
Moral Theory, Frameworks, and the Language of Ethics and Business

The Language of Ethics

Since ethics is an integral part of management, it is vital for managers to become comfortable with the language of ethics, and to understand how it is inextricable from the language of business. We will examine key theories of ethics and how they apply to management decision making. These theories provide the content of ethics as we will use it in this course, as well as the terminology we can use to describe situations in ethical terms—both to see how ethics is part of the landscape and business and to provide resources for leaders to defend their choices.

There is a rich history and diverse range of ethical theory.¹ While there are a variety of ways to frame this vast array of research, we can categorize them in terms of four different traditions we will use in this class:

1. Principles or standards of conduct—focused on the action
2. Character of the person or company—focused on the agent
3. Consequences of a particular action—focused on the outcome
4. Care extended within relationships—focused on relationships

Each of these strands of theory provides moral insight. They all capture important elements of the moral life, yet each has its limitations. For most people and most cultures, none of the four strands of ethics by itself provides a complete set of moral considerations to live by. Each raises important themes for decision making, and while all four strands are distinctive, there are often important tensions and interconnections among them in practice. The next sections take these themes and develop them further in a managerial context.

First Tradition: Principles and Standards of Conduct

This branch of ethical thought focuses on the actions people take and then tries to determine whether a given act itself is ethically acceptable. It discounts, or excludes, our focus on who is doing the action and the

¹ Andrew C. Wicks, “A Note on Ethical Decision Making,” UVA-E-0242 (Charlottesville, VA: Darden Business Publishing, 2003); Andrew C. Wicks and Bidhan Parmar, “An Introduction to Ethics,” UVA-E-0340 (Charlottesville, VA: Darden Business Publishing, January 2009).

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likely outcomes of the act. For example, if a manager is deciding whether to lie to someone, the issue is whether there are rules or standards about lying and whether what the manager is about to do constitutes a lie. If there are rules against lying, and the manager's actions would constitute a lie, then it is clear that doing so would be considered ethically wrong from the standpoint of principles. In moral philosophy, the school of thought focused on this approach to ethics is known as *deontology*.²

Origins of Principles and Standards of Conduct

Because actions are viewed as having inherently good or bad qualities (e.g., benevolence, murder), it is important to understand how we derive these norms. Deontological principles can arise from a variety of sources. For instance, they might arise from various influential religious and philosophical traditions. Much of Western morality is influenced by Judaism and Christianity, particularly the basic dos and don'ts that come out of those religious traditions, while Islam, Hinduism, Buddhism, and Confucianism have greatly influenced various cultures around the world as well.

Additionally, principles might arise strictly from the use of logic. They might emerge from a collaborative process explicitly designed to arrive at certain agreed-upon principles, or they may simply arise from cultural traditions. Deontological accounts maintain that there are certain standards of human decency or respect for the worth of others that apply to everyone and emerge out of any tradition. These standards rule out treating each other in certain ways (e.g., don't lie, don't cheat, don't steal, don't murder). Sometimes these principles are made explicit and codified in some way; other times the principles are simply understood and largely implicit. Principles often involve concepts such as rights and duties.

Examples of principles and standards of conduct

Principles are standards of conduct that provide directives for action. They specify which actions are acceptable (or obligatory) and which are condemned or prohibited. Familiar statements setting out right from wrong include the Ten Commandments (e.g., do not kill, do not lie, respect your parents); the golden rule (treat others as you would have them treat you); the United Nations Declaration (including basic human rights). While many of these rules are based on religious and philosophical traditions, they also exist in organizations. We will also talk about applicable legal norms as standards of conduct.

We will employ several widely used terms to discuss common standards of conduct. Examples include: keep your promises, don't lie, don't cheat, don't hurt others, help others (or mutual aid), respect property, personal freedom/autonomy, be transparent, and ensure justice (or fairness). Each helps to capture the basic standards and expectations we have for human behavior and is frequently used in a business context to evaluate behavior.

The importance of principles and standards of conduct

For any society to function effectively there must be moral standards that are widely shared and observed. Similar arguments have been made about the importance of ethical principles to firms and to market economies because certain basic mores for behavior are necessary for them to function at all, and the kinds of moral standards used can help determine their efficiency and productivity.

