today, born and raised in a fundamentalist Christian community with a tradition of religious segregation, may instinctively refuse service to a Muslim-American couple at his U.S. public restaurant because he may know that it will hurt his bottom line in the short run if his fundamentalist customers boycott his place of business. Yet, if he opens his mind to the inputs (evidence and arguments) from other ethics theories, such as the constraint of a federal government guaranteed human right to non-discriminatory, equal treatment in a public place of business, the evidence from the virtue tradition that respectful regard for another human being regardless of religion builds character and community, and the risk of a costly and prolonged lawsuit in the current socio-political context, he may make a more balanced ethical decision that will be better in the long run for him and his business. Now it is true that some of these additional moral theory inputs may be accorded different weights, but the switch from the moral monism of a possible short term utility-based discrimination decision to a reflective, mindful non-discrimination moral decision is the foundation for ethical management performance from the limited moral pluralism perspective.

This enhanced moral capability is referred to as judgment integrity capacity. Integrity capacity in turn is defined as the intangible strategic asset for which managers are held accountable and is composed of the aggregate individual and collective capability for repeated process alignment of moral awareness, deliberation, character and conduct that demonstrates sound, balanced judgment, cultivates moral development and promotes supportive systems for ongoing moral decision making (Petrick & Quinn, 2001).

Ethical managerial decision making enhances the judgment integrity capacity of managers and always involves the wise balancing of evidence and arguments from the four core ethics theories dealing with moral consequences, moral constraints, moral character and moral contexts. For heuristic purposes (Gigerenzer & Hertwig, 2015), these moral decisions and actions are referred to as *the four C's* (underlined in Figure 1) of *managerial ethics*: achieving good moral *consequences*, abiding by the right moral *constraints*, cultivating virtuous moral *character*, and creating moral *contexts* for sustained moral improvement (Petrick & Quinn, 1997).

While this limited moral pluralism model can enhance the reputational capital of managers and firms that employ it because of its broader, more adequate consideration of multiple voices in policy decisions, it has been criticized because it demands a high level of cognitive complexity and moral discourse skills from managers and the moral discourse process itself is time-consuming.

## MORAL COGNITIVISM VS. NON-COGNITIVISM

A second management ethics theoretical issue can be framed as the difference between two alternate theoretical perspectives: moral cognitivism theory and moral non-cognitivism theory. Cognitivism is the theoretical view that moral judgments express beliefs that are capable of being true or false (Shafer-Landau, 2003). Ethical claims such as “it would be dishonest to lie to that employee and unjust to terminate her without cause” describe intrinsic ethical facts about whether certain actions are

dishonorable or unjust and these facts have normative force, that is, they entail obligations to refrain from dishonorable and unjust actions. Cognitivists argue that commonsense ordinary discourse assumes that there are moral facts, that we can err about our moral beliefs, that we can deliberate about and logically argue about moral matters, and that complete moral arbitrariness is belied by routine appeal to moral principles that are regarded as conceptually and ontological prior to any emotional construction.

Moral non-cognitivism is the theoretical view that moral judgments only express attitudes, feelings, desires, or other affective states of mind, and, as such, are not capable of being true or false (Mackie, 1977). Non-cognitivists argue that widespread, intractable interpersonal and intercultural moral disagreement and the capacity to psychologically explain commendable or objectionable behavior without recourse to moral categories are good reasons to deny the factual basis of moral judgments.

The net result is that many managers may refrain from unethical behavior for different reasons, depending on their theoretical orientations. The major ethics theories treated tend to be cognitivist in orientation and provide logical, principle-based arguments to motivate ethical conduct or at least refrain from unethical conduct. The meta-ethical position of non-cognitivism may also indirectly motivate ethical behavior because even if moral judgments are simply regarded as emotional expressions of attitudes, vocally-expressed, disapproving attitudes from those in authority or in the majority in the workplace about an action may motivate a maverick manager to comply with the expressed moral norms of that workplace. However, whether business managers act ethically or refrain from unethical conduct based upon principles or polls makes a difference in whether stakeholders can trust them when they are not being publicly held accountable.

### **MORAL FOUNDATIONS VS. MORAL RATIONALITY**

A third management ethics theoretical issue can be framed as the difference between two alternate theoretical perspectives: moral foundations theory and moral rationality theory. Moral foundations theory emerges from evolutionary psychology and maintains that individuals are unconsciously psycho-socially biased in the extent and degree to which they intuitively gravitate to six moral foundation polarities in making moral decisions: care/harm, liberty/oppression, fairness/cheating, loyalty/betrayal, authority/subversion, and sanctity/degradation (Haidt, 2012). His work has had wide impact and support from institutional leaders because his ultimate recommendation is that morality entails the sublimation of individual conscience into the broader collective emotions of a tribe or organization to feel the power of groupish righteousness.

