Taxonomy of Business Ethics Theories

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February 2, 2009
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Business activity in domestic and world-wide arenas, demand from business leaders an understanding of the conditions of the market and the expectations of participants in non-market environments (Baron, 2006). An increasing interest on ethics in business has resulted in a fruitful production of scholarly research that provides business leaders and decision-makers with references to bridge theory and practice (Cherry, Lee, and Chien, 2003). For an effective application of business ethics theories, it is necessary to comprehend their domains, their external and internal logic, and the specific applications to the ethical issues under analysis (Wempe, 2008).

This document presents a taxonomy of 11 ethical theories applied to business ethics that incorporate grounded theory and conceptual frameworks. As a basis for the construction of this taxonomy, the selection of the theories was based on the presence of a relationship with business ethics. Five domains represented by five major families of theories were used as organizing criteria, as recommended in the literature (Baron, 2006; Wempe, 2008). The taxonomy includes 2 theories of Political Authority, 2 theories of Right and Justice, 3 Cognitive theories, 1 Social contract theory, 3 theories of corporate morality.

As a second-order criterion, each selected theory was evaluated in its assumptions and classified within either a Deontological or Teleological ethical system, based on the classification of ethical theories by Baron (2006). The taxonomy resulted in 7 deontological and 4 teleological theories. Additionally, an identification of seminal and contemporary authors was included along with the description, criticism, examples and additional attributes of the theory.

An exploration of the works of seminal ethics theorists includes: Aristotle, Emile Durkheim, Jürgen Habermas, Friedrich Hayek, Thomas Hobbes, Immanuel Kant, Lawrence
Kohlberg, Robert Merton, Jean Piaget, John Rawls, James Rest, Peter Ulrich. Contributions by contemporary theorists and Supreme Court Justices are also integrated in the analysis. A total of 65 references accompany this work combining original treaties, scholarly journals, and Supreme Court rulings and opinions.
## Taxonomy of Business Ethics Theories

### I. Theories of Political Authority- Deontological Ethical System

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<th>Criticism of the Theory</th>
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| **1. Hobbes’ Liberal Authoritarianism**  
Hobbes proposed a strong liberalism philosophy rooted in a pessimistic conception of the “state of nature” of human beings, as individuals “driven by passion and interest, [without] incentive for altruism” (Winborne, 2007, p. 43).  
In his early work, Hobbes defined the | The strongest criticisms to Hobbes philosophy came from his obsession for attributing the sovereign absolute power (Rapaczynski, as cited by Winborne, 2007). His political thought earned him detractors among anti-authoritarian radicals but is also recognized as valid political theory to understand forms of government that portray these features (B.G., 2008).  
Hayek (1959) challenged the | An example of a Hobbesian system is the government of Singapore, qualified by Winborne (2007) as a “clean, efficient, orderly, and prosperous” nation, but criticized by politicians and scholars for the excesses of the government.  
Examples of the ambiguity of the system include: guarantees for free practice of religion, coupled with explicit | The liberalism purported by Hobbes is expressed in three words: Obedience, peace, and liberties.  
Obedience to the sovereign yields in peace; and peace is a pre-condition to enjoy liberties.  
Hobbes expected that a “prudent sovereign” will foster the development of the nation through the safeguard of the resources |
right of nature as the individual’s liberty to preserve his own life, his own power, his own judgment and reason; assuming that the individual was sovereign (Yurdusev, 2007).

A second assumption is that individuals have an incessant desire for power; power that leads to “equality of all men” (Yurdusev, 2007, p. 418).

Hobbesian ideas have been used in political theory to justify the ruling of absolute sovereigns with arbitrary powers to ensure that all individuals enter social contracts that regulate their acts (Winborne, 2007). The

| Hobbesian view of unconditional followership and acknowledged that individuals have moral values that are ingrained in their minds as instincts (Gick, 2003). Wempe (2007) harshly criticizes this theory for being too domain specific- a common deficiency of classical political theories- limiting the application of social contracts in the context of political theory to social contracts in business ethics. |
| regulations to the social activities of churches, and limits to religious conversions from Muslim faith to Christianity (Means, 1996, in Winborne, 2007). In the political arena, the government party had passed law that allowed violence and detentions against alleged violators of the order (labor unions, catholic missionaries, Islamic groups). The government has banned satellite television dishes, controlled T.V. broadcasting, limiting access to international cable |
| necessary for production and enterprise, to protect his/her own self-interest as a sovereign. However, the sovereignty of a state is limited as Hobbes privileges the individual natural rights of disobeying the authority if it violates natural rights (Yurdusev, 2007). |
supremacy of the government in a crumbling political system may have conditioned Hobbes’ views (Wempe, 2007).

