

Companies as Independent Agents of Social Change: A Rawlsian Approach



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Abstract

This work is dedicated to understand the possible uses of Rawls' theory to the field of Business Ethics. A literature review focussing on the main relevant concepts of the Rawlsian theory (the political liberalism, veil of ignorance, the nature of Human Beings, the principles of Justice and the reflective equilibrium) is presented. The parallelism between Rawls theory and the stakeholders perspective is the starting point for the development of an ethics tailored specifically for companies. Companies do not share purposes but their common ground is their nature. Therefore, we consider pointless to aim at an ethics that considers the purpose of companies. The only alternative is to consider the practical tip of companies. If companies' actions are ethical, the company is ethical. We develop a model of decision-making process to guarantee ethical decision based on the three justification methods presented by Rawls' Theory (Reflective Equilibrium, veil of ignorance/principles of justice and political compliance). We defend that companies share three important features: They are independent from other agents (namely governments and individuals), they influence the world socially and they do not share a common purpose.

Key words: Business Ethics, Political Liberalism, Political theory, Moral Philosophy, John Rawls. Differences in nature, Reflective Equilibrium,

Resumo

Esse trabalho se dedica à entender as possíveis utilizações da teoria Rawlsiana para o campo da Ética em Administração. Uma revisão de Literatura focando nos principais conceitos de Rawls (Liberalismo Político, Véu da Ignorância, Natureza Humana, Princípios de Justiça e O Equilíbrio Reflexivo) é apresentada. O paralelismo entre a teoria de Rawls e a perspectiva dos Stakeholders é o ponto de início para o desenvolvimento de uma ética feita sob medida para empresas. Empresas não compartilham um objectivo, sua semelhança está em sua natureza. Portanto, nós consideramos inapropriado mirar em uma ética que considera o objetivo das empresas. A única Alternativa é considerar a ponta prática da empresas. Se as ações de uma empresa são éticas, a empresa é ética. Nós desenvolvemos um modelo para garantir uma tomada de decisão ética baseado nos três métodos de justificação apresentados por Rawls (O equilíbrio Reflexivo, véu da ignorância e a obediência política). Nós defendemos que empresas compartilham três características importantes: São independentes dos outros agentes, influenciam o mundo socialmente e não compartilham propósitos.

Palavras-Chave: Administração Ética, Liberalismo Político, Teoria Política, Filosofia Moral, John Rawls. Diferenças em natureza, Equilíbrio Reflexivo.

To my mother. A mulher que me constituiu enquanto ser
À quem devo ser eternamente grato. Inclusive por sua ausência

“A final reason for studying ethics is to understand. Plato said that beliefs without understanding are like birds that can fly away with every shift in the wind. If our ethical beliefs do not rest on something, they are like those birds; we are likely to change our minds depending on the prevailing winds. To a large extent, we are our set of beliefs. Since those beliefs define what we take to be worthwhile and valuable, it is important that they rest on a sound foundation and that we know what that foundation is. Our goals in life implicitly reflect what we value and what we think is worth living and working for.

Socrates suggested the unexamined life is not worth living. If our ethics is a large part of our life, then we ought to examine those beliefs that rule us and guide us. What reasons do we have for believing this or that? Are they good and sufficient reasons? Ethics as the analysis and evaluation of moral beliefs is precisely that discipline which examines those reasons for our beliefs.”

Ronald Duska 2007

Index

Preface	07
1.Introduction	08
2.Companies in the pursuit of fairness	11
2.1.Theory of Justice.....	12
2.1.1. <i>Justice as fairness and the Political Liberalism</i>	13
2.2.Literature Review.....	20
2.2.1. <i>Punctual Usage Of Rawls</i>	22
2.2.2. <i>Systematic Usage Of Rawls</i>	25
2.2.3. <i>Relevant Usage Of Rawls</i>	28
3.Companies as independent Agents of Social Change	33
3.1.Rawls and different perspectives of the Company.....	33
3.1.1 <i>Companies seen as Governments</i>	34
3.1.2. <i>Companies seen as Individuals</i>	38
3.1.3. <i>Stakeholders Vs. Shareholders</i>	40
3.2.Differences between social agents.....	41
3.3.Origins of the demand for an ethics tailored for companies.....	45
3.4.Towards and Ethics of Organizations.....	49
3.5. <i>The abstraction of Ethics</i>	51
3.6.Future of business Ethics.....	53
4.The Reflective Equilibrium as a method for decision-making	55
4.1.The framework for ethical decision- making.....	55
4.1.2. <i>The foundations of the framework</i>	56
4.1.3. <i>Deliberative process in Business Ethics</i>	60
4.1.4. <i>The framework</i>	63
4.1.5. <i>Critics of The model</i>	73
5.Conclusion and discussion	77
5.1.Discussion.....	77
5.2.Conclusion.....	80
5.3.Further research.....	82
6.References	84
7.Exhibits	91
7.1. The New world Economy	91
7.2.The origin of Political Liberalism.....	95
7.3. The positioning of Political Liberalism.....	98

List of Graphics and Tables Order of Appearance

Graphic 2.1	
Political Liberalism first distribution and Economy Expansion	14
Table 2.1	
Key concepts of Rawls' Theory and its implications to Business Ethics.....	19
Table 2.2	
Articles Using Rawls' Theory punctually.....	23
Table 2.3	
systematic Usage of Rawls' Theory by Business Ethics.....	26
Table 2.4	
Summary of articles relevant to our Work.....	31
Table 3.1	
Ethical foci and their corresponding theories.....	37
Table 3.2	
Shareholder Value versus stakeholder values perspective.....	40
Table 3.3	
Comparative Table of different social agents.....	45
Graphic 4.1	
Simplified Graphical Representation of the model.....	66
Graphic 4.2	
Graphical Representation of the Model.....	71
Graphic 5.1	
Independent Agents.....	81
Graphic E2.1	
Communism`	96
Graphic E2.2	
Minimum State.....	97
Graphic E3.1	
The positioning of The Political Liberalism.....	98

Preface

Two Brazilian retailers companies joint forces to become the second biggest retailer shop in the country with more than 400 outlets. In a press conference the owners of both companies, to be transformed in one by a holding system, spoke about the features of the new company. One of them said now, with joint forces, they could purchase items together, and by doing so, they would be able to sell for better prices. With lower costs, they would have lower prices to the final customer; he added that this was a good thing for the clients and for the economy as a whole.

At a first sight that seems true, but is it true? To the final customer, better prices with equal quality is definitely a good thing, but when it comes to the economy as a whole, this might, in some cases, not be true.

If the retail industry concentrate too much¹, it is reasonable to think that they would want to pay less to suppliers. The suppliers on their side, won't like this new situation, but in order to survive, they will have to sell at the price determined by the market (considering that in a free-market economy, in a competitive environment, they are price-takers). At the same time, to keep profit levels acceptable, they will have to cut of costs somewhere. It could be, for example, in the quality of its products or in the number of employees. With fewer employees in the market, less people can buy goods, and with a smaller demand, the supply-curve will suffer adjustments.

Another important feature is that the holding won't need as many employees as it did before (e.g. you don't need two Presidents for a division). Most probably a few people would loose their jobs because of the new situation. So, just because they are looking for economies of scale, they might be influencing the whole economy of a country.

One possible conclusion of this case is that, ethically speaking, problems are more complex than they seem to be. Ethics in business can be related to many variables that some managers ignore in the process of decision-making.

¹ The discussion on the optimal point of concentration of a industry is far from the scope of this work. The simple understanding that an excessive concentration is not something that governments wants, because it can generate unfair trades in the economy is enough to understand this feature of economy.

Chapter 1

Introduction

It is evident the changing environment that we are living in (Torrington et al 2008, Merchant and Van Der Stede 2007). The complex pursuit for competitive advantage in the new market economy (Hayes et al 2005)², and the change of focus of companies is/will be responsible for the creation of a new concern in the companies: the social issue. This is related to an ethical problem: “Do the principles and values we learned suffice in this new world or we need to revise them?” (Freeman 2009)

What companies have to do in order to remain, or gain, competitive advantage is becoming more complex. Areas in the companies that usually wouldn't have to be “excellent” now are as important as the others; a lack of care with any area could mean the disadvantage in the competitive world.

This work focuses on the defence that the current formatting of the market demands the development of an ethics designed exclusively for companies, an ethics that can guarantee ethical decision-making under any circumstances, and an ethics that lies far from Political liberalism or moral philosophy.

To achieve the desired outcome, we decided to explore the basis of what we consider to be the best work ever written in the field of ethics: The 1971, John Rawls', A theory of Justice. “John Rawls is considered to be the most distinguished contemporary justice theorist. His highly influential works have been praised not only for their theoretical sophistication, but also for their resonance with the 'everyday intuition' of ordinary people.” (SIMOLA 2003). Besides the admiration we personally carry for Rawls' work, several reasons contributed to this choice. Rawls' theory was developed to a Liberal world and more of the half of the world's population, since the

² Exhibit 1 at the end of this work, presents the Characteristics of “The New World Economy” described by Hayes et al.(2005)

collapse of the Soviet Empire, entered the global market economy (Hayes et al 2005).

In Rawls work, we find generic statement of ethics, but, we argue, companies do not play an important role in this equation. The growing importance of organizations towards social development in the welfare of the society is, for us, undeniable. Companies have been using political theories and moral philosophy to determine its ethical duties. But none of these theories, by it self, is sufficient to deal with the ethical problems that companies face on a daily basis (Phillips and Margolis 1995) "...Rawls takes a more holistic approach to the (se) rights and to distributive justice more generally" (Freeman, S. 2003)

Rawls, for us, is the most complete thinker of Ethics of the last century, and we are convinced that his theory, even tough tailored for governments, has in its core an important feature that can, and should, on our opinion, be used for business ethics.

Our objective, thus, is to understand the contributions of Rawls' work to the advances of the business ethics field. To which extent can Rawls' theory be applied to Business Ethics?

For that purpose we will present the most important concepts of Rawls' theory that has been used to business ethics. His work will, for didactic reason, be divided into two spheres: the Political and the Philosophical (or metaphysical). His work is divided because it can be, we argue, only partially useful to business. After that we will provide the reader with an overview of the parts of Rawls' theory that has been used by Scholars in Business Ethics: the most important concepts and the reason why they were used.

In the following chapter we will discuss two main perspectives that use Rawls as a foundation and the consequences to the bigger picture of Business: The Stakeholders and the Shareholders perspectives. A discussion on the demand for an ethics tailored for business will derive from the dichotomy present in those two perspectives. A few steps into the creation of this ethics will be given here. Generic statements on the characteristics of such an ethics will build up to its partial construction in the following chapter.

The work continues with our proposition of a suitable usage of Rawls into the field. We will develop a framework for decision-making process in companies that considers [above all other variables] an ethical decision towards an ethical action.

We finish the work with the discussion on the awareness of managers (more specifically those responsible for decision-making rather than coordinating employees) of the role of companies in the society, and the limitations or definitions of the concept of companies as independent agents of social change.

Chapter 2

Rawls Theory and Business Ethics

foundations and common usages

When we try to label the position of this work under one of the categories suggested by McAuley, Duberley and Johnson on “Organizational Theory” (2007), we tend to understand this as a post-modernistic work. But due to the objective of these kinds of work –“post-modern philosophy concentrates much more on critiquing and deconstructing existing theories than construction new ones” (McAulley and all 2007) - we realized that this would be a mistake. In a way we try to critique former assumptions, but not deconstruct them. Therefore we were required to label our work under the “neo-modernistic” tag, which suits well when we look at its definition: Neo-modernistic approach focuses attention on the human issues of organization (McAuley et al 2007). This does not mean that this work treats organizations as humans³, but rather faces the fact that the organization is formed by the interaction of individuals, and therefore the tools that should be used can be borrowed from human sciences to study it.

The importance of labelling the work arises from the demand of finding the most appropriate way to approach the problem, to find out the best methodology for this case. “The neo-modernists looked to psychology, sociology and anthropology as the core bodies of theory from which they developed their understanding of organizations and management.” (McAulley et all 2007). From Psychology they use applied psychology methods such as surveys and interviews, from Sociology they borrow systems analysis and organizational diagnosis from anthropology ethnographic approaches to understand culture and the role of symbols. We are not claiming that we used all or even most of those tools for our work, but the idea of borrowing techniques from the

3 This work has as central to its development the opposite reasoning. Our attempt is, among others, to prove that companies can not be compared neither to governments, nor to individuals.

strictly human sciences was definitely the basis of our methodology.

We borrowed our methods mainly, but not exclusively, from Philosophy, which means a systematic reading and interpretation of academic writers from the most diverse areas of knowledge: Business Ethics – Corporate Social Responsibility, Stakeholders Perspective, Shareholders perspective, Theory of Business Ethics; Philosophy/politics – Politics, Metaphysics, Ethics, moral philosophy; Business Theory – Basic fundamentals, Operational Management, Human Resources Management, Finance and Account Management.

2.1.Theory of Justice, Political Liberalism and Ethics

John Rawls has been largely used by management theorists⁴ before -Public Administration and Business Ethics mainly. A literature review will be presented in the next section but first we will provide a short explanation of his theory focussing on the most important features of it that we consider could/should be used towards a construction of ethics in business.

Rawls theory is the conducting wire of this work and will be used in all of it. It is the ground of this work and is connected with its conclusion. Because of that, his theory will have to be explained with a wider focus that we would like to, but we consider as appropriated and necessary to the evolution of the current work.

4 Rawls contributions to other areas alien to philosophy does not stop at business. His theory has been used in other areas such as economy (A Theory of Justice 1971 and Justice as Fairness: A restatement (2001), and Political Liberalism) and law (see the Law of Nations 1993). His biggest contributions to the fields are derived from the political liberalism and mostly by the statement that justice equals fairness. To philosophy he is considered to have a profound knowledge on moral philosophy (see Lectures on the History of Moral Philosophy 2000 – Harvard University press) and Political Philosophy (see Lectures on History of Political Philosophy 2008 – Harvard University Press), besides his biggest contributions to ethics in general (see Collected Paper 2001 – Harvard University Press), and shy contributions to Religious influence in ethics (see A Brief Inquiry into the meaning of Sin and Faith 2001 – Harvard University Press)

2.1.1. Justice as Fairness and the Political Liberalism

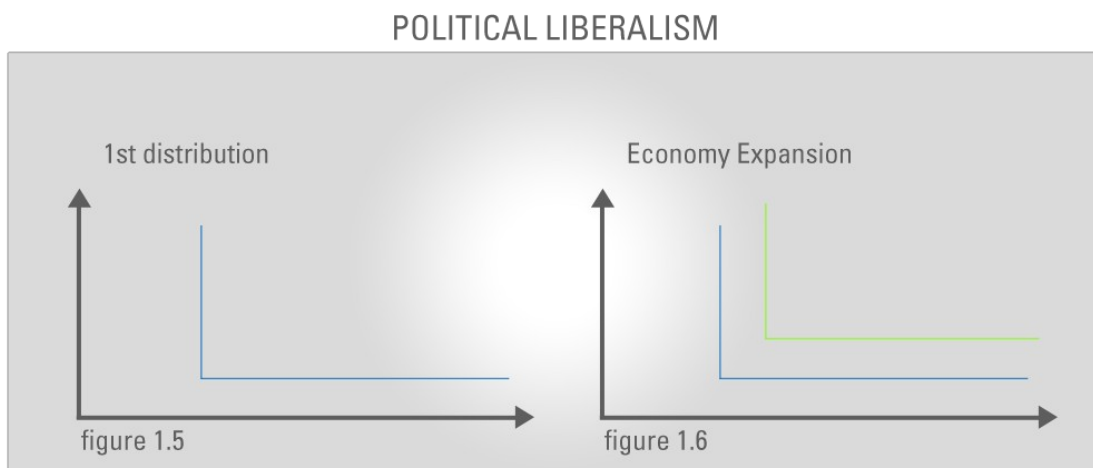
John Rawls' theory has, as starting point, his philosophical, metaphysical, ethical work from 1971, called "A Theory of Justice". It culminates in his political work called "Political Liberalism" (1993). This theory deals with the distribution of scarce goods in the economy. As its name suggests it is a political theory.

Rawls is primarily trying to solve two problems. 1) In a liberal extreme situation (For instance Minimum State theory), people who are fittest to the market will profit a lot from it, but those who are not will have a small or even none part in the scarce goods. 2) Besides the fact that people are different from each other, they have different conditions as well. He is concerned with "the institutions that distribute unequal life chances to the members of society" (Rawls 1971). While one individual is born in a rich family, full of benefits, in a wealth region, while another is born in a poor family, with uneducated parents: the starting point of people is different; their opportunities are not the same (Those problems arise from two extreme theories. The explanations on the origin of Rawls theory can be found at exhibit 2 – at the end of this work – The exhibit 3 presents the positioning of the Political Liberalism, related to other two extreme politics of sharing scarce resources).

There are two important features in Rawls' work: The political and the metaphysical. Both of them are important to understand the different aspects of its possible applications to business ethics. They are intrinsically integrated, but that does not mean, that, for didactic reasons, they can not be viewed apart from each other. Rawls' objective could be summarized in "to disperse the ownership of wealth and capital, and thus to prevent a small part of society controlling the economy and indirectly political life itself" (Rawls 1993), Rawls manages to do it by a society based on a liberal economy, the method he chooses is trough "the most appropriate moral conception of justice for a democratic society" (Rawls 1971).

To address to the first problem (the extreme liberal situation), we will use a **political** approach. According to Rawls, there is a minimum that should be guaranteed to people regardless of their contribution to the market (primary goods) (Rawls 1971/1993). The figure 2.1 ⁵shows the distribution of scarce goods in that society. The individual that is represented in the horizontal axis owns more than the one in the vertical axis, but in the case of an “expansion of the economy” both individuals will benefit from it proportionally.

Graphic 2.1
Political Liberalism first distribution and Economy Expansion



Notice that in the graphic 2.1 there will be an uneven distribution of goods. The individuals who are fittest to the market will have more. But the individuals who are not fit enough will be guaranteed the minimum. When we analyse the economical expansion graphic we can notice, that what is generated is an increase in both individuals welfare⁶. That means that they will increase the standards of the society, fairly⁷ dividing the new goods to all the individuals. Public reasoning “appeal only to presently accepted general beliefs and forms of reasoning found in common sense, and the methods and conclusions of science when these are not controversial”(Rawls 1971). This concept of public reasoning will be reflected in the social contract developed by Rawls (explained

⁵ The graph plots the distribution of scarce goods among two individuals or group of individuals. Each axis represents one of those groups.