Weaknesses: an ethical analysis that focuses solely on principles, can foster a detached and legalistic approach in which the rules are mechanically applied and turn a complex case with powerful emotional

² R. Edward Freeman, Patricia H. Werhane, and Scott Sonenshein, "A Note on Deontology," UVA-E-0180 (Charlottesville, VA: Darden Business Publishing, 2000).

dynamics into a black-and-white logic problem. Over focusing on principles may also put undue emphasis on adherence to a given standard as the sole or primary reason for an action, rather than on a variety of other motivations, and may tend to crowd out other considerations. Finally, paying attention only to principles downplays the importance of outcomes, especially in cases where the results of following a given principle may be dire.

Key questions

1. What principles are relevant to this situation?
2. How do principles help clarify the moral tension I feel in this decision?
3. What principles do different stakeholders bring to this situation, and how does looking at this issue from their point of view generate new principles I may need to consider?

Second Tradition: Character

Ethics deals with more than rules and norms. It also addresses issues of character—the traits and qualities that define us (as people or as organizations) and shape how others see us. A person of good character is someone who possesses many important virtues (forms of human excellence), while someone with bad character has significant failings or vices (expressions of corruption or a lack of excellence). This branch of ethics, often described as character ethics or virtue ethics, focuses specifically on the “actor” or “agent,” whether a person or an organization. The primary focus is on how various patterns of conduct come to define the kind of people we are, how others look at us, and the larger notion of what it means to be a good person. Thinking about ethics from the standpoint of character involves examining our identity.

In deciding whether to lie to a partner, the character perspective focuses our attention not on the rule (don’t lie), but rather on how others will see us and how we will see ourselves: what kind of person are we if we lie to our partner? If our business partner discovers that we willfully misled him, he will likely have a very different view of us than he did before the discovery, and conclude that we are deceitful and untrustworthy. This is a judgment about one’s character. Character ethics is a perspective that asks us to evaluate actions regarding both their substantive and symbolic importance for defining who we are and who we want to be.

Origins of character

Notions of character emerge out of understanding what it means to live a good life, and how that notion fits within a larger community. The study of virtue dates back to Aristotle. Novels, films, and heroic legends all provide insights into how we generate understanding of both positive qualities (virtues) and negative traits (vices). Background narratives and organizational contexts (e.g., an investment bank versus an NGO) can powerfully shape what we think makes a trait positive (or negative). Character is something learned from childhood, from parents, friends, and community—ways of living that are encouraged and praised. Character is also something that takes great effort and hard work. We don’t become a good person simply by saying the right things. We must work hard to learn these abilities and make them a part of who we are. Athletes put in countless hours, and lots of sweat and effort, to become outstanding at their sport. Similarly, a virtue such as courage can only be learned by repeated efforts to face danger and respond courageously (rather than with fear or in a foolhardy manner).

Examples of character

- **Virtues:** These are traits that are morally commendable, such as prudence, fairness, trustworthiness, and courageousness. We may also talk about things that leaders or organizations want to be known for, such as reliability, resilience, commitment to customers, integrity, tolerance, and support of diversity.
- **Vices:** These are traits that are morally problematic, such as deceitfulness, unjustness, cowardliness, ineptitude, incompetence, and recklessness. We may also talk about things that leaders and organizations want to avoid being linked to, such as supporting corrupt organizations, unreliability, unsafe actions, greed, unfairness, bigotry, or intolerance. Note that to say someone has a given virtue means more than that he or she acted virtuously in one instance. It means that he or she has done so consistently over time, and that we could predict that he or she would continue to behave in a similar way in the future.
- **Virtues and context:** What counts as virtue, however, is often determined in large part by the context in which we operate. For example, action that is praiseworthy with close friends and family (i.e., forthrightness, candor) might be considered a vice in certain business situations (e.g., a difficult negotiation). The same is true about organizational and geographic context (e.g., which country, which company), because where we are may have a considerable impact on what looks like a virtue or vice.
- **Integrity:** This is a central aspect of good character. Integrity literally means wholeness or the sense that we have a clear conscience and can affirm who we are and what we have done. People of integrity usually have high moral standards and the strength of character to act according to their beliefs, particularly when they are in difficult situations.