The natural rights of an individual are exchanged through a social contract, by civil rights that reflect the will of the sovereign (Winborne, 2007) as a means to secure internal peace and protection against enemies (Yurdusev, 2007).

| 2. Affirmative Action in Education | for advancement (Bull, 2006). Opposing opinions to the decision of the Court in cases of affirmative action have been numerous and aggressive, such as Precedents such as the Bakke case (University of California Regents v. Bakke, 1978) had been upheld as binding precedents of subsequent implementation of providers, and reducing circulation of print media (Times magazine in 1986), if they do not coincide with the sovereign’s ideas. |

Contemporary authors: Supreme Court Justices: Lewis Powell, Harry Andrew Blackmun, Sandra Day |

The impact of the Bakke case eliminated the use of set-aside programs, but encouraged the implementation of
Public policy on affirmative action originated in the United States in the 1960s with its incorporation in regulations of the legislative and judicial branches (Bull, 2006).

Race was first incorporated as a preference in the decisions of the U.S. Supreme Court in 1978 by Justice Lewis F. Powell. The purpose of this decision was to promote student diversity in public higher education, by the continued use of affirmative action in college admissions. The right to equal opportunities for advancement for women and effective affirmative action programs to diversity college population in response to the Court’s ruling (Bull, 2006). Affirmative action programs were responsive to a need of “aggressive leadership and recruitment and participation by private business in promotion equal employment” (Roosevelt, in Bull, 2006). President Bill Clinton supported affirmative action programs at
<table>
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<th>minority justified government programs that resulted in the creation of the Equal Employment Opportunity Commission (EEOC) (Bull, 2006). At incorporation, the consideration of merit or race neutrality versus true equality had informed Court decisions (Bull, 2006). Merit was not sufficient to ensure access of minority groups to employment, and equality had to be guaranteed. Justice Blackmun best expressed this position in his statement: “And in order to treat some persons equally we must treat them differently. We cannot –we dare not- let the Equal Protection Clause</th>
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<td>case (Bull, 2006). Affirmative Action has been questioned as patronizing by presuming that “American-born black people are mentally inferior and incapable of competing head-to-head with other people” (Connerly, 2005)</td>
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<td>as a factor in admissions decisions, but disagreed on the ruling of unconstitutional of the quota of admission for minority students. The application of the Affirmative Action norm in Grutter v. Bollinger case (2003), awakened the discussion on and off the Courts about the Constitutionality of the practice.</td>
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<td>different levels of the government (Bull, 2006).</td>
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perpetuate racial superiority” (Regents of the University of California v. Bakke, 1978).

Justice Day O’Connor in her opinion on Grutter v. Bollinger (2003) appealed to the concept of individualized consideration in this case to ensure opportunities of leadership for all members of the society regardless of race and ethnicity. While affirmative action was restated as legitimate, Justice Day O’Connor cautioned about using race or ethnicity as a “defining feature” are at the forefront of the Justices opinions (Grutter v. Bollinger, 2003).
### II. Rights and Justice Theories- Dentological Ethic Systems

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| **3. Discourse Ethics**  
Seminal authors: Habermas (1990); Ulrich (1977).  
Discourse Ethics is a moral theory based on interactions, dialogs, debates, or conversations that emphasize moral reasoning and normative orientations (Berschorner, 2006, p. 128).  
Discourses are reflective of the reality of an organization (de Graaf, 2001).  
Discourse Ethics is criticized for its apparent lack of acknowledgement and the excessive use of presumptions, at least in the Habermas' moral theory of discourse (MacKendrick, 2000).  
MacKendrick (2000) challenged Habermas’ critical error of confusing “subjectivity with ethical substance” (p. 249) and for relying on a “moral-imaginary dimension” that reduces its potential for | An empirical study on discourse ethics in customer treatment by Dutch bankers was conducted by De Graaf (2006). 52 statements from bank managers about their relationships with customers were analyzed to determine whether managers who spoke differently about their customers would treat them differently. After gathering statements produced by branch managers, De Graff asked other 30 bank directors to | Berschorner (2006) building on Bird (1989) proposed a theoretical approach that moved business ethics from a Utilitarian ethics framework to a Communicative Ethics framework, in a more effective way than Integrative Social theories (Ulrich, 1997, in Berschorner, 2006).  
It differentiates from other |
because language is a means of communication within an organization or value system (Shapiro, 1992, in De Graaf, 2001). What is said and/or written in discourses contains both values and facts within a context (De Graaf, 2001).

Bird and Water (1987) defined 7 moral standards that support “good conversations”: (1) honesty, (2) fair treatment, (3) special consideration, (4) fair competition, (5) organizational responsibility, (6) corporate social responsibility, and, (7) respect for law. These conversations should take place among members of the organization, universality. Ulrich’s (1977) integrative business ethics has also been criticized for the excessive idealism of the communication communities proposed in discourse ethics. A lack of assertiveness is also criticized in Ulrich, which derived from his formation as a general researcher more interested in criticizing models, than criticizing discourse practices (Berschorner, 2006). A “crucial mistake” claimed by Berschorner is the use of orthodox perspectives, such as ranking the level of agreement with each statement. The study resulted in five different discourses that expressed differences in conceptualization of customers, and differences in the normative aspects that guide their relationships with them i.e. bankers with a discourse of profit as the bottom line, would be more prone to talk about fraud prevention, how to negotiate with customers, how to assess their financial situation. Other applications of discourse moral-based theories, i.e. social contract theories (Donaldson & Dunfee, 1999), Kantianism (Bowie, 1999) in its ability to provide justifications or “good reasons” for ethical actions. Berschorner believed that language was as effective in business ethics as guidelines of action. Discourse ethics encourage both communication and development of normative
regardless of their status or power (Berschorner, 2006), i.e. conversations between protest groups, strike organizers, executives, union members and others involved in an ethical issue.