⁶ Rawls makes use of the capitalist logic that individuals rather have more goods than less goods.

⁷ Fair is a subjective concept for most of the people. We here are commonly using the term fair in Rawls assumption that is not, according to him, a subjective concept. Further explanations on the concept of fairness for Rawls will be given in the current work.

further in this work).

The mechanics of this is well known by most of us: tax collection. People pay a share of their earnings to be reinvested in the society. Those who earn more, pay more. Those who earn less pay less, and those who do not earn enough, will receive part of the money through some kind of benefit program⁸. The basic goods – or in Rawls terms the primary goods - can be many depending on the society. For instance healthy care for everyone, food, education, self-esteem among others: “In a Rawlsian information society ... every stakeholder's basic rights and liberties – such as one’s right to know; right to privacy; right to accurate, reliable, unbiased information; right to one’s own intellectual and tangible property, and right to fair access to information and information technology – are protected”⁹ (Pollach 2005)

What is important to highlight is that the Political Liberalism (referring to the theory not the book¹⁰) is an ethical framework to define what would be ethical from a government's point of view. Or in better words: What are the ethics that lies behind an ethical government. How will a government help its people to feel that they exist in a fair society: [talking about Rawls] “ethics of an act are determined by the degree to which opportunity, wealth, and burden are equally available to all members of society” (Malhotra and Miller 1998).

The second issue that Rawls is looking for a solution is the fact that people have different opportunities to start with. This issue could easily be solved by his political theory – the same mechanism: taxation - but he has many approaches to solve that problem. The approach we are about to express are both: a solution to the referred problem and the philosophical foundation of his political theory.

To address to this problem, we will use the **metaphysical** approach. Rawls uses the

8 The examples are endless, for demonstration only we can give as examples the program “bolsa familia” held by the Brazilian government, which provides poor families with a minimum wage because the families are classified, according to Brazilian standards, as “living below the line of poverty”.

9 The terms used here by Pollach are modern and biased on the stakeholders perspective, but the message in her text is clearly useful, if analysed with this reservation.

10 The book of 1993 a “Political Liberalism” is an exclusively political theory. But the foundations of the theory can be tracked down to his first important work “Theory of Justice”. When we use, in this work, the term Political Liberalism we are referring to the theory not to the book.

philosophical concept of the **veil of ignorance**¹¹ - Rawls' manifestation of the well known social contract. The exercise is to imagine your self in the worst possible condition you can (for instance, you were born in a underdeveloped country, in a minority ethnicity, in a poor family, with an irreversible disease, and etc...), and from that position, you need to come up with the ethical statements that should guide the world's rules. Human beings are “free and rational persons concerned to further their own interests would accept in an initial position of equality as defining the fundamental terms of their association”¹² (Rawls 1971), therefore the veil of ignorance is responsible to remove the subjectivity of the individual: “no one knows his place in society, his class position or social status” (idem) but individuals are still aware of their 'methods of thinking', and think clearly under the veil. The idea is to exclude all forms of discrimination (Henry and Jennings 2004).

Rawls' attempt is to discuss the concept of justice it self: “Until one knows what justice requires, one cannot know that the observance of negative Lockean property rights will result in a just situation” (Malone and Goodin 1997). The article by Malone and Goodin provide an interesting feature of the influences the philosopher Locke has on all contractualists that comes after him. The claims are that in order to use contractualism we must 'get over' the Lockean heritage – see Malone and Goosin 1997.

For Rawls, under the veil of ignorance, you will invariably¹³ decide for two principles of Justice: “1. each person has an equal right to the most extensive basic liberties compatible with similar liberties for all; and, 2. social and economic inequalities are arranged so that they are both a. to the greatest benefit of the least advantaged persons, and b. attached to offices and positions open to all under conditions of fair equality of opportunity” (Rawls 1971). “The consensus would be a fair one because no one was forced to agree to it and everyone agreed to it in the belief that it would

11 The veil of ignorance is a hypothetical exercise. A philosophical concept used by many philosophers to (try) to determine the inherent human condition.

12 Just as an example of the application of those principles Malone and Goodin apply the concepts to the apartheid in South Africa. See Malone and Goodin 1997 p.1700)

13 Here it is possible to identify the strong influence that the German philosopher Emanuel Kant has over Rawls.

be the consensus most beneficial to them given that they did not know anything about their particular role in society.”(Malone and Goodin 1997)

The philosophical mechanics of this society is based on the fact that, if those principles are respected, people will work in order to create a **fair** world for themselves. “Rawls examined the concept of justice and concluded that fairness was essential to justice” (Malone and Goodin 1997). The starting point is that people under fair conditions will act for their own interests, but people are rational beings, and therefore, they will participate in commercial activities **only** if they think it is a fair trade.

On the other hand if the conditions are not fair (for instance a family that has no water) people will not act rationally and will participate in commercial activities out of necessity and not freewill (possibly participating in an unfair trade).

But that does not solve the problem that people are intrinsically different from each other, but it is the ethical framework, responsible for erasing those differences. The claim here is that if the legislators think for the least fit people, they will create rules to protect them. This is why the veil of ignorance is the foundation behind the political liberalism. Because of that original position the government will provide for those who can't provide for themselves.

The last, and probably most important, concept of Rawls' theory, to be shortly explained here, concerns the justification methods for principles and judgements about justice. A more in depth explanation will be provided on chapter 4 about this theme, but for now it is suitable to explain the philosophical interpretation of the justification methods and its objectives.

The justification¹⁴ methods have as objective to justify the action of the individuals as ethical. The idea is that a decision or action to be legitimate has to be justifiable under different prisms.

Rawls uses three different justification methods. One of them is the social contract or in

¹⁴ Scanlon provides the reader with an interesting study on the reflective equilibrium where he considers two difference facets of it: as a justification method or as a deliberative process. The discussion is philosophical in nature – see Scanlon 2003 in Freeman, Samuel “The Cambridge Companion to Rawls”.

philosophical words, the idea of public reason (Scanlon 2003). This concept has been explained already. If an individual lives in a society he agreed on the terms of the society, he has to act accordingly to the social rules. The second one describes the principles of justice decided under the veil of ignorance. For Rawls those two principles lie above questioning and should be respected¹⁵. The third and last justification method is called the reflective equilibrium. It was created because: “One conception of Justice is more reasonable than another, or justifiable with respect to it, if persons in the initial situation would choose its principles over those of the other for the role of Justice” (Rawls 1971), thus, the reflective equilibrium is a method to help people to find the conception of Justice that is more 'reasonable'.

The reflective equilibrium has three stages. On the first Stage the individual has to identify a set of considered judgements about justice. In the second he/she has to formulate the principles that account for these judgements. The third and last stage is the decision on how to respond to the divergence between these principles and judgements. It is an immanent method, from which you can leave only after the three stages are complete, and the last stage invites you to go back and forward in the first and second stages. When the method is finished, the decision lies in a reflective equilibrium (Freeman, Samuel 2003) We will provide our interpretation of the method and its practical application for Business in the forth chapter.

Under our interpretation of Rawls' work, He sees two different social agents: governments and individuals. Each of those agents has its own purposes and characteristics. We will go deeper into that later in this work, but for now, we could summarize each agent's purposes as: Governments has as purpose to provide the means necessary to individuals, so they can provide themselves with a fair condition of life. He empowers both agents: they are responsible for the welfare of society.

The key concepts of Rawls theory to this work are summarized in the table 2.1 bellow:

¹⁵ Further in this work we will discuss the flexibility of these principles.

Table 2.1
Key concepts of Rawls' Theory and its implications to Business Ethics

Concept	Definition	Implications for Business	Theoretical Implications
The nature of Human beings	Human beings are rational and selfish. As a consequence they will participate in commercial transactions exclusively when they believe they “win”.	Competitiveness. Because of the human nature, companies have to provide the best option to be able to participate in commercial activities.	Rawls does not consider the human nature as Rousseau as a noble savage, but rather a more realistic view applied to the modern capitalistic, democratic society. That allows him to use the concept of contractualism in an acceptable realistic way.
Political Liberalism	Theory that defends a market economy but rely heavily on the government to guarantee social welfare trough taxes and redistribution of wealthy.	Has been used by the defenders that companies should provide society with retribution of wealthy. (E.g. Stakeholders defenders).	This theory is influenced by the society's current format, and allows a 'way out' trough to the injustices that it has.
Veil of ignorance	Theoretical concept that provides individuals with an impartial option to decide the two ethical principles that will guide the rulers' decisions	This version of the social contract can be largely used by ethicists in all relevant fields including business ethics.	Although this concept is purely hypothetical, it provides the universalism of believes on the justice that should guarantee objectiveness to the rulers when opting for one rule rather than other.
Two Principles	These two principles are coined under the idea: what are the principles that should be used towards a fair society.	Companies are part of the society; therefore these principles lie above business ethics as well as political theory.	The principles of Justice are the result of the decisions made under the veil of ignorance. It allows individuals to act ethically regardless of their personal conditions. The biggest advances provided by these principles is the idea of suppression the subjectivity of the rulers
Reflective Equilibrium	A justification method of Rawls theory. It is a framework on how	The concept of reflective equilibrium	This concept is the most complex one, because it

	to turn principles of justice into judgements	can be used by companies entirely, for the decision-making process.	is responsible for transforming the principles of justice into the judgements. It provides individuals with to ability to act ethically.
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2.2.Literature Review

Two approaches are predominant in business ethics: the normative and the empirical. During the last 30 years researches with philosophical training have introduced the purely normative, non-empirical methods to study business ethics. In this way the philosophical tradition of ethical theory contributed significantly to business ethics. This literature review is focussed on the normative approach.

In this section of the work we choose a different structure than regularly applied for literature review. Our review is unorthodoxly divided into four parts: The first one relates to articles that use some concepts of Rawls to prove a point in their theory. The second relates to articles that uses Rawls systematically in their work but are not extremely relevant to our research. The third part is about authors that used Rawls and we consider relevant for our work. The forth and last part of the literature review, even tough it is a review of the usage of Rawls for business ethics, it concerns exclusively the usage of his theory to the Stakeholders perspective, for that reason it will be placed in the section that is dedicated to explain this perspective.

One last characteristic that is relevant for all four parts of our literature review is the criteria of choice and division of the articles. Our research was based exclusively in journals, because we seek to understand the advances and usage of Rawls theory in the current academic research. We searched in the three top business ethics journals (namely Business Ethics: an European Review by Blackwell Publisher Ltd.; the Journal Of business Ethics by Springer (which is considered the best journal in business ethics by specialists) and; Business Ethics Quarterly edited by Philosophy Documentation Centre as the basis of our research. Relevant articles in other renowned journals as

Academy of Management (publisher: Academy of Management); European Planning Studies (Routledge); were used as well when meeting some of our criteria.

The criteria was similar for every journal with special attention for the journals that were not specialized in Business Ethics: the first step is to choose the range of the research: No specific range was selected once the articles that meet our basic criteria were few - Just articles that talk exclusively about Business Ethics, John Rawls, and normative decision-making process, involving John Rawls. The research here, rather than a systematic research in all issues of specific journals, was made in a more generic way, using research tools applied to most of the journals available to us. The cross reference researches based on the key words: John Rawls, Political Liberalism, Business Ethics and Reflective Equilibrium, gave us a few articles to work with. Most of them were not used because of their irrelevance to the theme.

In the specialized journals the selection of the articles was done taking into consideration only articles that relates to ethics rather than other themes. The first selection of articles considered all the articles that cite Rawls in the full text in the last 10 years. From that amount of articles (236 in Journal of Business Ethics, more than 300 in Business Ethics quarterly and over 40 in the Business Ethics and European Review) we excluded all articles that did not relate strictly to Business Ethics, and John Rawls.

From the number we got we excluded all the articles that were not related to our theme (the foundations of Business Ethics, its applications on decision-making and the usage of Rawls' concepts applied to Business Ethics), and articles that uses only the latest work of Rawls - that is based on international law – the 2010 “A Brief Inquiry into the meaning of Sin and Faith” and the 2001 “The Law of Peoples”. The last criterion was based on the relevance of the articles. What leads us to our division in four parts; which we will specify when explaining each part of the literature review.

A last important part of articles were excluded because they were widely used in the current

work. Therefore they are only quickly mentioned in this section to avoid repetitiveness in the work. After considering the whole process described above, in this literature review, we present a total of 34 articles.

2.2.1. Punctual Usage of Rawls.

Our first instinct was to exclude these articles from our literature review because they don't represent any unusual usage of Rawls theory worth of mentioning. Once we started reading the articles we found that this first instinct was mistaken. The articles that we chose for this section show how broadly Rawls' concepts can be used for Business, and how they can serve as a foundation for many researches in a very relevant way. Rawls is not present in the conclusion of any of these articles, or in the abstract. But his theory is important pillar for the construction of the knowledge all these authors created.

For that reason we decided to classify those articles under the usage of Rawlsian concepts. Five categories were limited: 1) veil of ignorance / social contract (two concepts connected and often used together); 2) The Political Liberalism / distributive Justice; 3) The reflective Equilibrium method; 4) the nature of the Human being and 5) the principles of Justice.

We came up with a table (Table 2.2) that summarizes our findings. Since in this category Rawls does not play a central position in the articles, we considered that exposing the research questions and findings of the articles would be inappropriate. Therefore we confined to explicit the usage of Rawls' concepts and the reasons why they chose Rawls. (All the additional references for the articles used for literature review are presented in the end of this work)

Table 2.2
Articles Using Rawls' Theory punctually

Concept	Usage	Title	Year	Author
Veil of Ignorance/ original position /	Uses the concept to infer that limited liability would be not only a net gain but also a gain for everyone concerned	An Appraisal of Shareholder Proportional Liability	2001	Gordon G. Sollars
	Mixed with the concept of distributive justice, they use the concepts to find ethical criteria for corporate political actions	A Study of the Ethical Issues of Private Entrepreneurs Participating in Politics in China	2007	Zhilong Tian Haitao Gao Malcolm Cone
	Defends that Rawls contractualist theory is the basis for the global solution for the destruction of some stakeholders caused by the entrepreneurial innovation	Innovations, Stakeholders & Entrepreneurship	2007	Nicholas Dew Saras D. Sarasvathy
	Uses the concept of social contract to explain the responsibility intrinsic to citizens	A Model for Partnering with Not for Profits to Develop Socially Responsible Businesses in a Global Environment	2009	Kathleen Wilburn
Political Liberalism / distributive justice	Uses Rawls to determine how equally opportunities and burdens shall be divided among all the stakeholders. Rawls is used as well as founding for an impartial and equitable administration	An Integrated Model for Ethical Decisions in Marketing Research	1998	Naresh K. Malhotra Gina L. Miller
	Is used to prove that moral principles are obligations (deontos)	An Ethics of Care or an Ethics of Justice	2000	Warren French Alexander Weis
	Once more presents a defence on Rawls theory as being a demanding theory for stakeholders perspective, classified under a theory of the first kind (“concerned with the characteristics of and ideal just society”)	Economic contracts versus social relationships as a foundation for normative stakeholder theory	2001	John Hendry
	Is a review article from Robert Phillips 2003 “Stakeholder Theory and organizational Ethics” where he defends that Rawls concept of Justice as fairness Should be applied to companies	Arriving at an acceptable formulation of stakeholder theory	2004	John Kaler

	rather than entire societies			
	Present an interesting table relating Rawls with the stakeholders perspective. The table is available is used by us (TABLE 3.1)	A Typology of Communicative Strategies in Online Privacy Policies	2005	Irene Pollach
	Uses Rawls to prove that companies, at least to some extent, should have their employees in a social democratic system.	Corporate Social Responsibility and the Priority of Shareholders	2009	Nien-he [^] Hsieh
Reflective Equilibrium	Uses the concept to talk about how deliberative approaches are not specific about the process it self. Rawls here is used as a prove of how hard it is to be specific when dealing with decision-making process in Ethics	Constructing Good Decisions in Ethically Charged Situations	2006	John F. McVea
	Social norms are an important input for Ethical decisions in any business context. The authors understand the method, among others methods presented, as a “substantial precedent for a learning-feedback function”	Deliberative Business Ethics	2010	Ryan Burg
Nature of Human being	Use Rawls definition of human nature (namely the risk averseness and rationality) as a basis for the decision-making-process that involves, according to the author “an appropriate strategy of long-term cooperation”	Games Students Play: Incorporating the Prisoner’s Dilemma in Teaching Business Ethics	2003	Kevin Gibson
	Rationality concept attached to the concept of reasonable expectation (individuals will give up now for benefits later) makes the social contract as a combination of self-interest and ethics	Institutional Conditions of Corporate Citizenship	2004	Ronald Jeurissen
	Attached to the concept of the veil of ignorance, Lutz uses Rawls to justify his beliefs that human being are naturally individualists	African Ubuntu Philosophy and Global Management	2009	David W. Lutz
Principles of Justice	The authors argue that the principles formulated by Rawls can justify the choice of a liberal economy to secure human	Responsibility in the interconnected economy	2001	Bernd Carsten Stahl

	existence			
	“the paper offers four arguments to explain why age discrimination in layoffs is unjust”	Age Discrimination in Layoffs: Factors of Injustice	2004	Eleanor G. Henry and James P. Jennings
	In this article the author is questioning the legal system for companies that he argues is built up on Rawls theory. His questionings are if companies should comply to the law	Business Ethics: Law As A Determinant of Business Conduct	2006	Vincent Di Lorenzo
	On the concluding comments, the authors defends that the concept of Justice as fairness can help us to understand the luck of positions, his theory “may lead us to concede that a better world is built upon an equitable distribution of societal largess”	Globalization and Poverty: Oxymoron Or New Possibilities?	2008	Ronald Paul Hill Justine M. Rapp

We believe that the biggest outcome that we can get from this part of our literature review is that Rawls can indeed be applied to empirical works. His usage might have been shy in some cases, more extensive in others, but the usage of Rawls normative, abstract concepts shows us that Rawls can be applied to empirical, practical and scientifically positive studies.

2.2.2. Systematic Usage of Rawls

In this subsection we found only ten articles, and that happens because many articles that we considered important that would fit the description of this category are presented in the next subsection of our literature review, with more attention paid to them. The reason is simple: The articles presented in this section are not too relevant for the current work.