From the virtue ethics perspective, individuals and firms have to “walk the talk” and find ways of doing business that enable them to embody the traits to which they aspire, such as customer service, integrity, or diversity. Here we look at much more than rhetoric. We focus on what we learn from the habits of managers and ways of doing business that are common within the firm. Are managers tough-minded, fair, respected, and accountable? Or are they selfish, abusive, two-faced, and opportunistic? This tradition of ethics highlights the importance of character traits and how those character traits are formed (i.e., patterns of action over time) for decision making.

Importance of character traits

Firms and managers should not only identify key purposes or goals, but also the character qualities (e.g., virtues and vices) they want to develop to help them achieve those purposes; in other words, there are habits, practices, and ways of doing business that will help them achieve their goals over time (e.g., taking care of their customers or employees; being a trustworthy and reliable partner with suppliers). Most companies seek “good people,” which is a shorthand way of saying they want people of good character, the kind of folks who can be trusted to do their jobs without a lot of supervision, and who will tell the truth, respect others, and give their best for the organization. We can also think of character as closely related to the brand, a term used in marketing. While brand can have connotations that don’t fit with character, it does capture a powerful way in which character matters in business. We all have a brand; the choices we make define who we are and how others look at us. Beyond what they can get away with or maximize a particular outcome in a given situation, managers also need to think about the larger importance of their choices and to see new situations as a chance to reveal to the world who they are.

Rather than looking at specific choices in time, character ethics asks us to evaluate actions in terms of their substantive and symbolic importance for defining who we are. From this standpoint, we are less concerned

with the rules (actions) or the results of what we do (outcomes). Instead, our concern is how our actions reveal who we are. If we think about telling a business partner something that isn't an outright lie but is highly misleading, we might not be violating the principle prohibiting lying; however, by even indirectly misleading that partner, we may ultimately encounter the same moral judgment from that partner as if we had outright lied. What does a particular action (or inaction) say about us? Looked at in this light, as a character trait, we may decide to reevaluate the wisdom of a given act in a particular case.

Note that it may be challenging to distinguish character from standards of conduct. Indeed, it is a good exercise to think through how to talk about a given issue from each of the four traditions. With respect to character versus standards of conduct, the key focus is on whether the issue we are raising is about the act (e.g., lying is wrong) or about the person doing the act (e.g., I don't want to be the kind of person who misleads others). If it is about the act (or rule), then it makes more sense to tie it to standards of conduct, but if it is more about the person (or company) and how they are viewed, then it fits better as a character issue.

Weaknesses: Character may lead us to make too much of ourselves (and our reputation) in a given situation, rather than thinking about what we need to do and what we owe to others. In addition, our own assessments of our character, and what our actions should say about us, may vary significantly from how others look at us. Just because we think we are acting courageously does not mean others see us in the same way nor does it necessarily make it true. Finally, character is something that takes time and effort to gain, yet it can be easily lost in moments of weakness.

Key questions

1. What choices do I have in this case and what might those choices say about me?
2. What would a person of my character (or my firm) do in this case? How does character both direct and constrain how I should look at this case?
3. How can I act to clarify what I stand for, particularly if my choices may suggest very different traits than what I espouse?

Third Tradition: Consequences

Ethics also has to do with pursuing—and achieving—laudable ends. This includes the quest to make something of our life (i.e., the search for personal success and happiness) as well as the aspirations for our communities (e.g., prosperity, security, justice). This branch of ethical thought focuses on the moral importance of the “ends” a person or firm sets and the desire to try to achieve them through certain actions. Thus the moral worth of actions should be determined by the likely consequences they would generate. Do our actions create more good than harm in terms of realizing our goals or purposes (e.g., winning a war, creating profits, or helping others)? If so, actions can be defended; if not, then those actions are unjustified. The phrase “the ends justify the means” is often used to describe this branch of ethics, known as *consequentialism*.

Origins of consequences

Utilitarianism (i.e., creating the most favorable balance of benefit over harm), which has heavily influenced economics, is the most famous branch of ethical thought focused on consequences. There are two core features of this branch of ethics:

1. Morally defensible purposes: People need to be sure that the ends they set for themselves are morally defensible.

2. Creating favorable consequences: People need to undertake actions that create the most favorable consequences for realizing their purposes.