“value-free markets and value-free corporations” (2006, p. 132).

ethics was proposed by Ulrich and Rasche (2007) in the discussion of cross-cultural acceptance of the social accountability initiatives such as SA8000.

orientations, analyzing how the organization connects with its members, and how cultural factors may influence their actions (Berschorner, 2006).

| 4. Fairness Heuristic Theory | Lind (2006) criticized the theory for not including in its domain of analysis relationships between leadership and fairness. The little understanding by justice theorists about the concept of trust has also been criticized by Lewicki, Wiethoff, and Tomlison (2005, in Greenberg & Colquitt (2001); Van de Bos, Lind & Wilke (2001); Greenberg and Colquitt (2001;2005); Contemporary authors: Aguilera, Rupp, Williams, and Ganapathi (2007). Fairness Heuristics Theory was developed by Van Den Bos and Lind | At the organizational level perceptions of fairness in pay, fairness in selection of strategies, procedures, have effects on employee’s behavior and attitudes towards commitment, performance, job satisfaction and productivity (Aguilera et al., 2007; Lind (2001); Van de Bos, Lind & Wilke (2001); Greenberg and Colquitt (2001;2005); Contemporary authors: Aguilera, Rupp, Williams, and Ganapathi (2007). Fairness Heuristics Theory was developed by Van Den Bos and Lind | Justice is instrumental to individuals in an organization to identify the level of concern for fairness in the firm. If a firm is perceived as fair with employees, they will maximize their outcomes. Justice is also linked to the |
(2002) to resolve the shortcomings of fairness and justice theories, unable to explain why individuals seek to understand fairness, and how are fairness judgments accomplished.

**Overall fairness** is then used as a heuristic to understand the levels of trust in organizational justice (Lind, 2001) and more specifically, to understand the trustworthiness level of superiors, when it cannot be derived directly.

The theory is based on three postulates:

1. **Formation**: Based on a self-focused perception of fairness, using Colquitt, 2005). Lind (2006) also has acknowledged that egoistic bias in fairness judgments is fairly common.

2. **Selection**: Arnadottir (2002) challenged this theory qualifying it as valid, but not empirical, arguing that this was a common problem of psychological theories which predictions are “knowable a priori and are non-contingent upon circumstances” (Van de Bos & Lind, 2004). Arnadottir (2002) suggested that the concept of “fair process effect” that posits that acts perceived as fair Greenberg & Colquitt, 2005). In the 90s, consumers groups protested against perceptions of unfairness in corporate practices of Nike, allegedly accused of operating sweatshops in their plants overseas. The boycott to Nike products damaged the firms’ brand image, but influenced in the adoption of practices of Corporate social responsibility (CSR). Empirical studies by Jones and Mertens (2007) have found that interpersonal justice was a strong predictor of overall need of individuals for identity, and belongingness.

3. **Consistency**: The fairer an organization is, the closer their members will be and the higher the trust on the organization. Justice is also an important moral motive that moves employees to stay in organizations with strategies consistent to employees’ morals and ethics. Corporate Social Responsibility (CSR) theory uses justice theory to
Overall fairness is the most proximal predictor of responses to justice: Individuals use their perceptions about overall fairness as drivers of responses to justice (Jones & Martens, 2007).

Overall fairness (deontic approach) is a decision heuristic for inference of trust: Individuals use their perceptions about overall fairness by analyzing the treatment of themselves and others in the organization (Aguilera, 2007, p. 841; Jones & Martens, 2007).

Generate positive effects in judgment, contains an a priori prediction, because individuals always prefer to be treated fairly (Van de Bos & Lind, 2004).

Fairness and employee outcome. A study by Adams (in Van den Bos & Lind, 2004, p. 267) reported an overpayment effect in a study on employees at General Electric: Employees who received higher salary raises that their co-workers were less satisfied than those equally paid, which challenge self-interest assumptions of individual behavior. If individuals feel overpaid, they view this as unfair.

Explain the social actions and their influence in the judgment of employees about the firm’s level of social concern (Aguilera et al., 2007). One of the most controversial propositions is that “people do want to be treated unfairly” (Van den Bos & Lind, 2004), linked to the fair-process effect, in which individuals who experience unfavorable outcomes tend to look for causes (negative causes).
The types of justice that individuals analyze in the fairness heuristic are:

1. Distributive justice: self-interest on outcomes fairness (Lind, 2006);
2. Procedural justice: fairness in the organization’s actions or processes; and
3. Interactional justice: organization treatment to the person (Aguilera et al., 2007; Greenberg & Colquitt, 2005).