A summarizing table (Table 2.3) was constructed to help understanding the different usages of Rawls. This time though, Rawls' theory plays an important role in the articles which means that they need to be closely studied than the articles presented in the former section. We restrained ourselves to explaining the research question, the usage of Rawls to corroborate the discussion and

the findings of the research.

Table 2.3
Systematic Usage of Rawls' Theory by Business Ethics

Author	Title	Research	Usage Of Rawls	Findings
Timothy Beatley (1984)	Applying Moral Principles to Growth Management	The article shows many possible goal orientations for growth management and argues that programs should be guided by the theory of justice expanded by John Rawls.	Rawls theory plays a central role for the growth management because if his theory is used the planner “would select the one that provided more benefits to the least-advantaged group”	The framework developed takes into consideration an inter-community principle which would benefit the least advantage people even outside of the jurisdiction of the company
David Malone & Susanna Goodin (1997)	An Analysis of U.S. Disinvestment from South Africa: Unity, Rights, and Justice	examines the issues associated with the disinvestment of U.S. interests from South Africa that took place from the perspective of three dominant moral theories	Uses the concept of original position to define a just method of disinvestment	His work is intentionally inconclusive, he stress the necessity of making explicit the moral principles used to any decision-making. He formulated conclusions regarding ethical decisions in the realm of business
Moses L. Pava (1998)	Religious Business Ethics and Political Liberalism: An Integrative Approach	The article tries to answer to the question: Is a religiously grounded business ethics consistent with the idea of political liberalism?	Rawls theory is defended as one of the most important ones in the field. The public characterization of organizations inferred through Rawls theory limits the usage of religious ethics.	The claim is that a democratic society can gain from a religion, the reciprocity is valid and that the union of both is an important experiment.
<i>Robert A. Phillips</i> <i>Joel Reichar</i> (2000)	The Environment as a Stakeholder? A Fairness-Based Approach ¹	The difficulty to determine the actual stakeholders is the starting point of this article	Uses Rawls theory to defend that the stakeholders are the whole environment	Shows how the environment is accounted for on a fairness-based approach through legitimate organizational stakeholders.
Sheldene Simola	Ethics of Justice and	The author presents a	Uses Rawls theory as a foundation for what the	Both kinds of Justice can be appropriate

(2003)	Care in Corporate Crisis Management	contribution to the evolution of the discussion on ethics is crisis management under the concepts of ethics of “justice” and ethics of “care”	author defines as ethics of Justice. And talks about the features that could be used for managing corporate crisis.	approaches to corporate crisis management
Ben Wempe (2004)	On the use of the social contract model in business ethics	focuses on the use of the contract model as a basis for a theory of business ethics	Understand the contractualism in Rawls as an innovation “Rawls’ theory is more ambitious...” his model, is much more precise than the others available	Contract models can be used in many ways, “it should not aspire beyond the task the model can adequately support”. It should be restricted to a formal argument, and not to norms for business morality.
Jennifer L. Nevins William O. Bearden Bruce Money (2006)	Ethical Values and Long-term Orientation	Based on the lapses in ethical conduct in managers, this article explores the relationship between ethical values and individuals long-term orientation.	Uses Rawls to explain the differences in values of individuals and how they lead to different behaviours that can be offensive to the society and its foundations	“we find that long-term perspectives on tradition and planning indeed engender higher levels of ethical values” The results also present a conclusion that ethic plays a role in planning
John Alexander (2007)	Environmental Sustainability Versus Profit Maximization: Overcoming Systemic Constraints on Implementing Normatively Preferable Alternatives	The market forces managers to be not ethical. The attempts to avoid such behaviour fail due to the pressure to achieve certain profit levels.	To avoid this problem changes must be done in the rules and laws. The impartiality of the concept of the veil of ignorance provides guidance for the creation of these laws.	“Making decisions based on the knowledge of how one is going to be affected by the decision/action results in distributions of goods and harms that are not normatively preferable relative to ideal environmental sustainability”
Deon Rossouw (2008)	Practising Applied Ethics with philosophical integrity: the case of Business Ethics	The author is trying to determine why the demand for applied ethics is increasing, through the example of	The author defends that what Rawls calls reflective equilibrium is close to be achieved by the society in business ethics.	“Philosophical Business Ethics as a form of Applied Ethics can be practised with philosophical integrity.” Business Ethics can not afford to be “divorced”

		Business Ethics.		from philosophy.
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These articles present different features of Rawls' usage to business ethics. The findings by Rossoun deserve special attention. They are relevant to our work, but his work is mainly a construction of an application of the Aristotelian ethics to business, even though he understands the importance of Rawls, constantly in his paper, Rawls is not absolutely central, that is the reason this article appears in this section and not the next.

In accordance to all the articles presented here, we are able to infer that Rawls indeed has inputs to offer to applied ethics in the field of business. The next section will present the articles that are absolutely relevant to our research.

2.2.3.Relevant Systematic usage of Rawls

We believe that at this point is pretty clear the articles that are going to be presented here, but is important to mention once more, that the articles that relate Rawls' theory with the stakeholders perspective will be explored in another section that talks exclusively about stakeholders and shareholders perspectives.

The first two articles that will be widely explored in these work, and for that reason will be briefly explained here are by Phillips and Margolis “Towards and Ethics of Organizations” 1995 and the critical response to this article the 2005 “On the relevance of political Philosophy to Business Ethics” by Jeffrey Moriarty. The authors of the first article claim, as we do, that business lacks an ethics of its own, independent of Political theory and Moral philosophy. They present a critic to the usage of Rawls' political theory to business ethics because they consider it as inadequate due to the differences in nature of governments and companies. Moriarty response is based on the argument that governments and companies aren't different in nature but rather in degree, so political philosophy could and should be used to the definition of an ethical organization. Both articles play central role in this work and will be explained in deep further (chapter 3).

Neelke Doorn in his 2009 work “Applying Approaches to Resolve Ethical Issues: Inventory and setting of research agenda” is assessing the usage of Political Theory and social sciences in general to the field of business ethics. He focuses on Rawls' concept of Reflective Equilibrium: a method that “seeks to find a balance between considered judgements and institutions concerning particular cases on the one hand and general principles and theories on the other.”(Doorn 2009). He draws a study for 12 empirical applications of Rawls theory that has either a justificatory, constructive or descriptive purpose. His conclusion, when analysing the practical application of Rawlsian ideas, is that, even though the application of Rawls' concepts are very promising, they [the concepts] still can be better applied to the political domain. Out of the 12 cases he studied, only two did not mention the political domain. He identifies two main obstacles for the application of Rawls' approach: The inconclusiveness (that relates to the necessity of all relevant actors agreeing for a consensus to be just – which is a hard task) and the communitarian objection to Rawls' veil of ignorance (that in order to achieve such a level of abstraction individuals must be detached from their subjectivity). He finishes his article with the statement that “Methodological insights from social sciences are essential to understanding the moral considerations and motivations of people involved” (idem)

Heugnes, Oosterhout and Kaptei (2006) revisited the concept of contractualism and its applications to Business Ethics on their work “Foundations and Application for contractualist Business Ethics”. Their claim is that contractualism is “one of the most important 'centres of gravity' (Heugens et al 2006) to business ethics. This article could be understood as a guide to the field where they present the history, the basic arguments and the conditions for the usage of contractualism. They develop two spheres to classify articles using the theory for business ethics. The first sphere is positive Vs normative and the second sphere considers 4 different levels in business ethics: the nano the micro, meso and macro. They classify Rawls theory under the labels of macro level contracting (“serve for either to explain or to justify – features of – the basic

institutional structure of society” (idem)) and normative (by definition not empirical). According to them, the macro level of analysis is the one that presents the highest concentration of contributions, due to the fact that types of agreement in this level are more fundamental than those in lower levels contracts, because they deal with the “political, economic, and cultural rights of individuals”(idem)

The last article we will present disrespects the chronology of publications. The reason why we considered this the best way to present it is that all of the other articles are either criticizing Rawls, or accepting his theory. Marens on the other hand (even though accepts Rawls) focuses his efforts in criticizing the heritage left by Locke to the contractualism. Besides presenting big critics to the heritage left by Locke to the contractarian philosophy, Marens “returns” to Rawls in his 2007 article published by the Journal of business Ethics. Marens argues that the last generation of scholar decided to abandon the analysis of applied social justice to focus on more micro concerns. He believes that, in order for the field to remain relevant, there is a necessity of going back to “examining social and economic fairness, and Rawls' approach to social contracting, suggest a way to start” (Marens 2007). His article is built around the most important differences in the Lockean social contract and the Rawlsian one. According to him, Rawls’ work acknowledges the “historically demonstrable necessity of using the power of government to help achieve desirable social outcomes” (idem). The field of business ethics would “do well” to follow the example of Rawls. Rawls has adapted the tradition of social contract to the problems faced in the modern world. He claims that “his efforts ... have not been sufficiently developed by the field [business ethics], despite their obvious relevance to current difficulties in the relationship between business and society” (Marens 2007).

Those articles are mainly connected to the tension that exists when considering the usage of more abstract, out-of-the-field theories to the field of business ethics. The discoveries are mainly conceptual. A summarizing table (table 2.4) is presented, in chronological order below:

Table 2.4
Summary of articles relevant to our Work.

Author	Title	Research	Usage Of Rawls	Findings
Phillips and Margolis (1995)	Towards and Ethics of Organizations	Does business lack an ethics of its own?	Rawls is mentioned on this article but this article is present in this section mainly because of it's counter part (Moriarty 2005)	Business lacks an ethics of its own, tailored specifically for companies.
Jeffrey Moriarty (2005)	On the relevance of political Philosophy to Business Ethics	To which extent Political Theory contributes to business ethics discussion	Rawls is presented as one of the most important political theorist and the concepts of veil of ignorance, and political liberalism are pointed out as great contributors to business	Companies and Governments do not differ in nature but rather in degree, therefore, political theory has many contributions to the field of business ethics.
Marens (2007)	Returning to Rawls: Social Contracting, Social Justice, and transcending the limitations of Locke	An attempt to justify the usage of abstract concepts for Business Ethics.	Suggests that Rawls is a good "way to start" the analysis.	In order to maintain the field of business Ethics relevant, authors should go back to the "applied social justice" and focus less on micro concerns.
Heugnes, Oosterhout and Kaptei (2006)	Foundations and Application for contractualist Business Ethics	An attempt to revitalize to usage of contractualists theories to business ethics. They classify the theories according to a methodology developed by them.	They classify Rawls theory under the labels of macro level contracting and normative.	The contributions that might arise from contractualism to business ethics come mainly from the macro and normative level.
Neelke Doorn (2009)	Applying Approaches to Resolve Ethical Issues: Inventory and setting of research agenda	To which extent political theory and political sciences in general can be applied to business ethics	Discusses mainly the concept of Reflective Equilibrium present in Rawls. Presents obstacles to the usage of his theory to business	Rawls theory can be better applied in the political domain, even though it's promising to the field of business.

			ethics	
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Our literature review shows that Rawls has been largely used in business Ethics, but as mentioned before, there is a forth part on our review (the stakeholder perspective connection with Rawls' work) that will be used as a lever for our work. The last part of this literature review, thus, will be presented in the next chapter of this work.

Chapter 3

Companies as independent Agents of Social Change

Discussion on the demand for an ethics tailored for companies

The third chapter of our work can be considered as an auxiliary chapter. It is responsible for linking the first chapter (that was dedicated to show how Rawls has been used for Business Ethics as well as an explanation of his theory) and the fourth chapter (that proposes a different usage of Rawls theory applied to Business Ethics).

For that reason characteristics of both chapters can be found in the current chapter. The first sections of this chapter are dedicated to review the literature of Business Ethics in a more applied way – focussing on the share and stakeholders perspectives. The following sections are dedicated to explain why we consider necessary a different application of Rawls work to Business than the one we have identified so far. A few concepts of our conclusion chapter can be noticed here as well.

3.1.Rawls theory and different perspectives of companies

In this section we decided to concentrate in the stakeholder perspective and the shareholders perspective for several reasons, among them is that these two opposite perspectives offers us with the necessary dichotomy to understand the features of business ethics and specially because those two perspectives are central issues of ethical discussion among business scholars. We believe that these perspectives are related to the concepts of Companies seen as Governments and companies seen as individuals.

“It is generally assumed that all organization exists for the same basic reasons, and that this purpose is self-evident. However, in reality, there is extensive disagreement about what the current purposes of organizations are, and especially about what they should be. (...) others

believe that companies exist to serve the interest of multiple stakeholders. In their opinion, having a financial stake in a firm should not give the share holders a dominant position vis-à-vis other groups that also have an interest in what the organization does. Other stake holders usually include employees, customers, suppliers and bankers, but could also include the local community, the boarder industry and even the natural environment.” (Bob de Wit & Ron Meyer, 2004)

3.1.1. Companies seen as governments: The Stakeholders Perspective

One of the most accepted perspectives on how companies should be seen nowadays is the stakeholders perspective. Rawls could be considered as a central foundation for the development of that perspective.

The stakeholders perspective has an ethical issue as its core. The same statement is valid for the Political Liberalism which is considered by many as a work in the field of ethics. Rawls Theory here is presented as a framework for the society. According to him the liberal societies will get to a fair state eventually. The stakeholders perspective could be considered as a consequence of the Political Liberalism.

Edward Freeman and David Reed in their article published by California Management Review: “Stockholders and Stakeholders: A new Perspective on Corporate Governance”; based on the statement that stakeholders are those who have power to affect the continuity of the corporation and that they shouldn't be ignored. They claim that “There are times when the stake holders must participate in the decision-making process” (Freeman and Reed 1982).

Back in 1984 Freeman (considered one of the most important thinkers of the stakeholders perspective), in his work “ Strategic management: A Stakeholder Approach” enunciated a stakeholder model in substitution to the managerial model – which focused on the role of employees, suppliers, shareholders and customers – to allow managers to analyse the external

environment of the firm. For Freeman, stakeholder is “any group who can affect or is affected by the achievement of the firm's objectives” (Freeman 1984). He changed the way firms could be managed by addressing to the environment as a claimer of the company. Managers could understand groups that were previously considered external to the companies. To create this awareness on the managers was important because of its relevance to the purposes of the firm.

The new theory basically claimed that companies had to interact with their environment. Specific interests groups have an impact on the effectiveness of the company and therefore in its employees behaviour. The consequence of this new theory is that managers would try to ‘manage’ these new stakeholders.

In 1997, Barnett defined stake holding as a decision-making by the firm that identifies with all the interests and individuals affected by the decisions. “ Of course, stakeholder management turns out to be much more difficult in practice than in theory (...) cautions that satisfying some stakeholders may lead to the alienation of others”(Abzug and Webb 1999).

Brenner and Cochran (1991) in their work “A Stakeholder theory of the firm” adapt a model from Mitroff (1983)¹⁶ that relates to this problem. The complexity of the shareholders is stated in their model that assumes, as stakeholders, among others: Community, Suppliers, Competitors, Customer, and Manager, Stockholders, Government and employees.

Further developments were made in the stakeholder perspective for instance by the Japanese academic Masaru Yoshimori in his article ‘Whose company is it? The concept of the corporation in Japan and the West’ (1995) in which he draws a comparison work between Japan and the west, suggesting that the countries can be divided into three categories: *monistic* (Britain and USA) – the shareholders value perspective prevails; *pluralistic* (Japan) – the stakeholders view is more important; and *dualist* (Germany and France) – where both perspectives are considered.

The article by Yoshimori, makes clear what Wit and Meyer point out in their book: “In countries with a market economy, it is generally agreed that companies should pursue strategies that

16 Mitroff, I.I. (1983) Stake holders of the organization mind. San Francisco: Jossey-Bass. In Brenner & Cochran 1991

ensure economic profitability, but that they have certain social responsibilities that must be fulfilled as well” (Wit & Meyer 2004) In other words: The kind of capitalism can, and most probably will, interfere in the way people value the claims of all stakeholders of a company.

This is the first clear connection between stakeholders perspective and the Political Liberalism. Apparently, if a country is more liberal economically, it is less worried with all the stakeholders, and more worried with the shareholders. But that connection would only be valid in case of a converting economy where the countries would be slowing developing into the political liberalism defended by Rawls. Even though we personally share this view; it is not scientifically relevant to argue that this connection is valid.

The second connection though is deduced by similarity. Going back to Rawls theory, the role of the government is to provide the individuals with the means to provide for themselves. Companies when considered as responsible for their stakeholder, play a similar role in the society. White, R. (1993) in his article “Business Ethics” relates the stakeholders perspective with Rawls' Political Liberalism: “Stakeholder Theory is management designed to serve the interests of the multiple constituencies that 'have a stake in' management decisions (...). Many stakeholder theorists are followers of the philosopher John Rawls...” (White, 1993) His claims are that “managers (and/or governments) must at least occasionally intervene on behalf of the 'least advantaged' stakeholders” (idem) because they might not be able to do it by themselves.

Pollach (2005) connects different Perspectives of companies with its respective approaches. (Table 3.1) She points out that the criterion of Equality is the one that connects Rawls' theory with the Stakeholders perspective. The idea is the same as presented early. It is fair for a company to redistribute wealth, and, under our perspective, be defended as having a social function similar to governments.

Table 3.1
Ethical foci and their corresponding theories

Focus	Realm	Approach	Criterion
Agent	Virtue Ethics	Aristotelian ethics	Golden Mean
Act	Deontology	Categorical Imperative	Universalizability
Consequences	Teleology	Utilitarianism	Maximum Utility
Stakeholders	Justice	Rawls	Equality

Adopted from Pollach 2005

Rawls in his own words can be an ambassador for the stakeholders perspectives. When describing the function and consequences of the two principles of justice - considered the closest to a universalism – he claims: “Taking the two principles together, the basic structure is to be arranged to maximize the worth to the least advantaged of the complete scheme of equal liberty shared by all. This defines the end of social Justice” (Rawls 1971). It is clear, why Rawls' theory can be confused with the [social] **responsibility** of companies.