The care/harm moral foundation makes individuals unconsciously sensitive to the need to feel compassion and care for the suffering. The rationale for this unconscious foundation is that those who rapidly and intuitively protected and cared for their suffering children, kin or tribe members met the original adaptive challenge and were more favored by natural selection than those who did not do so (Greene, 2013). The liberty/oppression moral foundation makes individuals unconsciously supportive of the right to be left alone and resentful of any signs of domination or disrespect for equal regard for all parties and triggers an urge to band together to resist perceived bullying. The rationale for this unconscious foundation is that those who rapidly and intuitively resisted oppression met the original adaptive challenge and were more favored by natural selection than those who did not do so. The fairness/cheating moral foundation makes individuals unconsciously sensitive to indications that another individual is likely to be a good (or bad) partner for proportional collaboration and reciprocal altruism. The rationale for this unconscious foundation is that those who rapidly and intuitively honor proportional

reward and punishment in human relations met the original adaptive challenge and were more favored by natural selection than those who did not do so. The loyalty/betrayal moral foundation makes individuals unconsciously sensitive to signs that another individual is likely to be a trustworthy team player deserving of loyalty and to harm other individuals who betray that trust. The rationale for this unconscious foundation is that those who rapidly and intuitively form cohesive coalitions in human relations met the original adaptive challenge and were more favored by natural selection than those who did not do so. The authority/subversion moral foundation makes individuals unconsciously sensitive to signs of rank and status and to indications that other individuals are (or are not) behaving properly, given their position. The rationale for this unconscious foundation is that those who rapidly and intuitively forge beneficial relationships within hierarchies met the original adaptive challenge and were more favored by natural selection than those who did not do so. The sanctity/degradation moral foundation makes individuals unconsciously invest symbolic objects and boundaries with irrational and extreme values - both positive and negative – which are important for binding groups together. The rationale for this unconscious foundation is that those who rapidly and intuitively avoid contaminants and taboo ideas met the original adaptive challenge and were more favored by natural selection than those who did not do so.

Haidt maintains that these six innate intuitional proclivities unconsciously sensitize and differentiate between politically liberal managers who are more morally concerned about the first three polarities (care/harm, liberty/oppression and fairness/cheating) rather than politically conservative managers who address all six polarities with different intensities. According to Haidt, the conservative manager's propensity to also favor loyalty, respect for hierarchic authority, and ideological purity give him a career advantage in institutional contexts that reward hive-driven, conformity and teamwork. These intuitive and emotionally intense differences in unconscious priorities in moral analysis and decision-making bind and blind managers who can become close-minded with regard to any moral criticism of their use of power and authority in organizations. This makes it very difficult – but not impossible – to connect with and responsibly manage others who live in other unconscious moral matrices, which are often built on different configurations of the available theoretical moral foundations. For example, a conservative manager would, more likely than a liberal manager, intuitively interpret constructive criticism of his management style as a sign of disloyalty or insubordination rather than a caring attempt to freely speak the truth to improve performance and perhaps feel justified in taking punitive action. Again, a liberal manager would, more likely than a conservative manager, intuitively give greater credence to the suffering of an aggrieved employee who claims unfair gender discrimination at work rather than automatically side with a traditional male manager who is offended by the employee's perceived lack of loyalty and insubordination, and perhaps feel justified in taking punitive action.

Such research findings help to explain the compliance engendered and expected by authoritarian managers that address all six polarities and demand that stakeholders “get with the program” in order to reinforce group bonds and why many individuals regard management ethics as dealing with more than principles that address harm and fairness. The challenge in management ethics, however, is not to be confined by one's own unconscious moral comfort zones but to be able to consciously and critically examine personal moral proclivities, expand personal empathy and understanding, and be open to new evidence to change one's mind.

Moral rationality theory provides just such a grounded alternative account of morality (Gewirth, 1980; Singer, 2003). Moral rationality theory maintains that individuals can derive sound normative moral principles through the structured development of reason alone. They can overcome unconscious psycho-social moral biases, consciously reflect critically on moral reasons, distinguish ethically relevant

facts, logically evaluate moral theories and their alternative resolutions, engage in rational moral dialogue, and finally make a rationally responsible moral decision (Gewirth, 1980).

For the moral rationalist, the moral life is fostered only by fostering a radical individualism with altruism. The moral life calls on us to respect ourselves and all others, not only our tribe; submission to the changing whims of collective emotions in any institutional context becomes a form of moral slavery. Conscious managerial moral open-mindedness can be regarded as an ongoing, difficult stage of professional and moral development which allows managers to tolerate and respect persons with different moral matrices. This does not require that consciously open-minded managers abandon their moral values but it does require that managers theoretically and practically continue to learn, critically evaluate and properly justify their moral intuitions. Occasionally, new arguments or the preponderance of evidence may change a rational moralist judgment. Responsible managerial moral performance is ultimately dependent on and justified by the theoretical soundness of conscious managerial moral decisions and behavior congruent with them. When this does not happen, bad management ethics theories erode personal managerial character and can destroy good management practices.

Whether contemporary business managers can resist the siren song that promises happiness if one just learns how to conform to the institutional hive and instead cultivate the independent judgment and congruent conduct to which the moral rationalist aspires remains to be seen.

## CONCLUSION

Theoretical issues in management ethics provide the conceptual grounds upon which practical managerial moral performance occurs. Three selected theoretical issues in management ethics today are impacting managerial moral performance have been treated: (1) the moral monism versus limited moral pluralism theories; (2) the moral cognitivism versus moral non-cognitivism theories; and (3) the moral foundations versus moral rationality theories. The explicit and implicit theoretical choices embedded in these three choices critically impact and can improve contemporary managerial moral performance. Increased awareness of and engagement with these three theoretical issues in management ethics can lead to more responsible managerial decisions and sustained improved moral performance.

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