Overall fairness can be measured in two ways: (1) shared variance, and (2) direct measurement (Jones & Mertens, 2007).

This theory was later extended by the...
III. Cognitive Theories of Ethics – Teleological Ethical Systems

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| 5. **Moral Development Theory**
*Seminal authors: Piaget, Rest (1979), Kohlberg (1981).*
*Contemporary authors: Marnburg (2001).*

Moral Development Theory is based on cognitive assumptions, with a logical, structured and systematized approach to ethics, rooted in moral philosophy and applied to explain...|

Critics of Moral development theory find weaknesses both in the assumptions and construction of the theory. The assumptions of this theory are challenged by Marnburg (2001) who uses Aristotelian thought to question whether knowledge is sufficient to “bridle passion and lust” (Aristotle, in Marnburg, 2001, p. 360).

Applied in business environments to model and research on decision-making and behavior (Marnburg, 2001). For example, organizational behavior theories, contingency leadership theories and others in which the interest is to predict individual or group responses to strategic actions. Empirical...|

Rest (1979) operationalized this theory with the design of the “Defining Issue Test questionnaire” that identifies mental cognitive structures and their development. His studies showed that age considered...|
Based on seminal work by Piaget on children’s morality, it was extended by Kohlberg (1976) to include six stages of development to understand and predict behaviors (Marnburg, 2001, p. 276).

A basic assumption is that it is possible to explain structures used by individuals when they think (Rest, 1971). Kohlberg’s (1981) six-stage theory explains how to maintain a balance of justice in society: (1) Punishment and obedience, (2) Instrumentation, (3) Interpersonal relations, (4) Law and order. The emphasis of the theory solely in the cognitive dimension, has contributed to this gap, as it has disregarded the role of personal emotions, behaviors, attitudes towards power, political inclinations (Rest, 1971), and religion (Lawrence 1979). The theory also faces constructional issues in the selection of values of justice orientation, which for Marnburg (2001) responded to western views, making it less adaptive to all contexts.

Studies to test the correlation between attitudes and moral reasoning ability failed to find a significant correlation between them. Other studies have found differences in moral reasoning abilities between business and non-business groups (Jeffrey, 1993, as cited in Marnburg, 2001, p. 275).

For example, moral reasoning may be used in the stages of research and development of products to decide whether take on viral marketing. If marketing Piaget’s models, had little explanatory value in moral development in business contexts.

In a study by Fraederich, Thorne and Ferrell (1994) marketing managers were asked to score their attitude towards ethical dilemmas in business and non-business scenarios; scores for moral reasoning were lower in the former. Other empirical studies have found that business people score lower in moral
| orientation, (5) Social contract, and (6) Universal principles. The last two are called *principle reasoning* (Marnburg, 2001, p. 275). The justice-orientation of this theory is explained by Kohlberg, who proposes that ethical theories must be ranked in each stage based on how they relate to justice (p. 277). Kohlberg’s assumption is that moral development follows an upward trend, where at higher levels of maturity moral actions also increase (Marnburg, 2001, p. 277). Kohlberg’s proposition includes cultural influence of religion, values and cognitive moral |
|---|---|---|
| While moral reasoning helps in understanding how people reason, it fails to explain the effects in behavior in business, the inappropriate application of moral development theory to business ethics has been largely criticized for not be consistent with its original domain: children’s morality, resulting in convergence of low scores in morality for most empirical tests with business people (Marnburg, 2001). managers have strong ethical attitudes against the practice, their moral actions will be more conditioned by it, than by the stage of moral development he/she is at the moment. |
| reasoning than the general population (Armstrong, 1987). Moral development theories are empirically supported for more than 5 decades of longitudinal research. Cognitive theorists openly caution to refrain from establishing a relationship between moral reasoning and action (Rest, 1979) because it is not possible to explain how moral reasoning leads to action, and even less, what |
Rest proposed a “more complex stage model” (1979) where the assumption is that individuals use different type of reasoning at each state of development. Rest’s model proposes a four-step process for ethical decision-making: (1) Recognize the presence of a moral issue; (2) make moral judgments; (3) establish moral intent, (4) Engage in moral behavior.

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<th>6. <strong>Rational Choice Theory</strong></th>
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<td><strong>Seminal authors:</strong> Rawls (1971), Hoghart &amp; Reder (1986); Pfeffer and</td>
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<tr>
<td>Applied to business ethics, RCT may be used at the individual, organizational and business</td>
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<td>are the behavioral effects (Marnburg, 2001, p.275).</td>
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### Lawler (1990).

Contemporary authors: Salancik & Brindle (1997):

Rational Choice Theory (RCT) explains how and why people make decisions using an utilitarian framework where choices are based on “hedonic calculations and principles of maximising [sic] utility” (Morrell, 2004, p. 245).

RCT assumptions are theoretically robust and have been used to conceptualize motives and reasons, justify choices, and evaluate past decisions (Morrell, 2004).

Rational Choice Theory is rooted in process; it relies on traditions, culture of the organization, and in social norms (Salancik & Brindle, 1997, in Morrell, 2004, p. 243).