Another author that makes this connection clear is Kevin Gibson in his 2000 “The moral basis of Stakeholders Theory”. In many passages of his article we can find the connections. We selected two of them that seemed the most important: “Freeman moves away from the interest/rights analysis to a contemporary deontological framework associated with John Rawls (...) Under these circumstances (and following Rawls) Freeman believes that rational people would devise a moral theory that maximizes fairness of opportunity for all and an equal distribution of societal resources unless an unfair distribution would make at least someone better off without harming others” (Gibson 200)

“Additionally, justice theory...” [Referring to the Theory of Justice by Rawls] “...offers some insights into stakeholders issues as well. This theory requires one to determine how equally opportunities and burdens will be distributed among stakeholders if a particular decision alternative is selected. It also forces the decision maker to ensure that procedures for allocating these opportunities and burdens among the stakeholders are fair and to determine

a method for compensating those stakeholders who are unfairly affected by the decision alternative chosen” (Malhorta and Miller 1998)

The identification of Rawls theory to a commonly known perspective of the company does not limit itself to the stakeholder perspective.

3.1.2. Companies seen as individuals: The Shareholders Perspective

The shareholders perspective in contra position to the stakeholders perspective claim that companies should care strictly about its profits. And that claim as well that “the emphasis placed on profitability (...) does not mean that supporters (...) are blind to the demands placed on firms interest of the shareholders to carry out a 'stake holder analysis' and even to actively manage stakeholder relations”.(Wit and Meyer 2004). This claim makes us believe that Rawls' theory could be aligned with the shareholders perspective as well as its contrary. “One typical Rawlsian response is that rational, self-interested bargainers would sacrifice their short-term 'advantages' for long-term 'security’” (White 1993).

So far we have seen that stakeholders perspectives relates to the moral responsibility of companies towards the creation of social benefits to the society. We discussed Rawls Theory and its search for fairness in the world.

The analogy at this point needs to be explicitly. An individual will influence the fairness of the world regardless of his intentions. Individuals are, therefore, social agents of change. Along with the governments that has one main role: Provide individuals with means to make the world fair for themselves: “to put all citizens in a position to manage their own affairs and to take part in social cooperation on a footing of mutual respect under appropriately equal conditions” (Rawls 1971)

Under a different prism, companies are seen as individuals. Therefore, their moral obligations can be interpreted as the same of an individual in Rawls society. Duska talks about the role of companies in the society:

“Contemporary views of business ethics, then, view business from society’s point of view, and society sees the function or purpose of business to be the providing of goods and services. But beyond that, recent thinking has shown that, if we look at any business as a kind of citizen or person, other responsibilities arise. A corporation is a legal person empowered by law to do things that affect others. Recent business ethicists have argued that, if this is the case, it is necessary to view businesses as persons. That means that businesses, through their owners or their managers, enter into relationships with individuals and groups, relationships that carry responsibilities with them.” (Duska 2007)

Considering that Rawls is right, on a first moment, we are required to agree that it would be healths position for the companies an ethical position – a way to claim that a company is good or bad. They have obligations towards all its stakeholders and towards the society as a whole, just like individuals. The problem arises tough when we look at the practical implications of that statement: If we consider individuals as self-fish beings that has as only obligation to look at their own claims and we compare place companies in the same position we are not taking into account a few basic distinctions between those two actors (or agents as we prefer to call).

The ethical framework that should be used, if we consider that companies should be seem as individuals is commonly know as moral philosophy. Certainly companies are compound of individuals but they are not the same. If we assume that all institutions are created, developed and made of individuals (or a sum of individuals) than there is no necessity for any other kind of moral statements than those dedicated to individuals. That has proven to be a fallacy.

Individuals differ sharply from companies in degree and in nature. Next section will be used to explain those differences but first a summary of these two perspectives of the companies will be draw.

3.1.3. Stakeholder vs. Stockholders.

It is claimed that there is a paradox in that situation and some scholars defend one side while others defend the opposite. Witt and Meyer summarize the biggest differences in a table:

Shareholder value versus stakeholder values perspectives

Table 3.2
Shareholder Value versus stakeholder values perspective

	Shareholder Value Perspective	Stakeholder value Perspective
Emphasis on	Profitability over responsibility	Responsibility over profitability
Organizations seen as	Instruments	Joint Values
Organizational purpose	To serve owner	To serve all parties involved
Major difficulty	Getting agent to pursue principal's interests	Balancing interests of many Stakeholders
Measure of Success	Share price and dividends	Satisfaction among Stakeholder
Corporate Governance through	Independent outside directors with shares	Stakeholders representation
Stakeholder management	Means	End and Means
Social responsibility	Individual, not organizational matter	Both individual and organizational
Society best served by	Pursuing self-interest (economic efficiency)	Pursuing Joint-interests (economic symbiosis)

Adopted from Witt and Meyer (2004)¹⁷

Freeman when asked about the universalism of stakeholders perspective claims that there is no opposition to it because “in the war between Stakeholders and shareholders you should just declare victory. Business is about creating value for stakeholders and some of them are shareholders” (Freeman 2009). In a way one perspective encompasses the other.

Special attention should be given to the last line of the summary table. The way that companies best serve the society in each perspective gives us traces of our former claims: When the companies are pursuing self interest, they are acting as individuals (that implicates that they could act thinking in their own interests and that by doing so, the society's welfare would grow once the society is formed by individuals), when they are pursuing joint-interest they are working as

¹⁷ High lighted by the author of this work.

governments (if they admit a position of **responsibility** towards the society, they are placed as governments to an extent).

These perspectives are, we argue, not acceptable to define the ethical position of a company in the new world economy. In the practical level, to understand companies as governments or individuals could be an easy way out to solve ethical problems. But three main distinctions between companies and governments and individuals make it an inefficient approach: Nature, degree and the ethical issues faced by each actor.

3.2.Differences between social agents

This section has as objective understanding the demand for a ethics tailored for companies. We start this section presenting the article by Phillips and Margolis (briefly presented at the literature review) that advocates in favour of an ethics tailored to organizations. Their biggest claim is that those who wrote about the same topic before them did not address to the problem from the right angle, "... the distinction between organizations and states, and between organizations and individuals have not been drawn sharply enough" (Phillips and Margolis 1999). This is the same critics that we will present to their claims later in this work.

The power of organizations manifests it self in two directions. The first, organizations influence the lives of those who inhabit it and second organizations impose an imprint on the society. Their way of proving that companies are different from other agents – using this works language – is trough stressing the inadequacy of moral philosophy and political theory for ethical problem in organizations.

Under the section 'limitations of the political Theory for Organization' Phillips and Margolis claims are that political theory is destined to how a society should be governed, and what is the basis for the initial arrangement and its justifications. They use the example of Rawls' veil of ignorance and argue that the usage of this approach to business is misplaced.

The first critic is to the methodological perspective. They claim that Rawls' purpose was to design a basic structure and nothing else: "Rawlsian methods are designed to establish a just basic structure, and that structure and its under girding agreements, are coercive and involuntary in ways that associations are not" (Phillips and Margolis 1999). In our words: Governments are involuntary institutions. You are born a citizen from a country under the laws of that government. And that is not up to you to decide. To work in a company is based on your decision and your decision only.

The second argument used by them to justify the inadequacy of political theory to address to business ethical problems is based on the claim that the purposes of both institutions (governments and organizations) differ radically. Rawls himself can add something to this topic: "We may not want to prevent the state from underwriting and promoting particular objectives" (Rawls 1993). In other words: Companies do follow their owner's agendas, and there is nothing unethical about it, but if a government's leader do so it is considered unethical.

The third and last claim against political theory is what they call 'mutual assessment of contributions' – when it comes to the contribution of a individuals (or citizens to use a more appropriate term) to the society the idea of meritocracy is not accepted in the reality, "(n)onetheless, the underlying sense of organizations (...) may justifiably distribute benefits (jobs, compensation, incentives) in a way that takes account of a person's contributions remains valid" (Phillips and Margolis 1999).

To address to the wrong usage of moral philosophy their first critic is towards the purpose of such study: "Moral philosophy provides a starting point method for coming to reasoned judgements. It promises few definite answers to specific problems."(Phillips and Margolis 1999). We will go back later to that affirmation when we will try point out the missing points in their theory, for now we will remain in the simple exposition of it. Moral philosophy ignores, according to them, two central features of organizations, their purpose and their power.

Again purpose of organizations is back into the discussion because of the fact that depending

on your purpose an action can be considered right or wrong under the judgement of moral statements. Moral philosophy assumes atomistic individuals, deliberating in isolation. Individuals are responsible and can control all of their personal actions while people working for companies can not. They belong to a social system that lies below an organization with self interest.

When it comes to the second characteristics neglected by moral philosophy the claims are that organizations are sights of power. Either power created within the company or power refracted from outside. Business ethics therefore need to be able to deal with the central place of power¹⁸. [After exposing the flaws of other theories they propose some guidelines towards the creation of an ethics of organizations. We will get back to that later, since our objective for now is to stress the differences between companies and other agents of social change.]

Their theory (as the theories before theirs) had place for critics as well. The 2005 article by Jeffrey Moritarty was chosen because is the one that presents the most eloquent critic on our point of view.

Moritarty defends that Political philosophy plays an important role in ethics for organizations. His claims are that governments and organizations do not differ from each other in nature but rather in degree. He is not concerned with moral philosophy, but only with the possible applications of political theory to business ethics. That is the reason why he presents critics mainly to the two characteristics pointed out by Phillips and Margolis on the differences between companies and governments.

When it comes to the power difference Moritarty claims that governments are not in every situation more powerful than organizations. Some companies have more income than some governments. The power of legislating is definitely an exclusivity of governments but when it comes to possibilities of helping people trough a better employment of resources; companies can be as powerful as governments, or even more. The claim here is that both institutions have similar

¹⁸ This work, even tough acknowledges the critics made to the usage of moral philosophy as a framework for ethics in business, it is focussed on the critics and usages of political theory to the same purposes. The reason for that focus lies on the fact that Rawls work is a political treaty.

power in nature, but they differ in degree.

To address to the second claim [governments are not voluntary] Moriarty presents the argument that governments are not that involuntary as Phillips and Margolis claim. People can move to other countries (e.g. countries forming the European Union). Citizens have mobility, to a certain extent, to avoid specific sets of rules that do not fit to their intentions. On the other hand they will be subjected to some rules that are above the laws of a certain country. Similar process can be understood more clearly if we analyse the United States of America. To a certain degree citizens can change states to go to another state that fits their interests closely, but there will always be the federal law that is more powerful than the state law¹⁹.

That makes governments, to an extent, more voluntary, but companies, according to Phillips and Margolis is completely voluntary. To make governments even closer to companies, Moriarty claim that companies are not as voluntary as they seem. An individual can certainly choose to leave his job at a certain company, but he can't choose not to work at all (at least not in extreme liberal economies). Besides that, when a professional path is chosen by someone, to change completely that path is harder. If a student decides to become a business student, hardly he will become a psychologist. He could do it, but it will take a lot of effort. This position is similar to governments. A Argentinean girl can, if she works really hard to do it, get a Spanish nationality (clearly we are not talking about nationality trough marriage, but most of the countries allows people to get nationality even because of the person lived in the country for many years or other means provided by the local law). Rawls has a more extremist view over the same theme: "a relationship of persons within the basic structure of society, a structure of basic institutions we enter only by birth and exit only by death (or so we may appropriately assume)" (Rawls 1971) we here will agree with Moriarty. Nationalities are of hard, but possible change.

By doing those claims, Moriarty believes that he has brought companies to an equality

¹⁹ Some cases in the American law challenges the sovereignty of the Federation like abortion, gambling and the consumption of THC for medical purposes. As generic rules, the States can, to a certain extent, shape its local laws to the will of its citizens, but theoretically those laws could not challenge the federal laws.

pattern with governments, and that the only real distinction would be in degree, but not in nature; concluding that the political theories could/should be applied into business ethics.

This discussion is clearly not over. Both sides have strong and credible arguments²⁰. We will defend in the next section our position over this topic.

3.3.Origins of the demand of an ethics tailored for companies

Companies, individuals and governments are clearly related. And, although, we personally believe that they are different in nature as well, the claims presented by Moriarty are not in vane. They teach us that political theory could be applied to organizations. But we defend that the way it has been applied is not appropriate. We will get to that point later.

We will focus now on presenting new features of companies that have not been presented so far, to prove that they do differ in nature from the others social agents. The claims that have been presented so far are summarized in the table bellow:

Table 3.3
Comparative Table of different social agents

	Individuals	Companies	Governments
Ethical theory	Moral Philosophy	Not available	Political Theory
Purpose	To maximize personal happiness private interests	Big debate with clear strength for private interests	To regulate market and provide for those who can not do it. No private interests at all.
Power	Low The power given by the state.	Medium The power given by the state plus the power gained trough money	High Power given by society coercion regulation, among others
Voluntary	Not applicable	More voluntary but not completely	Less voluntary but not completely mandatory
Possibilities of Influence	Large possibilities as group small alone	Many possible influences	Limited by citizens

²⁰ A summary table of those arguments is presented in the next section.

Our claims are that all those features presented in the table are worth of discussion and present a tendency to claim that organizations differ from other social agents in nature. But a few features, that for us are **conclusive**, have been forgotten in the discussion. First of all, we will discuss the differences of companies and individuals, because these differences seem to be clearer at this point of the discussion.

One of Rawls' claims, mentioned earlier in this work, is that individuals are able to sacrifice their present pleasure for future safety. Here we are dealing with the time line. What was not mentioned in the previous work, that we had a change to read, is that the time line for individuals and organizations are intrinsically different.

Freeman when asked about the universalism of the stakeholders perspective claims that big companies are 'harder to kill' and therefore, they can ignore some claims from some stakeholders for some time. But when it comes to small companies, they simply have no choice. Either they respect all stakes in the company or they will die. So Freeman here is presenting us with an important data. Companies may die early.

What has not been mentioned is that, although companies might die, there is no physical limit for the continuity of its life. This is certainly a driver for decisions. When an individual is choosing future safety rather than present pleasure, he/she is doing it for two possible reasons (Rawls 1971). The first one can be reproduced in a company easily: Future safety for him/her self. A company can choose to invest in some specific kind of project that will share dividends in the future. The problem arises when facing the second possibility of an individual for postponing pleasure: future generations. Individuals proliferate. They have children; their friends have children; and their brothers and sisters as well. An individual might be able to avoid present pleasures to guarantee security for his/her future generations.

Companies don't have children, they do not have a next generation, and they are not connected to the future in the same means as an individual. It will not necessarily fade away. And it

will most probably think only about its own continuity, which might, and in most cases does, involve caring for the society that surrounds it, but in a completely different way than individuals. The relationship with time is important for decision-making process in the ethical field. To ignore this difference is to ignore an important trace of companies' nature that needs to be addressed to.

A brief discussion will be held here to give the proper space for family companies. Most of the companies start as a family business. In those cases, the distinction between the owner of the company as an individual and as a company is blurry, but existing. When an individual tries to make fortune to provide a wealthy life for the next generation, he/she can do it in many different ways. But the owner of a company, when concentrating both functions (individual and head of a company) should be interpreted as any other professional manager. A professional CEO is an individual, and he/she concentrates two different roles in the society.

When it comes to the distinction between companies and governments, the variables are significantly more complex. We will present two main differences that have not been mentioned yet. Both differences are consequences of the evolution of the markets, and the way they are currently behaving: democracy and global patterns.

Most of the countries in the world behave in a democratic way²¹. People are no longer subjects they are citizens. People influence their governments in many ways. In the democratic countries, individuals elect their rulers. So clearly this difference can be noticed only in countries with such characteristics. But we personally believe that the world is currently moving towards the same direction, a more democratic world politically and a more liberal world economically.

Companies on the other hand, do not have their CEO selected by the society. In big companies with IPO, they are selected by the shareholders, but not by the society. On the other side, companies do influence the society as a whole. What leads us to the most important distinction, in our opinion, between governments and companies: The Democracy factor.

²¹ With the exception of countries in transactional governments, the non-democratic States in the world are either Military Junta States (5 States), One Party-States (7 States – Special Attention to China and Cuba), Theocratic States (2) and Absolute Monarchies (5 States).

Governments are local. Alliances can be made, Unions formed (as the European Union – that is not only a commercial union but a political union), but invariably countries are sovereign. A country cannot interfere in another country unless if allowed or if done by force. Companies, on their side, are stateless. If a country is not good enough for a company, it will change country and go to another one. But not only that, companies are concomitantly at many different countries, influencing their social lives and development. That does not happen to governments.

The time line, the democracy and the global factors of companies make them differ sharply from individuals and governments, making it clear that moral philosophy and political theory, in the way they are interpreted, are not acceptable for defining an ethical framework for organizations.

A last distinction between that needs to be explicit is concerning the issues or ethical dilemmas faced by the different actors. On a daily basis, companies deal with ethical dilemmas that are completely different from those faced by individuals and governments. And that is extremely connected to the purpose of each actor. That is the reason why the two perspectives explained in the last section take place: One believes that companies should increase the welfare of its shareholders and the other of all its stakeholders.

To discuss the objectives of companies is something extremely complex for one reason only; it differs from company to company. A commercial company that has as objective to increase the wealthy of its owners could easily use, as means, increasing the social welfare of the society. Imagine a company that produces cultural events for free in a public park to the society. Their money comes from regular private companies. The fact that it is doing a social benefit does not exclude the fact that it is using it as a mean of making its owners wealthier. A pharmaceutical company is responsible for the growth of the welfare, but it has at the same time, they present massive profits.

To claim that there are no rules for companies purposes or actions would be a problem with a simple solution: create rules. That action though goes against the free market economy. All we

need to understand is that we can define the objective of one company, but not of all. Their objectives differ sharply. What unites them is only their nature. That is the reason why, we argue, it is necessary an ethical framework tailored for companies that lies above the concrete level. Some statements that can be used regardless of the region the company is, the size of the company, when the company existed. In other words, we lack an ethical theory, abstract enough, to be applicable to all companies.

3.4. Towards an ethics of organizations

This section has the same title of the 1999 work by Phillips and Margolis because it is strongly influenced by it. In their work, they not only provide a business ethics with arguments to exist, but they also provide the first steps for its development. According to them business ethics should have three characteristics: conceptual independency; substantive aims; and non-ideal theorizing.

The first one relates to what we have been talking about. Organizations have got into a point where it demands its own ethics, tailored specific for organizations. What we rather to call as a different perspective of companies or companies as an independent agent of social change. “Organizational ethics must rest on its' own logic and assumptions, grounded in the distinctive attributes that make organizations, organizations” (Phillips and Margolis 1999). They claim that it may draw upon its predecessors, moral philosophy and political theory, but it must be independent. We present no critics for this characteristic, on the other hand we agree completely to its features.

The second one relates to the purpose of organizations. Clear objective of companies is claimed to be an important characteristic of an ethics specific to organization. Companies do not need to know, in our opinion, their objective clearly, in a concrete way, to act an ethically tough. If they do so, ethics would have to be in constant adaptation which is, under our conception of ethics, against its definition. Ethics should be presented as generic statements that guide decision towards a

creation of moral norms that will guide the actions. Moral rules or norms can and must change when facing a new situation, but the principles behind it, should be static.

This is an extremely important point in our discussion. Many people seem to agree with Phillips and Margolis in their argument, Doanldson and Dunfee (1994) for instance quote Carroll 1983 “Alice's adventure in the wonderland” ““would you tell me, please, which way ought to go from here?’Alice asked the Chesshire Cat. ‘That depends a good deal where you want to get to, ‘said the cat. ‘I don't much care where...’ said Alice ‘Then it doesn't matter which way you go,’ Said the Cat.”. We agree that to know the path you want to take is intrinsically required to know where you want to get. But the destination is not necessary to understand how you want to get there (it might influence your decision, but not necessarily). We consider this to be a major problem when it comes to defining the concept of ethics. Ethics is not a path but rather the manner you cross that path. Therefore to know the precise objective of a company is necessary for strategic definition, but it is not, by any means, necessary to determine whether it the company is ethical or not²².

A company can have as objective share its income with all its stakeholders, or only with its shareholder. It may want to provide the society with growth or only a few participants of the society, it may be in search for the cure of cancer or for a new aesthetic moisturising, but regardless of its objective we think a company can be classified as taking ethical or unethical actions.

Under the same topic tough, Phillips and Margolis, present something that, for us, should indeed be considered as an important characteristic of ethics, but under a different label. Similar topic has been brought up by Kjonstad and Willmott in their 1995 article: “Business Ethics: restrictive or empowering?” Phillips and Margolis argue that “...it makes sense that organizational ethics focus, to some degree, on what these aims might usefully be, rather than (to repeat) simply delineate ‘thou shall not’” (1999). This raises an important topic. Ethics should not be about what companies can not do, but rather what they can. It is not at all connected, as proposed by Phillips

²² We will explore this feature later in the work, but it is worth mentioning that knowing the purpose of companies is necessary to create an ethics tailored for them, but to appraise if a company is ethical or not, it is enough to discuss its practical tip, thus, its actions.

and Margolis, to the idea of aims that a company has, but rather as empowering the organization. If companies are aware of their power, which has been given to them by the society, they will notice that they can act in a different way.

The third and last characteristic presented by them is much more complex: Non-Ideal theorizing. We could not disagree more with this principle. Their claim is that organizations are a result of a unfair society: "...they arise, operate, and serve the purposes they do in the way that they do in large part because the basic structure of society is not just and because individual agents are imperfect"(Phillips and Margolis 1999), and therefore an ethics of organizations should be a non-ideal theory. This statement could be compared to the as if the market was not a natural thing; which definitely is not. Markets were invented by human beings. But the current changes in the market should be interpreted as an evolution of a failed system. If we do not generate ideal theories we will never be able to achieve an ethical statement that endures.

To address to most of the problems realism is an appropriate prism, and ethics does not fall out of this statement. But to forget about ideal theories just because the world does not present it self ideally is to materialize an abstract concept. It will be valid, under such circumstances. If we, as Rawls, believe that ethics is formed by generic statements able of overcome situations we need to disagree that, an ethics tailored to companies, can be based on a non-ideal statement.

3.5.The abstraction of ethics for organizations

Rawls work, as mentioned early can be divided into two different spheres: the political and the metaphysical. As far as we could identify, scholars in business, have used his political theory to apply to organizations, and the metaphysical part has be used just to justify their believes.

According to Duncan Ivison, Rawls changed the way philosophers think of justice. He defends the concept that Justice should be translated as fairness. "Justice is often held to be priority social value which overrides all other normative considerations, such as utility, at least with respect

to the institutions of society” (Rawls 1971) The concept of fairness can be better understood by an example given by Ronald Duska in his 2007 book “Contemporary Reflections on Business Ethics” where he explains that a child would have reasons to believe that it is unjust for his mother to give his sister a bigger piece of the cake once they are equals. But when the sister's birthday comes up, there is a logical explanation for her to get a bigger piece, and therefore, it is fair that the girl gets a bigger piece under these conditions.

The Rawlsian idea of justice as fairness implicates that situations should be analysed as they are, unique. And that is why Rawls is widely used by scholars in the law studies. But that does not mean that Rawls' Theory of Justice shares the maxim of 'everything is relative'. He goes in a totally different direction. Justice for Rawls is a concept that lies above norms. In his words: “My objective is to present a conception of justice that generalizes and leads to a superior plan of abstraction the known theory of the social contract as it is read, let's say, in Locke, Rousseau and Kant” (Rawls 1971).

That means that Rawls theory's objective is to find principles regardless of the conditions people are in. For that, as mentioned before, he proposes the veil of ignorance, under which, people will decide their social contract, not aware of their positioning in the society. The consequences of that theory are that individuals, as they are presented, have one obligation and one obligation only: To maximize their own personal happiness, within the social rules that they helped to build and that by doing so, they are helping the society as a whole.

Based on these claims, we believe that Rawls addition to business ethics should be based on his metaphysical and not on his political work. To assume that companies are similar to governments is an honest but still a mistake. Companies cannot be compared to governments because they differ in nature, as they can not be compared to individuals – for the same reasons.

We could put this in a different way. Rawls' metaphysical theory is concerned with the concept of justice. Not with ethics to govern the society. His political theory is, we argue, an

application of the concept of Justice. In order to answer to his question how a government can be fair to its citizens, Rawls found the necessity to explain the concept of fairness.

A clear analogy can help to understand the concept: Doors and keys. There are, at least, three doors: Individuals, governments and companies. There is a key to the first and the second door (moral philosophy and political theory – respectively) and the last door still lacks a key. In this analogy we can place the metaphysical work of Rawls, neither as the door nor the keys but as the key maker. Rawls theory of Justice is not only a political work. It is, as its title suggests a theory for the concept of Justice that lies above any keys or any doors.

We believe that the same machine used to create a key for the government door can be used to open the companies' door, but not, under any circumstances, the same key.

3.6.Future of Business Ethics

Our claims so far advocates against a creation of moral norms, but rather in favour of abstract statements. Another important claim here is that companies differ in nature from individuals and governments, but, as mentioned before, it should not be interpreted as something in between them. The fact that it can borrow concepts from moral philosophy and political theory, does not place organizational ethics in between them, just pays the deserved respect for more than two thousands years of research in those areas. To create something new is to re-read and re-write past knowledge in a new, more appropriate way.

We claim that to develop a normative ethics of business is a task that will take really hard work and combined effort from scholars in philosophy and business, but what we can withdraw from this discussion is that some concepts can be borrowed now from philosophy and work as a starting point to the business ethics.

Rawls' metaphysical work, discuss ethical concepts towards the creation of a political theory to guide rulers into an ethical distribution to resources and fair regulation of markets. But it has

generic statements prior to those rules. Those are, on our point of view the biggest useful outcome of philosophy to business ethics.

We have talked about the purpose of companies, and the conclusion we can take from this discussion is that there is no such a thing as a common purpose for companies. They change in accordance to its owners, its counties of actuation, its industry, products and many other variables that make it virtually impossible to determine a shared purpose.

The only feature that we can infer that is a fact is that the companies all share a nature. They have similar characteristics. For that reason, an ethics based on purpose of companies is suitable for only a few of them, but not all, as we have been looking for.

Our claims culminate in the practical part of companies. Since we believe that companies can not be seen as a unit group, but rather as a different group than the others existing groups, since we are not able to determine the purpose of companies in order to limit their paths, since companies differ from other agents, forbidden the direct comparison among them, the only method we have to guarantee that a company is ethical in based on its actions. The next chapter is dedicated to discuss the practical tip of the companies.

Chapter 4

The reflective equilibrium as a method for decision-making in companies

In the first part we studied how Rawls has been used so far in Business Ethics; the following part would be our suggestion on how Rawls can/should be used for Business Ethics. We defend that even though Rawls was developing a political theory; he developed an ethical foundation that can be used in many different ways. This is the reason why, we will use the following chapter for the creation and analysis of a model based on the foundations of Rawls theory, taking into account the metaphysical parts of his work.

The model we are about to develop is a model for decision-making process in companies that will always consider the ethical aspects of the organization and its consequences. For that purpose, we consider prudent to briefly analyse the work that has been done so far with decision-making process using theoretical framework, inherited from philosophy thinking, and some of the theories that are relevant to the discussion. Our next step is to analyse the possible critics to the model.

4.1. The Framework for ethical decision-making

We are in search for the definitions of an ethics tailored for companies. So far we have seen that companies do not share one specific purpose – this we withdraw from the discussion in the last chapter where there is a disagreement on the purpose of companies by many different parts - , but rather they share their nature. To identify the ethics based on the purpose of a company is to go against all the partial conclusions we have so far. Our attempt in this chapter is to, once companies share nature (Phillips and Margolis 1999), find a decision-making process that considers the nature and disregards the purposes; towards an ethical decision-making of companies. We assume that if

companies act ethically they can be considered ethically in nature²³.

The conclusive chapter is divided into four sections. The first one talks about the foundations of the framework we shall develop in the third subsection. The framework is strongly influenced by the work of Rawls, and uses his methods of justification to guarantee the most appropriate ethical decision-making. The second section pays respect to the most important business ethics theories that relate to the same topic. The third one, as said before, will be dedicated to the development of the framework (or model) that will consider its features and some characteristics. The last section of this chapter is dedicated to answer to possible critics that could be made to the model.

4.1.1. The foundations of the framework

If we go back to the table 2.1 (second chapter) we will see that the last three lines of the table are based exclusively on the abstraction of the concept of justice. Those are the concepts we need to discuss in order to achieve our goals in this chapter.

The **veil of ignorance** is not only the starting point for all the work that business ethics has to pass through, but also the final answer to every ethical issue that might arise in future years. It is a hypothetical exercise in which people define generic principles for the society. We defend here that companies are not comparable to governments or individuals but to deny that companies are a result of the societal life is pointless. That is the reason why, we argue, the generic statements should be used for companies as well as the methods of Rawls' work. These principles or Maxims are useful to all social agents. We argue that companies should be seen as independent agents of social change, but still as agents capable of changing the environment and the society.

We are not suggesting that companies should imagine themselves in the worst scenario

²³ Based on the nature of companies, and on the impossibility to determine if they are intrinsically ethical, the only way out to guarantee ethics in companies, as it seems to us, is through guaranteeing ethical actions. We prevent at least that the companies will not act unethically, therefore not influencing the world in an inappropriate way.

possible. This is a task for individuals that form the society. Companies should ask, when facing an ethical dilemma, if they are respecting the maxims, the principles, proposed in the veil of ignorance. The veil of ignorance play a central role in the framework we are about to explain.

The framework is based on the three justification methods coined by Rawls: Idea of Public reason, the derivation of the principles selected in the original position and most importantly (because will be used here as a basis for the structure of our framework) the reflective equilibrium.

The veil of ignorance and the principles of justice have been largely discussed in this work. A brief moment will be dedicated to explain the Idea of Public reason. According to Rawls “when all the reasonable members of political society carry out justification of the shared political conception by embedding it in their several reasonable comprehensive views” (Rawls 1995), it would be understood as the shared cognitive maps of the individuals that form the society and “reasonable citizens take one another into account as having reasonable comprehensive doctrines that endorse that political conception” (idem). In our model we will translate this concept as 'Specific Rules and Laws'.

The reflective equilibrium is a method that constantly questions the judgements about justice and the principles formulated by them. Here the concept of Justice is fairly translated as what does the company believes to be just. And the judgements are the rules that derive from the concept of justice.

A theoretical exercise can add to the discussion. Imagine a company's conception of Justice is that people should not have their freedoms taken away. The company wants to build a new dam in a determined region that will dislocate a whole village to a different place. Removing people from where they live does not mean that they are losing their liberty, but from one point of view, the village has no will to decide whether they want to move out or not. The compensation system takes place. What are the conditions to keep the freedom of those people and still build the dam? Is it relocation to a better place, with all costs covered by the company? Is it a simple amount of

money so that the citizens can do it more freely? The questions are complex as well as the answers. So the company should try an agreement. And most of the people would probably agree to move out for a fair quantity of money (after all they are rational self-interest human beings). But some might not consider money as a fair reward for losing their houses. They want other kind of rewards. The company should listen to their requests and ask itself again: Does any of those propositions remove the freedom from anyone? Who? How can I get to reward them for that action? And the process goes on until they achieve the reflective equilibrium.

Obviously the process described above takes a lot of time. There is tough a short-cut for this kind of problems.

The process we propose is simple. A company face a new problem. The problem is not necessarily ethical. This is a framework for analysis of ethical features in real issues. The first task is to ask if they have been through similar situation in the past. This idea of comparing a problem results from Rawls theory. Remember the concept of fairness that is used to explain that every situation can be fair under those conditions. In the example provided the little boy considers it is fair for his sister to have a bigger piece of the cake on her birthday. The boy agrees with that based on two rational premises: the first one is that he expects the same treatment when his birthday comes up – making it a fair division in the time line; the second is that he compares himself to his sister in a similar situation in the last year. It is possible that last year, when it was his birthday, he received an extra piece of cake, and he felt that it was fair. So he agrees with the fairness of his mother's decision on providing a bigger/extra piece of cake this year in his birthday.

This is a rational simple framework for decision-making in ethical dilemmas. Check if something similar happened in the past. If it has happened all you have to do is to analyse the differences between those two situations. If the differences are not significant, easy task: you have to question yourself: was it a good ethical decision? In affirmative case, you have your answer. Repeat the action in the past and you will make sure that it is a fair, just ethical decision to make.

In case they haven't the next logical step is if any member of the organization has been to a similar problem, or know any other example of similar conditions. In the case of an existing problem, differences must be measured and the responsible for the decisions will probably be able to come into an ethical solution to the problem.

In the case that there is no similar problem known of, the company is facing a problem without parameters. No basis for comparison. In that situation, we argue, the company should appeal to the maxims defended in the original position, and go back to the reflective equilibrium to guarantee an ethical, justifiable decision.

This process could be considered complex by some. Rawls himself, after introducing the concept of reflective Equilibrium states: "of course I will not actually take you through the process myself" (Rawls 1971). And even though it might look like we are trying to do something as guiding you through the process of reflective equilibrium that is not true. We cannot forget that the method was developed to justify the concept of justice concerning the principles of morality. We are not here trying to go over Rawls' authority and try to explain the method he could not. We are just proposing a different application of the method bringing it to a concrete level, to help deliberating on ethical issues. A quality of Rawls' work that was perceived by Mc Vea: "For example, despite the central importance of deliberation in his reflective equilibrium framework, Rawls tells us nothing about the nature of the deliberative process itself" (Mc Vea 2006)

What we believe to be the most important contribution of this "deliberative process" is that, if companies follow that path, they will be constantly questioning ethically their actions. This questioning is open for debate, and from the debate we can achieve the biggest share of accuracy in our ethical rules.

4.1.2. Deliberative process in Business Ethics

Clearly we can not, before properly formulate our version of a deliberative process for organizations forget what has been done so far for that purpose. A literature review presents us with important features for the development of a new theory. The most important things that it can provides us with is: 1) not to work on something that has been said before, 2) understand possible critics to similar works and try to not make the same mistakes and finally 3) a possibility to deepen our framework.

We used for this research three central articles dedicated to similar purposes: “Re-examining the Influence of Individual Values on Ethical Decision Making” (1997) by Glover et al, “A Review of Empirical Studies Assessing Ethical Decision Making in Business” (2000) by Loe et al and “Ethics in Personal Selling and Sales Management: A Review of the Literature Focusing on Empirical Findings and Conceptual Foundations” (2000) by McClaren. Those articles were chosen for several reasons. First of all they present us with a wide view over the topic once they are, when combined, comprehensive over the normative and empirical parts of the decision-making process. They present a good overview of the topic. Even tough these articles are relatively old; they talk about the key concepts of the theme as well as the key authors. A few authors are not quoted in those three articles; therefore, some additions to the theme were made, by a brief research on business Ethics decision-making processes using Rawls as a foundation. Our research excluded authors with an empirical application only, our search was for models.

Our research on Rawls usage for Business Ethics did not present significant usage of his theory with the intention of using his theory to develop a decision-making model, but others have done similar work based on different theories. Kohlberg's model's evolution is what we will present here – because his model is influenced by Rawls. We will shortly pass trough the most important thinkers in his line of thought.

The recent history of deliberative process in Business Ethics started with the publication of

Kohlberg's (1981) where he proposed a model of ethical training that suggested that ethical growth could be developed over time through systematic education, “(n)ote though, that Kohlberg’s research was strongly influenced by the theory of social justice articulated by John Rawls” (Simola 2003). A model based on three stages of pre-conventional, conventional and post-conventional developments of moral. His theory appears to influence ethical classes to the current years. The objective of his model is to achieve the biggest level of ethical thought which would lead to a consistently ethical behaviour. Kohlberg's model is the most important one for our research and will be deeply discussed in the end of this section. We kept a brief comment on it at the beginning of the section with the only purpose to respect the chronology of the literature review.

The developments of his model were of responsibility of Rest (1986) in their *Defining Issues Test* the “*Moral Development: Advances in Research and Theory*” published in 1986 and further advanced in 1990. The biggest achievement of his model was that he proved to be an existent relationship between moral reasoning and moral behaviour following the example of Kohlberg. His model is more of a recognition task: subjects are presented with thinking descriptions representing different stages of thinking and required to ask for a pre stabilised description. It was divided in four stages: recognizing moral issues, making moral judgements, establishing moral intent, and engaging in moral behaviour.

Trevino's 1986 work “*Ethical Decision Making in Organizations: A Person-Situation Interactionist Model*” develops a model that “offers insight into how managers think about ethical dilemmas and provides a way to typologize real world decision-making phenomena based on Kohlberg's empirically grounded cognitive moral development model” (Trevino 1986) . Trevino's model relates cognition and action but this time he bases his theory on “other individual and situational variables” (Idem). He shows the relativism in process decision-making.