Ethical theorists have qualified RCT as “dangerous and mythical” (Bradley et al., 2000 in Morrell, 2004) because it ignores the role of power, conflict, politics, traditions, or symbolism; and resorts to simplistic assumptions to explain group-level behaviors, for example. Other theorists contend that individuals inadvertently violate level. Individuals may use RCT to self-evaluate their actions or evaluate others’ based on rationality assumptions.

In the organization, RCT may be used in the selection of organizational design strategies. For example, flattening structures to make them more flexible, may be the result of a process of cost/benefit analysis, where managers assessed organizational benefits and cost reduction. These outcomes are sufficient to justify a decision under RCT, even when they are unchallenged given the extensive empirical research to support it. Contrasting natural theory of decision making (i.e. image theory), RCT relies on process models of cost/benefit, profit maximization or cost minimization and has been used by Equity theorists and Expectancy theorists to apply models where the discussion required metrics (Marnburg, 2004).

**Escalation** (Garland, 1990)
the Aristotelian doctrine that individuals make choices based not only on their voluntary actions, but as the result of deliberations or reasoning (Aristotle, NE: III.1-2 in Morrell, 2004).

RCT makes assumptions about the nature of man, where individuals:

1. Seek to maximize utility.
2. Weigh out alternatives based on net gain.

The definition of rational in RCT implies “dispassionate calculation”

the RCT principles (Morrell, 2004) in circumstances of uncertainty, time constraints, or overwhelming data, violating the condition of explanatory power that all sound theory must comply.

RCT is accused of not defining the extent of the data that needs to be collected to determine the options (Morrell, 2004, p.242), increasing the cost of the choice process. Additionally, given that perfect information is unlikely, individuals make decisions with limited information adding may imply pressures on the personal lives of the employees involved in the change.

RCT is resourceful in hiring and recruitment processes, where candidates may be evaluated by quantifying their required and preferred qualifications. This process eliminates any subjective bias in the process that may result in nepotism, for example.

In business, applications of RCT may include: Modelling market behavior using probabilistic techniques; techniques of and Insufficient justification paradigm (Pfeffer and Lawler, 1980, in Morrell, 2004) are phenomena that weaken the robustness of RCT (Morrell, 2004, p. 243).

Escalation is the persistence on a course of action because of the time and money invested in it (Garland, 1990), even when it opposes their beliefs. Insufficient justification paradigm explains that utility is
Morrell (2004, p. 241) appropriate to explain shareholders’ value, or firm’s value. RCT is accepted as a strong method for resolving ethical dilemmas, where it is more appropriate to show objectivity in the decision, rather than positions on personal choices or corporate responsibility using a commensuration process. The steps in decision making according to RCT are: (1) Data collection to generate potential options, (2) Compare several options using subjective expected utility (SEU), (3) Select alternative with uncertainty. RCT theorists have challenged criticisms about the lack of specificity by clarifying that the theory should be applied to explain choices at a macro-level and not as individual choices. Examples of cases where RCT application leads to unethical behaviors, are unethical practices in presentation of financial information that are accepted over time to reduce the pressure of cognitive dissonance between personal values and organizational practices. understood as a continuum of satisfaction, and not as calculation, so individuals might accommodate to unethical practices if after some time, they find there is nothing that could be done about it (Morrell, 2004).
7. **Theory of Cognition**

*Seminal authors: Hayek, 1952*

*Contemporary author: Gick (2003)*

Cognitive theories attempt to explain how individuals perceive their environment and react to rules on behavior (Gick, 2003). The issue of limited knowledge is introduced to explain that individual actions are constrained by how much individuals know about their environment, how they categorized what is perceived, and what is their disposition to act. While originally linked to political highest SEU, and (4) Implement decision.

This theory was rejected initially for its apparent lack of connection with the economic theories previously proposed by Hayek. He was perceived by some theorists as an ethical naturalist, whose approach to ethics was evolutionary and as result of the internal experience of individuals. He was critiqued by Walker (1986, in Gick, 2003, p. 161) for the lack of an objective basis for a system of ethics. Gick (2003) herself also

Gick (2003) used this framework to explain the linkages between cognition and morals imbedded in business ethics. Firms have incentives to keep their reputation clean, as it signals the society about their reliability. In that pursuit, managers write ethical codes that try to make implicit ethical principles, explicit. The ethical codes of firms are abstract rules of conduct to

The assumptions of this theory inform business ethics as it explains the limitation of human knowledge, the ability to respond to stimuli, and the disposition to act in certain ways when dealing with complex phenomena. Since knowledge is widely dispersed, it is expected that individuals attain limited knowledge as required to interpret the...
and economic motives, such as the justification of free markets and the non-intervention of governments. Rizzello (1999) resumed the interest on Hayek, developing an interpretation of his theory to justify the views about private property and free markets (Gick, 2003). Hayek’s cognitive theory opens the discussion about Individualism. Individuals are prompted to action after receiving a stimulus, which is organized into categories, influenced by dispositions and society’s experience (Gick, 2003, p.151).