Further developments were made in Rest's theory by Jones' “*Ethical Decision Making by individuals in organizations: An Issue-contingent Model*” in 1991 which “provides the most

comprehensive synthesis model of ethical decision-making” (Loe et al 2000). His model is an attempt to integrate the previous ethical decision-making models and “Represents overall agreement regarding the variables that influence ethical decision-making and introduces the concept of 'moral intensity'” (idem). His claims were that previous works did not consider the nature of moral issues. Moral intensity is the “extent of issue-related moral imperative in a situation” (Jones, 1991). The biggest addition to Rest's model is that ethical choices are not based exclusively on individual choices but rather are shaped by a sharing of cognitive maps in the whole organization.

Back to Kohlberg's model: Kohlberg conducted an empirical work on the development of moral reasoning [while our model is meant to be a guide for ethical decision-making]. He observed a group of boys and articulated a six-stage theory that “continues to be the most prominent theory of moral reasoning” (Sdorow and Rickabaugh, 2002). His arguments are that individuals develop through a sequence of cognitive abilities. Six stages of moral development grouped into three different levels (pre-conventional, conventional and post-conventional). The first - the least mature one – reflects a selfish perspective where the construction of moral is based on the needs of the individual. The second stage is when the individual faces the societal norms, such as laws and conventions. The third and last – post-conventional – the fairness in decision-making is based on equality and reciprocity. The principles are not necessarily agreeing with societal rules.

Kohlberg's model has as core reciprocity and the ability to think in an abstract way, in order to achieve a universal judgement. Empathy or the ability to 'put yourself' into others position plays central role in his theory. And this is the closest relationship that Kohlberg's model share with Rawls' veil of ignorance. Under Kohlberg's Theory, individuals who are morally mature can be impartial and think in an abstract way, and these characteristics allow fairness in the process of decision-making. “Kohlberg's empirical research not only helped to distinguish an “ethic of justice” in moral reasoning, it also catalysed research into a new perspective, now commonly known as an

'ethic of care.'²⁴ (Sdorow and Rickabaugh, 2002). Similarities between Kohlberg's model and our model are expressed on the next section.

There appears to be a general agreement between the authors in what concerns the individual variables and organizational learning processes to influence decision-making models (Loe 2000). Their worries seem to be directed to identifying the causes that affect the most the individual's ethical decision in organizations. Most of the accepted models are positive perspectives in the sense that they avoid absolute truths present in normative models.

4.1.3. The Framework

As in many models for decision-making, the first important feature is the conditions under which the decision maker has to find himself in order to make the right decision.

Rawls arguments can be divided into three different Spheres: primary, personal and psychological²⁵.

The primary sphere refers to the conditions under which the decision maker must be to analyse the problem. They can be summarized into two: 1) the decision maker must be aware of all relevant facts about the issue in question. And 2) he/she must be able to concentrate on the question (meaning that he/she can not be upset, frightened or any other kind of feeling that blurry his/her mind on the understanding of the problem (Rawls 1971).

The personal sphere is of extreme controversy and definitely open for critics: According to Rawls the decision maker does not stand to gain or lose on the basis of the answer given. This is a condition clearly based on the veil of ignorance (even tough the reflective equilibrium – the basis for the development of this theory – is based on a different cluster of thought). This personal sphere presents problems to our method if not explained clearly. A manager, or a company, most of the times, makes decisions searching for “personal” gain. The method we are talking about is tailored for companies, thus, the second sphere of Rawls' conditions (we can not forget his method was

24 For understanding the Concept of Ethics of Care see Sdorow and Rickabaugh, 2002

25 Those names were created for this work

tailored to find the answer to the concept of justice, where impartiality is accepted) will be unconsidered in this model.

The third and last sphere of Rawls' model (we called psychological) is about the way the judgements are held. Can also be divided into two main characteristics of the decision-maker: 1) the decision must be one about which the decision-maker is confident; he/she must feel certain rather than hesitant. And 2) the judgement must be stable over time and accepted by all competent judges. This is a clear influence of Rawls biggest source of knowledge: Emmanuel Kant. Kant's Maxim of ethics can be translated as: Act as if your actions could be transformed in a Maxim. It makes perfect sense, when you take into consideration that we are in search for an ethics that lays above questioning. If the decision-maker makes a decision that anyone (capable) would take the same path, that decision is definitely ethical.

One last condition for the decision-making must be presented and it lies outside of the three spheres previously explained, because it is a summary of all the three spheres: The judgement must be intuitive with respect to ethical principles. "The person making the judgement is presumed ... to have the ability, the opportunity, and the desire to reach a correct decision (or at least, not the desire not to)" (Rawls 1971).

This last conditions allows us to keep the second condition (no personal gain), because in the decision-making process, the decision maker can have personal gain as long as he is considering all participants. And the benefit for him/her cannot be paid by other, but rather agreed under the right conditions. In other words, if we consider this last condition (outside Rawls' model, but within his theory) we may leave the second condition with no harm for an ethical decision; all it needs is further explanation, which could be: Personal gain is allowed as long as it does not mean removing the gain from other parties²⁶.

26 Here we can notice the strong influence the Utilitarianism has on Rawls' theory. The point of equilibrium for Rawls is shared by the capitalist logic and for the Utilitarianisms theory. The situation is on equilibrium when you can't give more to one part unless you remove it from other part.

These conditions are very similar to the features studied by Kohlberg in his model. He talks about maturity of the decision-maker: we lent the pre-conditions of Rawls' model. We could summarize the conditions here as 'the decision-maker must be in a mature state of ethical development according to Kohlberg's model'. In our model, though, for didactic reasons we will stick to a simpler division of the conditions: **Preconditions** and **ethical conditions**²⁷. The first relates to the conditions necessary to the individual to face the problem and to understand it completely. The latest refers to the conditions needed to make the decision.

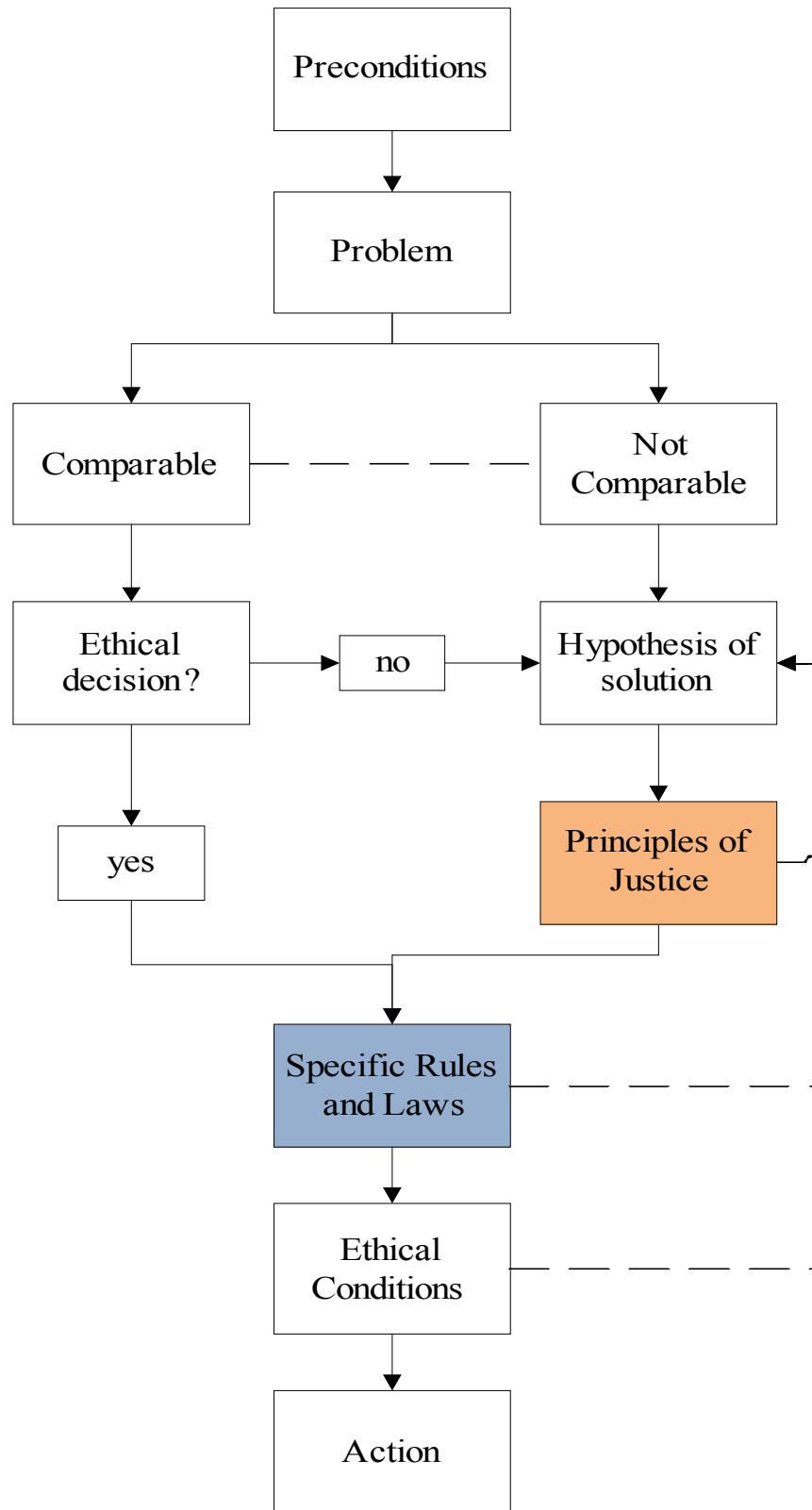
Finished the conditions discussion we go to the presentation of the problem itself. Once more, the problem does not need to be ethical in nature. We personally believe that every decision involves many spheres, among them an economical sphere, and an ethical sphere. So the method itself should be used to take any decision that a company has to²⁸. A graphical representation (Graphic 4.1) can help the understanding of the steps to follow.

After the problem is defined, the next logical step is to compare it to reality. Has the company faced similar situation in the past? Has any other company faced similar situation in the past? From the answer to those questions, our model has a subdivision. If there is a similar case, then the company has to check if the decisions taken on the first case were ethical or not. If they were, the decisions should be copied – being faithful to one of the ethical condition to decision-making, if the decisions were made under the right circumstances, they should be used as a maxim. On the other hand, if there is no comparable situation in known history, the decision-maker must come up with a hypothesis for the solution. The possible solution, then, is submitted to another process.

27 Our choice is explainable for the fact that for us, the conditions presented by Kohlberg are absolutely right, even though his sampling is questionable, but in our decision-making process, it is important to divide the conditions once they are necessary in different moments of the model.

28 If a company decides to use this model to find solution to any problem, it will have to be coupled with other available methods for solution creation. The method is tailored to guarantee that the action taken by the company will be ethical.

Graphic 4.1
Simplified Graphical Representation of the model



This process starts with a simple comparison with the law²⁹. The rules selected by the people which the company necessarily is under. Even though this seems elementary, what we are dealing with is a dramatic ethical problem. What this model implies is that a decision might be “approved” in one country while it can be “denied” in another. If we are dealing with a decision that could be considered a Maxim to all other decision-makers in the world, this is a contradictory feature of the theory. On a first look, indeed this seems contradictory, but the law varies according to countries and for instance, minimum wage differs in every country. A decision can clearly be accepted in a country and not in another country because its conditions are different. Policies as employment protection, unemployment protection and wage protection are policies with the competitiveness objectives, not necessarily ethical.

On the other hand, some laws might indeed interfere with ethical issues inherent to most of the people. In that case, the possible solution to the problem would **not** be approved because of the next stage of our model: The possible solution must pass through the principles of justice.

The principles of Justice, necessarily implies that complex concepts are not bullet prove. The discussion towards the principles of justice has been held for many years, and will keep happening. In this work, we take Rawls' principles of Justice, for reasons that are clear now, but can be summarized in one: Rawls, on our opinion and many others, provides the most complete theory of Justice ever presented. We assume for this work, that the principles of Justice proposed by Rawls are correct, and even though they are not static (because they can be changed through the process of reflective equilibrium) they are the closest framework that philosophers have come up with.

A last stage is that the possible solution will be taken to action if it respects the ethical conditions of the decision maker (presented in the begging of this section).

That model apparently does not present much news. Its foundations are the most important

²⁹ Not casually we make use of the term 'rules'. The laws are something of clear and easy appraisal. But there are unethical actions that are unethical for the fact that they disrespect cultural rules, habits and traditions as well. The concept is connected to the cultural differences in the world as well as the Stateless nature of companies.

part of it. That is why we need to dedicate a few lines to explain how we are trying to combine the three justification methods that Rawls proposes in only one decision-making process model. The first justification method proposed by Rawls that can be identified is the stage when the hypothetical solution must face the **Specific Rules and Laws**. First the position in the process is important. Virtually it could be placed anywhere between the moment that you have a solution and the moment that you act. But it is strategically placed as the first stage after the unification of the model. The reason is that even if there has been a good solution for a problem that was completely ethical in one context, the rules and laws of countries (and some could argue that even the cultural differences) can change. Those rules can not be ignored in the decision-making process because they are the one's responsible for bringing together the concept of justice as fairness or in better words, the concept of equity present in Rawls writings.

The second justification method is easy to identify as well. It is present in the stage named **Principles of Justice**. This is probably the topic that we dedicated most attention so far, for that reason we will consider that it is an understandable concept to the reader at this point. The consequences of it though demands further explanation.

For didactic reasons we are here agreeing with the principles proposed by Rawls. But again, Rawls does not assume that his principles are absolutely right. They are a conclusion of an immanent process that could last forever in search for a reflective equilibrium where we could state with no regards that those principles are complete or perfect. This is the most abstract part of the model, and therefore the most complex one. It brings, at the same time, two apparently incompatible, features. On the one hand it represents the intrinsic part of Justice, the part that can not be changed, which would make the model infallible and universal. On the other hand it is the only part that should be changed, improved and thought about.

We should not run away from this discussion. The idea that something can be unchangeable and at the same time demands change is a philosophical artifice used in philosophy to represent the

complexity of the issues. This is a typical philosophical problem in which we have to post-pone the discussion in order to finish any theory. On our opinion to ignore these issues is to provide a theory that fit a moment exclusively. If we leave a variable on the model, it can be applied to more situations, that is why we decided to introduce and keep this variable in our model, on the other hand to be able to continue our discussion, we will make use of the entire Rawls' theory on the theme and admit that the right principles of justice are those presented in the theoretical proposition of the original position and the veil of ignorance³⁰.

The last, and most important, justification method used in our model is the one that mainly shaped its structure: the reflective equilibrium. To point out precisely where it can be seen is to simplify it, but in a few moments it is more evident, than only a structural contribution.

The first moment where it is visible is when we divide the graphic and the two possibilities take place. If we consider that someone has ever been to a situation that is similar to the one we are presenting, than we are in a way using the reflective equilibrium method. There is a possible answer to my problem, which went through the process of being analysed under a conception of Justice. It would be possible to simply copy it, but then we would not be respecting the principle of the reflective equilibrium which is to question the solution until you exhausted any possibility. So even though there has been a similar problem in another time, country or even in the same company, the decision-maker has to analyse if the decisions taken there are valid for the new scenario.

The second place in the model that the reflective equilibrium is visible is marked by the dotted lines. After “passing” any of the possible stages, the solution must go back and check if it is still valid for the other. An example, a firm decides to build the dam in a determined place, but suddenly they find a law that forbids them to do it. Simple, just change the place to 200km up river, and there is no problem with the law any more; but then you could face new problems in the new region that need to be addressed to, and that forces you to go all the way through the process again.

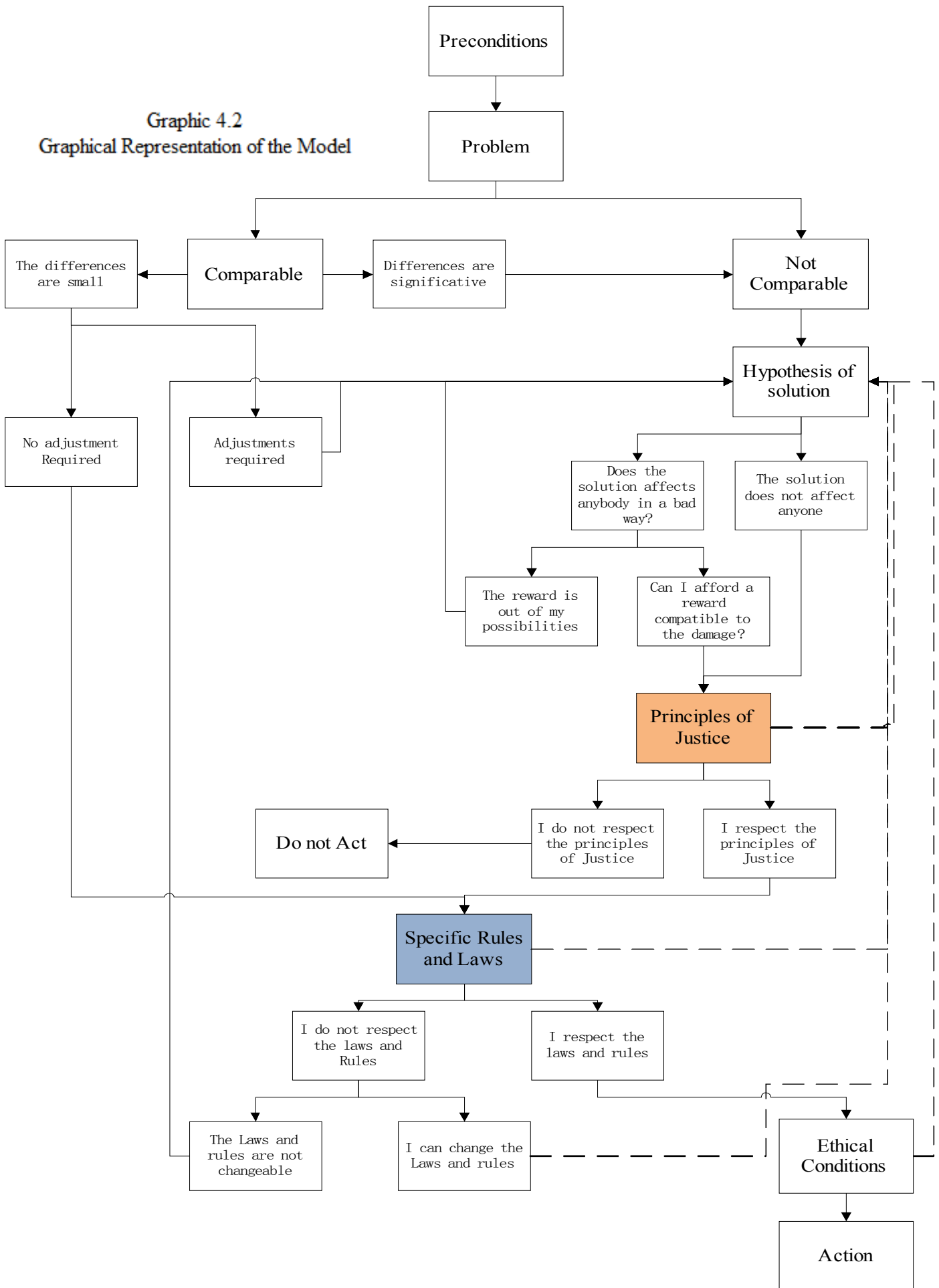
30 The principles are expressed in the first chapter of this work.

That is the reflective equilibrium method being applied to a new situation other than finding out the principles of Justice.

A refinement in the model is necessary: a closer look to the variables we are working with is presented in the Graphic 4.2. What we believe to be the biggest contribution of the expanded version of the model is that we can, through the expansion analyse the flexibility of it.

The variable “Is my problem comparable to others?” can be broken into different degrees of resemblance. An exact same situation is less likely to happen than a situation with evident similarities. This is a point of flexibility of the model. The same feature can be seen with the effect that the solution has on other people/societies. If it affects other people, there is, probably, a good way to reward those people or societies, by the inconvenience caused by the company's actions. The model does not forbid decisions that affect people. The model is a framework to help ethical decision-making towards an ethical, fair and just action.

Graphic 4.2
Graphical Representation of the Model



The last evidence of flexibility in the model is present in the variable “Specific Laws and Rules”. When, in the process of decision-making, a company faces a law or rule that forbids its action, one possible solution is to change the law. The means are not easy, but they are not impossible either. It could be by lobbying with the government, using the political power that the company has or simply by changing states, regions, countries or even continents.

There is tough, a very inflexible variable in the model. If your actions will not respect the principles of Justice, or the Maxims, you should not act. There is no solution for that task, any action taken outside the sphere of the principles of Justice should be considered unethical and therefore, should not be taken.

A brief discussion must be held on the reward system that this model offers. And the answer to the possible problems is based on Rawls theory again. Some may think that if I can ethically pay a reward to someone, bribing is an ethical action. The concept of bribing as an ethical action is clearly inappropriate and although the model seems to allow it, it does not. One of the most important features of the model is the order of the steps that the possible solution must go through. The first condition that allows rewards is based on the human condition for Rawls. Individuals are rational human beings, self interested, but most of all, individuals, under fair conditions, will only participate in trades if they consider that there is personal gain on it, or at least no personal loss. Therefore, paying a certain amount of money (or any other kind of valuable goods) is acceptable as long as the trade happens under fair conditions. The second important feature about rewards is that rewards are acceptable, but after they are studied they must be 'approved' by the principles of justice. There is no acceptable reward that pays the price of liberty and opportunities. Once again this is the inflexible part of the model. No action can hurt the principles of justice.

Last important feature to be mentioned is that very powerful companies - on a first sight – will have more possibilities to 'approve' an ethical decision than companies with no political power. That is a fact, and it is also based on Rawls theory. Perhaps the only part of the whole model that

makes use of the Political liberalisms: the concept of the 'best fit'. A more powerful company has more resources and more political power, for the simple fact that it is fit to the environment it acts in. This could be considered as an unfair part of the model, once it is not considering the same opportunities to all companies. This represents the realistic part of the model. Under a democratic State, all companies [virtually] have means to change a law. But there are States that are not democratic, and [most of the] States have a preferential agenda translated into political interests that benefits one company rather than other. We will see in the next section, but a model that is not in touch with reality should not be valid. If we assume that laws and rules can not be changed we would be writing exclusively about an ideal world, with no realism at all. To avoid this problem, or to make it closer to a fair state, there is a very important arrow on the model. The arrow after the 'I can change the Laws and Rules' that leads the decision maker back to the hypothesis solution. That is because the fact that someone (or something) can change the rules and Laws does not mean that the changes are ethical. It just means that they have power over the Law. Therefore if we require that the 'new law' passes through the whole process again, we are guaranteeing that the new law, will not only benefit the company responsible for its change, but also all the interested parts, if approved by the Principles of Justice.

The main features of the model have been described. Now we will discuss possible critics to it.

4.1.4.Critics to the model

The model that we just presented can be improved, but our literature review on the topic, showed us a few critics to other models that we considered pertinent. A few of them will be exposed by us, and better explained.

The model is intrinsically conceptual, normative or even philosophical, in other words, this model has not been empirically tested, and therefore can be considered by some as scientifically

irrelevant. We are required to agree with those claims, once in fact no further research has been done with this model. There is, after the conclusion of this work, a section dedicated to suggestions for further research. This factor will be represented in that section with brief suggestions on methodological features as well.

Another claim that could arise after understanding this model is the idea that it does not think of the nature of ethical issues. In fact we do not dedicate much to talk about the nature of the issues in the model. And that is so, because this model is not only exiting to be applied into ethical issues but rather to be able to consider ethical issues in every situation when a decision-making is required by a company. This method is tailored for company decisions, with little or no application at all to any other situation or actor. The decisions of companies, we claim, are invariably economic as well as ethical. The nature of an ethical problem can be viewed from many different perspectives. Ethical problems have one feature in its nature that is for us irrefutable, they are extremely complex. Normally they do not present themselves alone, they are interconnected to many other problems, the solution is hard to find as well as the problem is hard to define. We believe that a model which takes into account the complexity of ethical issues must be as complex as the issues it self, but once again we fall into the same discussion of the principles of Justice.

A very common critics to conceptual models is that most of them are normative perspectives (rather than positive ones), in the sense that they avoid absolute truths. We are required to agree with those claims as well. This model is normative, and is based on an “absolute truth”: the principles of Justice. And then again, we have to say that this is the most genial concept created by Rawls. The contradictory concept of the absolute principles of Justice elected in the original position under the veil of ignorance: that needs to be constantly readjusted by the reflective equilibrium method.

A critic made by Trevino (1986) that can be applied to all normative methods is absolutely true and irrefutable: “With regard to research methods, the proposed model does not alter the fact

that the observation and measurement of managers' ethics is difficult" (Trevino 1986). The methodology created to study any normative method for decision-making will face that problem. Our model does not fall far from that tree. There is no possibility of assessing the reliability of such a method in an absolutely impartial, objective way.

The last critic we will present here is probably the most pertinent one, and therefore, the one that demands more explanation. The pertinence comes from the fact that this criticism was made intentionally against those, who before me, tried to use Rawls theory to similar purpose. Doorn (2009) claims that even though all the attempts to use Rawls for this purpose are promising; they are a better fit for the political domain. We share these criticisms with him. This is all what this work has been about: The proper usage of Rawls theory to business. His claims are more conservative than ours. We still believe that the foundations of Rawls theory can and should be used for business ethics.

He identifies two main obstacles for the application of Rawls into business ethics, to which we are required to agree: inconclusiveness and communitarian objection. The inconclusiveness refers to the fact that the Rawlsian idea of justice implies that what is just will be considered just no matter what or who the judge is. In other words, Doorn is showing that a consensus among every actor involved is extremely hard to achieve. The communitarian objection is based on the very foundation of Rawls' theory, the veil of ignorance. His claims are that an individual to achieve such level of abstraction must be detached from his/her subjectivity. Probably a complete objectiveness is in fact impossible to achieve. But to some degree the objectiveness is reachable. That level of subjectivity, we argue, is consistent enough for a decision maker to consider³¹.

Graaf presents an interesting argument against the claims made by Doorn: "Contractualism like Rawls does not use contracts to establish obligations but as a heuristic device, that is, contracts

³¹ The critic here is valid for any other kind of decision or research. The complete impartiality of agents is considered impossible by many scholars. If we consider this extreme situation where people are not able at all to be impartial would be the greatest argument for the necessity of a bullet prove ethics. If no one can make decisions respecting the proper objectiveness of it, they should be guided through the process.

are used as fiction in order to make sense of reality. The concept of contracts is not used as a foundation of moral norms, but as a device to help to determine the content of existing moral norms. “Say we choose “basic respect” – a concept whose abstractness challenges its description – as our existing moral norm. We then conduct thought experiments in which the concept of contracts helps to give “basic respect” concrete content” (Graaf 2006)

Another important feature about this framework that needs to be carefully studied, and has been mentioned before, is that it is based on Rawls' theory, and takes it [the theory] as true. Rawls himself notices many different aspects of his theory that could carry a flaw. The self-critic in his work is present all the time. A very important critic that he points out is that “We should recall here the limits of a theory of justice. Not only are many aspects of morality left aside, but no account can be given of right conduct in regard to animals and the rest of nature” (Rawls 1971). The moral issues 'left aside' are hard to determine, especially because we would be comparing two different levels of knowledge, the moral and the ethical. But we must be aware of the consequences it can have on our model. If we agree that there are flaws in the basis of our work, we must consider that it is completely wrong. As Rawls, we admit that possibility.

The second issue pointed out by Rawls is that his theory of Justice does not consider the rest of the nature. That is also a big problem to his theory. The closest solution we can think of is that considering human beings as selfish individuals, they will think about the 'rest of the nature' but only if the 'rest of the nature' influences him somehow. In the current world, that can be considered to not exist any more, because it is evident that the nature influences the individuals, and therefore, the individuals will work their way out, thinking of their welfare, and 'solve' the nature problems.

Chapter 5

Discussion and Conclusions

5.1. Discussion

We focused our discussion in the ethical field of business, basing it on the philosopher John Rawls and his critics. We found out that Rawls' theory is largely used by scholar in the business field, but the usage is mostly based on his political theory, a focus that we think is not appropriate.

The stakeholders perspective appear to be the biggest defenders of Rawls political theory, but they make a misplaced analogy that compares companies to governments, and uses political philosophy to achieve what is ethical for business. A same misplaced position can be seem in other scholars that instead of making use of political theory use moral philosophy, making a clear comparison between companies and individuals.

The evidence of such misplaced analogies, lead us to a search for the differences between those agents. Our claims are that companies differ from individuals and from governments not only in their abilities to influence the world but also in their natural foundations.

Our next step was the discussion on what are the characteristics of a companies' tailored ethics. We used as starting point the three generic characteristics suggested by Phillips and Margolis and discussed them.

An ethics that we are in search for should be independent from other ethics, should be aware of the social influences a company is capable of and should be empowering, not restrictive. That ethics must consider the nature of companies as they are, enduring, global and private, holding personal agendas of their shareholders, but with implicit responsibility of a social agent of change.

Rawls theory can be of great help to this discussion. The idea that we are proposing here is a systematic usage of Rawls theory, not of the part of the theory that dedicates to explain how government should work, but rather the foundations of that theory. In his words: "a moral

conception worked out for a specific kind of subject, namely, for political, social, and economic institutions” (Rawls 1971), but an ethical conception, we argue, can be used for many purposes.

Rawls theory is divided into two different theories, the political and the metaphysical part. Our claim is that the political part of his theory is appropriate for governments only, but its metaphysical part is useful for all areas of knowledge, due to its abstractness, “Rawls did not use the model to set out the conditions under which political authority could legitimately issue laws, but to identify criteria, which the basic structure of society should meet in order to ensure social justice.” (Wempe 2004)

The concepts of his metaphysical theory that were used by us are the original position, the veil of ignorance, the view of the human nature, the political complacency and the method of the reflective equilibrium. We developed a model for decision-making in companies using those concepts of Rawls metaphysical theory. The model is an attempt to integrate all the important features in our research.

What hasn't been explained yet, is the concept of companies as independent agents of social change (which entitles this work). Companies have largely been seemed as either governments or individual under the ethical point of view. This position, we argue, is wrong, but is based on a very important topic that has only been briefly mentioned in the whole work.

Both perspectives are based on the purpose of companies. While some think that companies should serve its owners interesting, they are considering that companies are comparable to individuals; other think that companies should serve the interest of everyone that has a stake on it, and that sometimes those claims are more important than the one's of the owners of the company. Under this perspective, companies are being compared to governments which function is to redistribute wealth.

If we claim that those mistaken views derive from the way thinkers sees companies, and we claim that these points of view are wrong, we need to discuss what are the real purpose of the

organizations, or, at least, what is the foundation of the perspective that companies should be seen as independent agents of social change.

One way of identifying the objective or purpose of companies is to simply ask all the companies their purpose and through statistical methods get into an answer; as simple as it sounds these would most definitely be inconclusive. There are many factors that would influence the managers' answers (e.g. marketing, awareness, different perspectives, multi-purpose company and etc...)

The second method we can think of that could help us to identify the real purpose of organizations is by looking at results. If a company wants to make the world a better place, and has this as an objective, if the world gets it better because of the company, the purpose of it is known. But then again we face a very important issue: the complexity of the world. Things do not work as a simple action/reaction rule. The world can become a better place, but it would be hard to identify with precision which were the sources of that change, invalidating the method proposed, or even finding appropriate methods to measure the improvement in the world.

We could keep trying to find flawless methods to determine the real purpose of companies. But the objective would still be the same: we need to know the purpose of them in order to tailor the most appropriate ethics for companies.

The real purpose of companies is hard to determine, and we can not think of a valid method to do so. However, one thing we can be sure: the purpose of companies is different than the purpose of individuals and of governments. Companies do not want only to help the environment, neither only to think of themselves and become bigger and stronger. They need something else, something different. The only undeniable thing that unites companies is their nature, not their purpose. This should be the common safe ground for developing any universal theory, model or framework for companies.

What we like to call, companies as independent agents of social change. At a first sight, this

name seems to mean little or even nothing at all. Our purpose by defining companies like that encompasses a few important features that are based on their nature: it is hard to determine the purpose of all companies; companies can and will influence the world socially and companies are neither individuals nor governments.

5.2. Conclusion

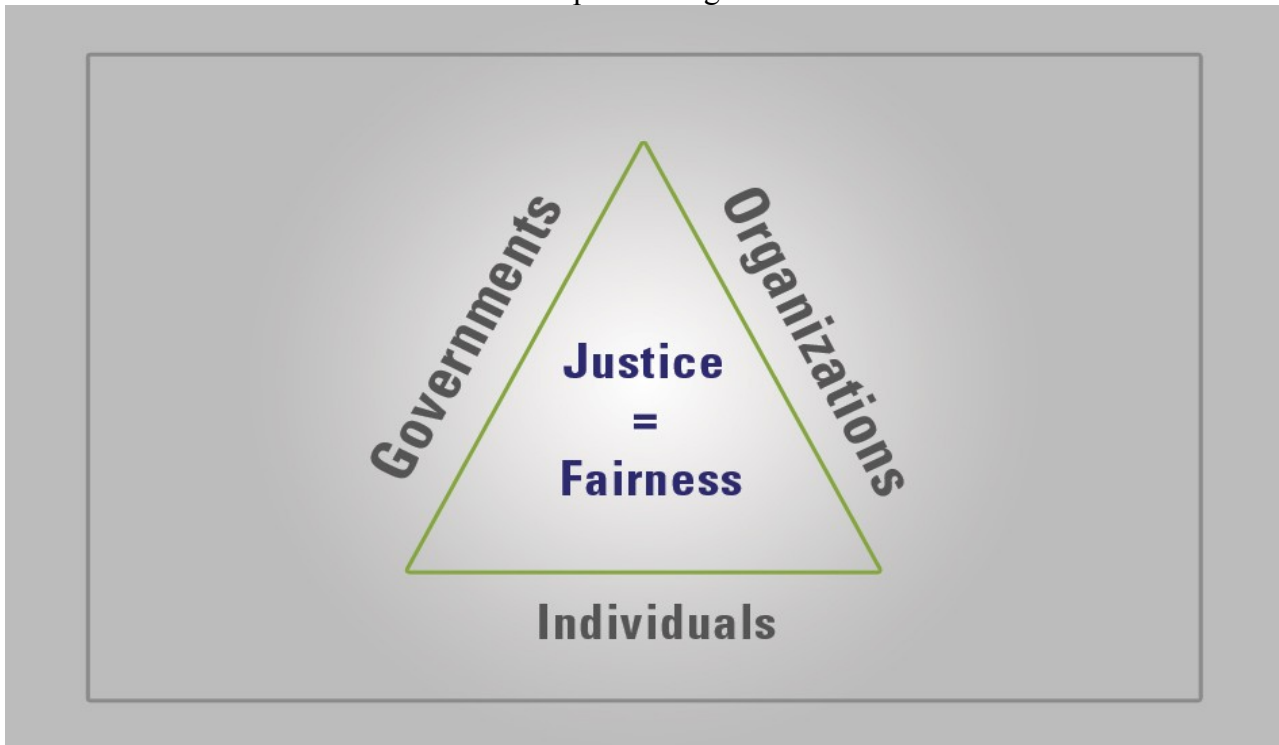
Rawls theory has been largely used for the advances of business ethics. The biggest contributions his theory gave so far to business are based on his political theory. Our study brings a different possibility of the usage of his theory. We propose a usage of the metaphysical part of his work instead of the political one.

The development of this work gives us evidence that in fact companies are important and independent agents of social change. Along with governments, companies have the strength to provide individuals with the means to transform their personal environments into a fair place. And the sum of those individuals' efforts will make the society fairer.

A creation of a tailored ethics to organizations is a must, and that ethics should be able to overcome the common sense of moral norms. Companies need to be seen as independent agents of social change.

Rawls' veil of ignorance presents us with a concept of Justice that lies above any ethics, we argue, and should be used to develop any specific framework in the ethics field.

Graphic 5.1
Independent Agents



The veil of ignorance could indeed be interpreted as the metaphysical foundations of his political theory, but that, we claim, is a partial interpretation only. The veil of ignorance is a hypothetical framework to decide principles not for the governments, but rather, for living in a societal way. It has clear effects of political theory; has clear effects on moral philosophy and; on business ethics. Therefore, the two principles resulting from the veil of ignorance in Rawls should be used as a starting point towards the creation of an ethics specific for the third agent of social change in the society.