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<th>Dispositions are abstract inclinations</th>
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<td>criticized Hayek</td>
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<td>Hayek (1973, in Gick, 2003)</td>
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<td>critiqued Kantianism in the scope of application of moral rules, arguing that the determination of right or wrong was discretionary of an individual and connected to a purpose.</td>
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| Hayek has also been critiqued for supporting an “ethical relativist” approach by which the morality or legality of a rule is good as long as it is compared to a greater system of rules (p. 162). Even more the suggestion that individuals are better off obeying which their members are submitted. Firms formulate these codes that have ethical principles in them, to show they are reliable, reputable and trustworthy (Gick, 2003, p. 156). Business codes are vague, though flexible, and subject to evolution, they are not prescriptive, rather referential, and informational of what is expected from the organization. However, it is not expected that specific actions will derive from them. The question that Gick (2003) proposes is whether world around them (Gick, 2003, p. 152). To solve the limited knowledge problem, individuals may refer to traditional knowledge in their societies (tacit knowledge), or as Hayek suggested, through Government assurance. Hayek’s propositions challenge the Hobbesian view of unconditional followership and rather recognizes that individuals have moral values that are

of an organism to respond to categorized stimuli in certain way and are influenced both by genetic heritage and by experience (Hayek 1978, in Gick, 2003, p. 151). Dispositions operate at the perception level -categorizing stimuli- and at the action level establishing “patterns of action” or “general rules” (Gick, 2003, p. 153). Experience is the result of education and living conditions in a society, as well as individual experience and knowledge. Hayek argued that individual choices derived in moral and societal order but cautioned that while it was possible to society or universal rules, takes for granted that those rules will be clearly communicated and enforced, which seems to contrast with his thoughts about no Governmental intervention. Behaviorists have intensely criticized cognitive theorists for attempting to build linkages between reasoning and action (Marnburg, 2004) but cognitive theorists as Rest (1979) and Hayek himself have clarified that this causality should not be expected. these norms or ethical codes are considered universal. Would codes that operate within an organization, in one setting, should be exempted to stand true in another. ingrained in their minds as instincts (Gick, 2003). The use of abstract rules is necessary in cognitive theories, to face the complex environment where the individual operates. The social order proposed by Hayek is only possible with rules of action (behavioral rules) included in individual’s dispositions.
predict general dispositions,
individual actions were not predictable.

IV. Social Contract Theories- Deontological and Teleological Ethical Systems

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<tr>
<td>8. Integrated Social Contracts Theory (ISCT)</td>
<td>While the case for the importance of hypernorms is accepted by theorists and practitioners as a new approach to international dilemmas, the theory is criticized for not including the justifications of the hypernorms included in ISCT (Gilbert &amp; Rasche, 2007, Wempe, 2008). Wempe (2008) explicitly stated ISCT is the leading concept in the discussion of business ethics in international contexts (Gilbert &amp; Rasche, 2007, Wempe, 2008).</td>
<td>Donaldson and Dunfee (1994) argued for the importance of recognizing that the more Multinational Corporations (MNC) operated abroad, the more occupational groups may interact and the more conflicts may arise (Wempe, 2008). An example of conflicting rules addressed by ISCT, are the</td>
<td>ISCT seeks to improve current theories (Utilitarianism, Kantianism, virtue ethics) which broadness and imprecision have made them non usable for guidance on specific matters in business ethics (Wempe, 2008).</td>
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| Rasche, 2007), that seeks to settle conflicting norms among diverse communities, international contexts, or different occupational groups (Wempe, 2008) through the use of hypernorms and micro social contracts (Donaldson & Dunfee, 1999, p. 47). The ISCT Global values map illustrates the four components of the theory as concentric circles: At the center are the *hypernorms* (norms accepted in all cultures and organizations, human rights, workplace safety); surrounded by *consistent norms* (mission statements or corporate ethical codes), the *moral* that this theory does not deliver, and proposed an alternative way to evaluate theories, using qualities of “self-disciplinedness, argumentativity, task-directedness, and domain specificity” (Wempe, 2008, pp. 707-710).

Gilbert & Rasche (2007) proposed the Habermasian approach to Discourse Theory as a means to provide the justification and argumentation that ISCT lacks. Donaldson and Dunfee (2008) propose that the parties in a stringent tobacco regulations enforced by British American Tobacco in western markets and the more lax practices in markets of developing countries (Wempe, 2008, p. 698).

Another example of how MNCs require considering hypernorms in their global activities, involves a U.S. based computer firm that in 1993 used the same sexual harassment drills for employee training in California, in training in a Muslim country. By ignoring that Muslim ethics set restrictions about Microsocial contracts are defined as agreements currently in place in the industries, firms, communities, national economic systems, and associations (Donaldson & Dunfee, 1999, p. 19), legitimated by the members of the community. The actors in the macro social contract may have characteristics in a continuum between greed and altruism, and make |
**free space** of the society (space for managerial creativity, legitimate norms reflecting cultural beliefs); and illegitimate norms (transgressing human rights) (Donaldson & Dunfee, 1999, p. 52).

There are three types of hypernorms (Wempe, 2008): (1) procedural: acting on the conditions of participation of the parties involved in the contract. (2) structural: dealing with the choice of organization agreed for the local community, and (3) substantive: Norming each issue under dispute (Wempe, 2008).

Donaldson and Dunfee (1999) do not macrosocial contract are hypothetical, but have sufficient power to represent others. The conditions for pre-contractual choice are also overlooked by the theory, and the lack of specificity on the specific purpose of the theory are also criticized (Wempe, 2008).

Male/female social interactions, the recommendations about how to avoid sexual harassment and sexual discrimination offended the Muslim managers (Donaldson & Dunfee, 1999, p. 61).

Moral free space is an essential component of this theory, as it encourages creativity in management, necessary to avoid the “photocopy approach” (Donaldson & Dunfee, 2008, p. 61) that prompts firms to replicate ethical practices that might not be valid in foreign countries. Parties enter the macro social contract by agreeing decisions based on their moral rationality (Wempe, 2008).
provide a list of substantive hypernorms, and only list two in their analysis of bribery: (1) supporting political participation, (2) efficiency hypernorm. While this is the major criticism to their theory, Wempe (2008) justifies it by suggesting that the authors leave this task to the business ethics scholarly community.

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<th>Theories of Corporate Morality- Dentological Ethical System</th>
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<tr>
<td><strong>Description</strong></td>
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<td>9. Deviance theory</td>
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Research on deviance theory has addressed mostly human disorders or diseases but has progressively shifted to the study of corporate deviance (Mazutis, 2008). Robinson and Bennett (1995) proposed a typology of negative deviance in the workplace to understand the degree of deviant behaviors in four categories: production, property, political, and personal aggression.

New research on deviance is defining it as a two-fold of positive or negative behavior (Heckert & Heckert, 2002; propositions. Given that these theories rely on principles of goal of profit maximization, and firm’s performance, any deviation from organizational norms is deemed non acceptable. When deviance is analyzed from a normative and utilitarian view, firms that depart from the norms of the industry must be held accountable, disregarding any moral considerations of underlying benefits. Deviance theorists have also criticized the conceptualization of discovered the cure for “river blindness” a disease that mined developing countries. Merck’s decision was to pursue further studies for this cure, although the norms of the industry were to invest only in drugs with high return. Merck’s decision is an example of corporate deviance that resulted in social good (Mazutis, 2008). voluntary, not unconscious, and not coerced (Mazutis, 2008). Departure from referent group norms requires that norms are explicit and specific, as a baseline for all the firms in an industry (i.e. industry standards or hypernorms). Detrimental or principled nature, as identified by reference groups, or raters within and outside the organization. In business, firms may over-conform as a
| Warren, 2003), where positive deviance is defined as “intentional behaviors that significantly depart from the norms of a referent group in honorable ways” (Spreitzer & Sonneshein, 2003, in Mazutis, 2008) Merton (1938; 1968) posited that negative deviant adaptations to norms are more likely to occur when there are increasing normative pressures to conform. Deviance is analyzed as a purposeful strategic choice of differentiation (Deephouse, 1999) and contains three components: (1) intentionality, (2) departure from referent group norms, constructive deviance as positive behavior, without validating it against the behaviors of reference groups (Nowakowski, 2007). Theorists in Organizational Citizenship Behavior (OCB) challenge the inability of deviance theorists to link constructive behaviors with OCB. Negative deviance theory continues to be challenged by the counterproductive effect in organizations, but its measure becomes complicated because there are no baselines or mechanism to acquire an advantage in the market (Smith, 1993); others will under-conform trying to save time, or costs, resorting to unethical practices that impose high risks for the reputation of the firm (Martin & Johnson, 2008). Positive deviance has been found analogous to whistle-blowing and corporate social responsibility (CSR) (Mazutis, 2008). |
| and (3) possess either a detrimental or principled nature (Mazutis, 2008, p. 2). | references to judge the transgression (Nowakowski, 2007). | In a system with scarce resources, conformity and differentiation are contradictory goals that are constantly traded off. Firms need to meet a minimal conformity to social norms, while striving to gain competitive advantage through unique resources or practices (Deephouse, 1996). Social forces advocating for environmental sustainability and human rights are actively | Institutional theory purports that the institutional environment dictates social norms that firms validate through conformity. Firms “morph” to reproduce the expectations, values, preferences of their stakeholders, competitors, and social expectations, through *isomorphism* (Deephouse, 1996), with a |

| **10. Social Conformity Theory** | The need for conformity opposes philosophical liberal views about the advantages of self-interest and autonomy as preserver of social order (Feldman, 2003, p. 47). Values of Social conformity and autonomy are in confrontation, since individuals and societies have different conceptions about the limits of self-direction and social-conformity (Feldman, 2003). | **Seminal authors:** Durkheim (1951), Hobbes (1683), Parsons (1937). **Contemporary authors:** Deephouse (1996), Feldman (2003), (Merton, 1938;1968); Wrong (1994). According to social conformity theory, members of a society must conform to behavioral norms upheld by the society (Feldman, 2003, p. 47) as conditions to stability. Social conformity theory purports that societies develop ethical expectations | |

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and norms in a separate and advanced process than law and regulations (Martin & Johnson, 2008).