The awareness by managers of that fact is relevant in order to guide their decision-making process along with many other features that should be considered. When managers place themselves in the position of independent agents of social change the result is an increase in the conditions for the efforts of individuals towards a fairest society. Companies, therefore, could not be treated as similar entities as governments or individuals but as independent agents of social change, with their

own rights and responsibilities.

Based on all theories presented here, we conclude that ethics in business is lacking of a new, deeper, abstract maxims, which can be applied regardless of changes in the world; that a new world economy is not able to question.

The graph 5.1 presents us with a representation of what we consider to be the starting point towards a creation of a tailored ethics for organizations, considering the ethical concepts designed by Rawls of Justice as fairness, and considering organizations as an independent agent of social change.

The model developed by us is an attempt to combine the justification methods created by Rawls and apply it to business ethics decision-making process. It features are flexible at some parts and rigid at others. It is an exclusively normative technique that, on our opinion, might help the decision-maker to consider the ethical aspects of decisions on the practical tip of it. Once a solution to a problem has been designed, it should 'pass through' the model to guarantee that the solution is ethical.

The biggest theoretical conclusion that we should withdraw from this research is that companies are ethically appraised in the wrong way. It must be clear that Companies are not individuals, but rather a group of individuals, therefore, specific individuals are not responsible for the companies actions (although legally they are), but the group of individuals that form the companies are.

5.3.Further Research

The model we developed should be applied and tested; even though its application will face a variety of challenges. The proposed methodology is a comparative study where two groups of managers would exist. One of them would be trained to use our model and the second group would keep the method used by the company before. The decision taken by each group would be

compared. Measurement tools would have to be developed in order to objectively appraise the quality of the decision under an ethical perspective.

Some work has been done in that slope. The Scottish government through a document called “Making the Case – Social Added Value Guide” talk about a social economy. They propose a way to measure the social added value that NGO produce. The idea of the minister of Communities of Scotland Chisholm Malcolm is “ By enabling organisations to measure the positive benefits of their activities it will help to prove this value when they are seeking investment in their activities” (Making the Case 2006). They consider that companies will start looking for better 'investments' in the social area by measuring this social added value. Maybe this concept could be expanded to all kinds of companies and used as the tool we lack.

The last proposed research is the debate on the ethics for companies alone; the search for the concept of justice in companies. What would be the highest maxim of ethics in business? As this work has made clear, on our opinion, is that companies should be treated as independent agents. We lack though an identification of the purpose of companies.

The reflective equilibrium of the principles of Justice might be another valid theoretical exercise. Where the principles of Justice or the conception of Justice could be tailored to companies specifically?

A last topic of interest that could derive from this work is a wider systematic study of the possible contributions of Rawls study to the business field as a whole. Similar study could be done for public administration and other features of Rawls theory (as his latest books) could most definitely be applied to relevant areas of business. Our research concentrates its efforts on Business Ethics and in only two of his books (namely “A Theory of Justice” and “Political Liberalism”, but many other areas of business could benefit from his writings.

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Exhibit 1

The “New World Economy”

The world is becoming more and more liberal. Trade taxes are falling; borders are becoming less important, the division of the work in the world is every time more evident, the creation of NGOs all over the world is a fact, communication and negotiation among governments is increasing, a movement towards liberalism, despite the kind of liberalism, is noticeable in the globalized world.

Hayes, Pisano, Upton and Wheelwright in their book *“Pursuing the Competitive Edge”*, call all these changes as “The new world Economy”:

[About operations managers] “Nor had their previous experience prepared them to deal effectively with the challenges posed by dizzying series of advances in information technology, including the advent and growing power of the internet. These created the basis for industries whose operating characteristics were substantially different from those of more traditional ones, and which collectively came to be called “The new world economy””. (Hayes et al. 2005)

They argue that the different definitions of the term vary but all of them agree in the following three factors:

Globalization

Advanced Technology

Network Partnership

Hayes et al. argue that the forces driving the new industries are reshaping the way world’s economy operates, making it possible sustained rates of growth, productivity, and employment than ever before possible.

The success of companies in the new world economy demands “a fresh look at strategy (...).

What made the new world economy different, however, was that the way newest forms of all three intertwined in a complex ways to create whole new industries and approaches to business” (Hayes et al. 2005)

Globalization.

Hayes and his colleagues point three main factors for the advent of the globalization.

“The collapse of the Soviet Empire (...) led to a repudiation of state-controlled central planning around the world. (...) led more than half of the world’s population to enter the global market economy during the last fifteen years of the twentieth century. In addition to Russia and Eastern Europe, China, India and several Latin American Countries open their borders to foreign commerce”. (Hayes et al. 2005)

The advances in the information technology, made the international managing much easier. The increasing willingness to outsource operations created new types of partnership, “with costumers, suppliers, and even competitors” (Hayes et al. 2005).

These factors raised competition to a new level. The developing countries were becoming tough competitors inclusive in the high-technology industry.

Advanced Technology.

One of the most important things that happened in the new world economy is the intensive increase of the information technology. Not only concerned with the advantages of the communication between countries that directly affects the globalization process but also concerning the management of knowledge. The advances in technology provide much more complex issues than before. Due the necessity of having technology, this knowledge became a good for it self. Technology can be considered power, and is one of the biggest factors that can bring competitive advantage to a company. However, as the knowledge advances, it’s every time easier to copy it. And

what can be easily imitated can not be used as source of competitive advantage. If your competitors are you enemies, the key to prevail against them is differentiation what has become in the new world economy something harder to achieve.

The advanced technology benefits companies in uncountable ways, but brings problems as well. The power of communication makes it possible for small companies to achieve great standards, trough partnerships and other means, generating new strong competitors, where there were none. The competition thus, is even bigger than before. First because of the globalization, and second because of the technology, that is becoming cheaper and easier to get. What leads us to the third main characteristic of the new world economy;

Network Partnership.

The analogy used by Hayes and others is perfect to address to this new phenomenon. Once upon a time there was only one telephone. One telephone is completely useless if there is no other counterpart. But as soon as other telephones were in the market, the network increased, it became more and more useful to have a telephone. Those without a telephone would take much longer to communicate, thus, after a while, almost everyone, had access to such a device.

The same happens with companies' network. At the begging maybe one company decided to have a closer relationship with its supplier, giving it some strategic advantage, the competitor that did not had this relationship with their suppliers would be in a disadvantage position. So, it would be forced to do the same. When a company decided to narrow its relationship with it's competitors, the same thing happen.

So, in the new world economy we have what can be called a "new economy extraprise" (Hayes et al. 2005). This new system of companies is defined by a highly competitive environment that forces companies to join their forces in order to survive at first and those companies network will increasingly move towards the creation of a network competitive advantage in detriment of a

company competitive advantage³².

Even though, Hayes, Pisano, Upton and Wheelwright are concerned mainly with operations within a company, the definition of the new economy obviously affects the company as a whole. The increasingly competitiveness of the new economy is by far the most important determinate factor of internal change. Those changes can be seen in every area of the company.

32 Here it becomes important to mention a big discussion regarding strategy. When we are talking about business, corporate or network levels strategy, there are some theorists that believe that the environment should not be the guide for the company's actions. They believe that the resources of the company are those responsible for shaping the organization. Danny Miller, Russel Eisenstat and Nathaniel Foote in their article "Strategy from the inside-out: Building capability0Creating Organization" defend that "by continually identifying and building on asymmetries, by nurturing and exploiting these within a complementary organizational design, and by averaging them via an appropriate market focus, companies may be able to aspire realistically to attain sustainable competitive advantage" (Miller, Eisenstat and Foote 2006). The idea is that the market does not shape the company, but the company shapes the market. In this work we are clearly assuming that the market can and will shape the company accordingly to Porter point of view in his 1980 work "Competitive advantage" and his 1985 book "Competitive Strategy" where he strongly emphasises "competitive positioning as a leading strategy principle and treats the development of firm resources as a derivative activity (...) in the game of strategy it is essential to be focused on the external dynamics" (Wit and Meyer 2004)

Exhibit 2

The Origin of the Political Liberalism

The first worry of John Rawls is to define the fairest way of sharing the available resources, which are by nature scarce. A fast review of two extreme ways of sharing resources is important to understand the difference of John Rawls' liberalism compared to other forms of sharing scarce resources. It is, as we believe, the easiest way to understand his theory economically – which is our concern³³. Two extremes will be shown: The Communism and the Minimum State.

Communism is “A political theory that advocates collective ownership of the means of production (resources, land and capital), abolition of private property and **equalization of incomes...**” (Drislane, R. 2002). Based on that definition we will, for comparison purposes only, plot (Graphic E2.1) what communism would look like, focusing in its economic implications, in a society with only two individuals or two groups of individuals. Each axis represents a group.

The point where the line crosses the axis represents the quantity of good that each member of the society should receive.

³³ Rawls Theory can be seen under many different prisms. The one we consider will give us the biggest insight for this work are the economical and the philosophical. The second will be explained later in this work. We simplify his theory making use of the part that we consider relevant only.

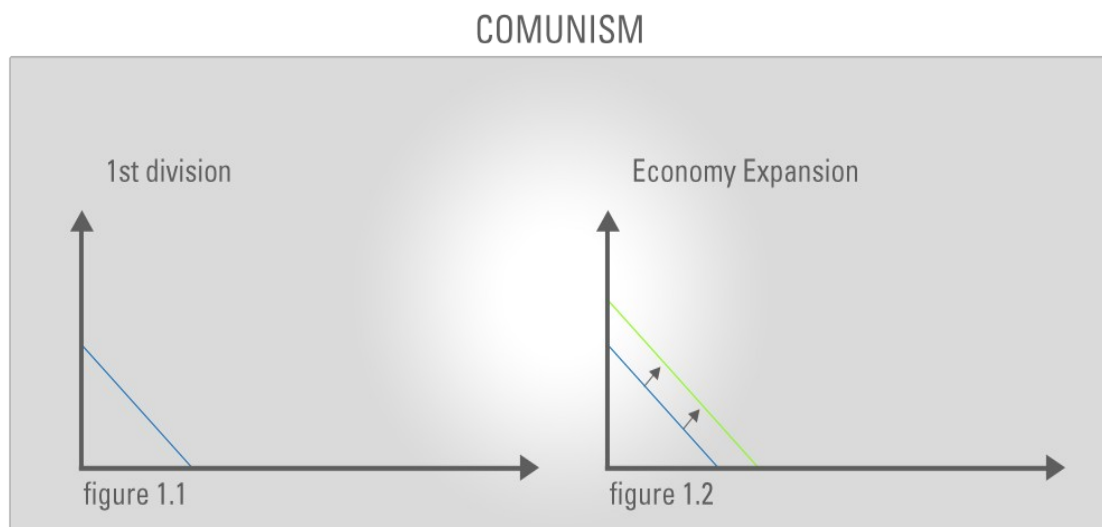
Graphic E2.1
Communism

Figure 1.2 (In Graph E2.1) represents the case of an expansion in the economy (the theoretical basis is the same for contraction or expansion). What this graph is representing is what later will become the biggest argument for Robert Nozick³⁴ (1938 -2002) to develop his theory: If the economy grows, regardless of who is responsible for that growth, in communism, theoretically, every participant of the economy will receive an equal share.

Robert Nozick's **Minimum State** is chosen here because it represents the extreme opposite to communism³⁵. For Robert Nozick there is no reason for a government to exist but in few special cases³⁶ Nozick believes that individuals are essentially different, and therefore must be treated as so: “a distribution of goods is just if brought about by free exchange among consenting adults (...) even if large inequalities subsequently emerge from the process” (Nozick 1974). There are people who are more efficient than others, who simply contribute more to the society; those people should receive more (Figure 1.3 in Graphic E2.2). If the economy grows, those who were responsible for

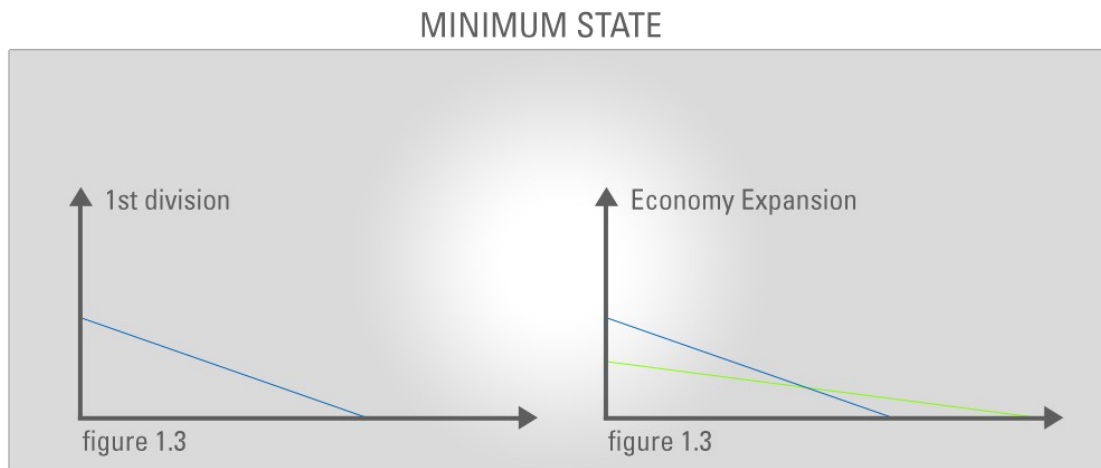
34 Robert Nozick was an American Philosopher born in 1938 he is best know for his book “anarchy, State and Utopia (1974), that is an libertarian answer to John Rawls' Theory of Justice. He was a professor at Harvard University and his other works involved epistemology and decision theory.

35 This theory was actually developed after John Rawls theory, but it is used here as a dialectical contra position to understand the origins of Rawls theory, not respecting the chronology of facts.

36 Nozick uses the same well known flaws of the markets to defend the existence of a minimal State. They are: incomplete information ; high costs of transactions; existence of externals and Imperfect competition market.

that growth should be the ones rewarded for it. As represented in figure 1.4.

Graphic E2.2
Minimum State



The political Liberalism lie, somewhere, between those two theories. Rawls agree with Nozick when it comes to the fact that people are essentially different from each other. So on one hand he believes that communism is an unfair method for distribution of scarce goods. On the other hand he believes that the Minimum State is incomplete, on the sense that it allows huge discrepancies among individuals. Another flaw in Nozick's theory, according to Rawls, is that if someone is not "good enough" to generate income in that society, he/she will die. Rawls proposes a third path: The Political Liberalism.

Exhibit 3

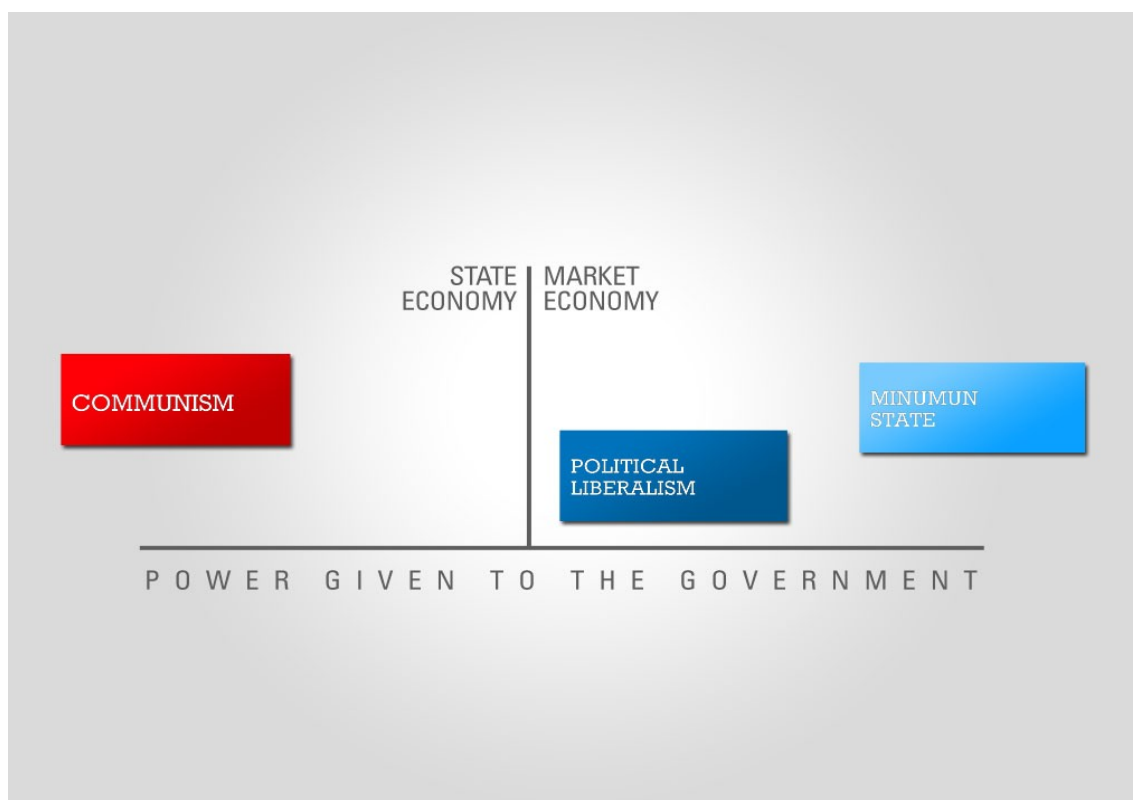
The positioning of Political Liberalism:

Related to two extreme theories

Rawls theory is definitely a liberal theory; therefore, it is based on a market economy. On the other hand it advocates that the government should play an important role in the overall economy.

In order to compare the different theories presented here, we can plot a graphic that has in its horizontal axis the power of the government (Graphic E3.1).

Graphic E3.1
The positioning of The Political Liberalism



On the left side we have the biggest portion of power given to the government, on the right side the smallest possible, getting close the option of having no government at all. The theory developed by John Rawls is, due to the fact that the government shall not interfere actively in the

market transitions a market economy based theory. On the other hand, among the market based economy theories, it is most probably the one that gives the biggest power to the government. Therefore it should be located in the right side of the graphic but the as close as possible to the border that divides state from market economy.

The political liberalism is a theoretical framework of how the invisible hand³⁷ of the market will, in the long term, turn the society in a state of fairness, trough the rational actions of the individuals that compose that society.

37 Concept borrowed by Emanuel Kant from Adam Smith and later by Rawls from Kant.