The need for conformity relies on a Hobessian pessimistic view of human nature that requires maintenance of social order by the imposition of rules. However, social order should be understood also as consistency and stability in social interactions and moderated through: “force, mutual self-interest, and adherence to a common set of norms” (Wrong, 1994, in Feldman, 2003, p. 47).

Ethical conformity is influenced by a “combination of institutional forces. Authoritarianism, prejudices, values and punishment (p. 42) contrast with the goal of autonomy of a society (Gray, in Feldman, 2003). Preferences for autonomy or social conformity are at the extremes of a continuum. Individual or firms that value autonomy will claim that the ability to act freely (and operate without pressures) is a right that cannot be conditioned by social pressures (Feldman, 2003). Those in favor of social conformity have a predisposition expecting firm’s response (Dimaggio & Powell, 1983).

Cause-marketing is an example of the implementation of marketing plans supported by public relations responding to needs of the society. Volkswagen and Toyota are cited in the literature as examples of stewardship of environmental-friendly practices, through the use of green technologies for the production of fuel-efficient vehicles (Engardio, 2007, in Martin & Johnson).

central “legitimacy-seeking” concept (Mazutis, 2008, p. 3).

Because firm’s identity is a blend of culture, tradition, habits, and organizational structures, it is unlikely that two firms respond to social pressures in the same way (Martin & Johnson, 2008, p. 106).

While individuals or firms tend to conform to ethical expectations of their stakeholders, there are always illegal means to

However, ethical pressures to conform in the pharmaceutical industry in the United States, has resulted in unethical testing in developing countries, as a deviance adaptation (Martin & Johnson, 2008, p. 105).

A classical management ideology that is challenged by managers who respond to management ideologies of

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<th>11. Strain theory of ideology</th>
<th>The classical ideology of management conditions</th>
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<tr>
<td>Seminal author: Petit (1961.)</td>
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achieving goals that may appear more attractive (Martin & Johnson, 2008). Warren (2003) proposes two types of norms that generate accountability: (1) reference group norms (organizational guidelines and standards), and (2) universal norms (hyernorms). When firms conform to these norms, they achieve constructive conformity (Warren, 2003).
**Contemporary authors: Paparone (2008).**

The strain theory of ideology is a framework to understand the pressures faced by managers, to target both profits and social welfare. Petit (1961) argued that the need to pledge to an ideology is a response to the strain that executives experience in their business life. Profitability is not sufficient as the ultimate objective and motive of managerial behavior. Social responsibility, interest for employees’ well-being; trust in the relationships with customers, suppliers, community

Managerial decisions to both shareholders’ value (theory of the firm) and the economic rationality of what and how much to produce (Petit, 1961), where profit was the major driver. Rational-goal models that are result-oriented, based on control of resources and operations, planning, goal-setting, and high demands, may underestimate the contributions of a new management ideology that calls for adaptability to cultural changes, moral considerations, and social norms.

This theory is “Lean” Six-sigma (LSS”) processes, which have been questioned as “dehumanizers of the workplace” (Paparone, 2008, p. 38). A contemporary ideological approach in the application of LSS methods may incorporate not only rational aspects of organizational effectiveness but also the role of attitudes, satisfaction, values and commitment that result from it (Paparone, 2008).

An ideology of social responsibility must be reflected well-being, will strive to understand what motivates their employees and implement plans that benefit them: i.e. better health plans, or more recreational activities. Petit argued that top executives in large corporations become “self-perpetuating oligarchies (...) with less interest in managing the firm” (Petit, 1961, p. 97). These oligarchic stances reflected in technical rationality (i.e.:}
and government may be also powerful motives (Petit, 1961, p. 98).
Management ideology becomes instrumental to show sensitivity towards social goals, but at the same time imposes strain on top executives who are expected to give back to the community, in a combination of selfishness and genuine interest for the common good (Levitt, in Petit, 2000).

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<th>in the culture of the organization, through corporate responsibility statements, that guide planning, organizational design, operations and yield improved outcomes for the firm.</th>
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<td>control and profit maximization) must be removed to avoid a fixation on measures of performance that inhibit innovation, dehumanizing the work place, and creating conflicts with internal and external stakeholders (Paparone, 2008).</td>
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Conclusions

This document presented a relation of 11 business ethics theories and concepts based on germinal and current research, covering a breadth of topics, from political authority to corporate morality. The selection of these theories was based of general ethics with business and its domain specificity. The identification of deontological and teleological systems was essential to the categorization of each theory, as driven by morality and justice, or by purpose.

This taxonomy addressed aspects of moral development, conformity ethics, deviance theory, cognitive theories, heuristic fairness, and integrative theories of social contract (ISCT) to provide insights to practitioners, scholars and leaders about the breadth and depth of the ethical discussion.
References