Purposes and consequences are central to managers and the core stakeholders connected to the firm. A key part of morality is selecting a set of defensible purposes and then taking actions that help achieve those purposes. This tradition underscores the importance of selecting the appropriate purposes for managerial action and choosing plans that are most likely to create the desired consequences (i.e., actions that help us achieve our purposes). A morally important part of what managers do is getting down to the hard and often dirty work of getting things done and not just espousing noble intentions. Creating favorable consequences for key stakeholders highlights the moral importance of practicality for managers—finishing projects, creating jobs, and generating profits.

Examples of consequences

Focusing on consequences leads us to focus on the stakeholders in a given context and think about how a given decision will likely affect them. Stakeholders are individuals or groups who can affect (or who are affected by) the activity of the corporation. Primary or value-chain stakeholders are the core groups who make the firm a going concern (e.g., customers, employees, suppliers, shareholders, and community).

A helpful way for managers to identify the relevant purposes and consequences in a given case is to do a stakeholder analysis—list the relevant stakeholders in the case, highlight their purposes (what they want), and consider likely courses of action in terms of those purposes. This tradition does not presuppose that we are committed to either a stakeholder or a stockholder view of the firm. It simply asks that we look at the interests of the various groups and make decisions bearing that information in mind. It is up to us to decide which interests to prioritize. A related challenge for managers is to think about the interests of stakeholders, and what kinds of outcomes they seek, from the point of view of the stakeholder, rather than basing their decisions solely on their own assumptions of what stakeholders want.

Importance of consequences

A key part of the moral life is about creating favorable outcomes: using our resources wisely, saving lives, limiting waste, and selecting tactics likely to achieve organizational success. A critical part of what managers need to do is take actions that serve the interests of their organization (and their stakeholders). Firms can have great ideals and character, yet without a critical focus on how they can create and deliver value for their stakeholders, they won't be in business very long. Indeed, one common interest of a firm's primary stakeholders is that managers act in a way to consistently generate profits for the firm, particularly since that is a necessary requirement for them to continue to receive the other benefits they get from being part of the firm. That said, a number of other consequences merit careful consideration and organizational intentionality, as well.

Weaknesses: An inordinate focus on consequences can constrain our view of a problem and lead to short-term and problematic choices that can't be sustained over time. Furthermore, consequences are often hard to predict, yet managers too often put undue weight on hypothetical models of outcomes in their decision making, particularly since outcomes often appear more concrete, quantifiable, and practical. It is important to remember that just because something is difficult to quantify doesn't mean that it isn't an important consideration. Finally, focusing on consequences may lead us to disregard or downplay standards of conduct and the symbolic importance of our actions (i.e., character).

Key questions

1. Which stakeholders are likely to be affected by my decision?
2. For whom will value be created and destroyed by my choice?
3. Which stakeholders are most likely to be opposed to my choice, and what can I do to address their concerns?

Fourth Tradition: Relationships and Care

Relationships and the ability to sustain healthy and caring interaction within them are a critical part of the moral life. Much of our moral responsibility in life is tied to how we interact with others, live out relational responsibilities, and create a healthy relational ecosystem both for ourselves and for other people. This fourth tradition marks relationships, and the imperative to maintain care and healthy relationships, as a key part of organizational life.

Origins of relationships and care

The ethics of care emerged from the work of Carol Gilligan³ and other feminist writers who noted important differences in how boys and girls thought about moral issues. Gilligan's work stood in stark contrast to that of previous psychologists, particularly Lawrence Kohlberg, who saw abstract reasoning about principles as the height of moral development and moral reasoning. Rather than focusing just on themselves and their own interests, Kohlberg thought moral judgment involved weighing a variety of considerations in an impartial way rather than favoring one's own interests.

Gilligan noted that young girls tended to be viewed as morally immature within Kohlberg's framework, and she began to look at the data differently. What she found highlights an alternative approach to thinking about ethics not as abstract reasoning about principles and rules in a detached manner but as emotionally engaged ways of expressing care or concern for others (including the self). According to Gilligan, people are inherently social and embedded in relationships, and therefore, living well and being a good person involves one's capacity to extend care in relationships with others. Care is the capacity to provide support and connection to others within a healthy network of relationships. It is not an unconditional imperative for individuals to simply give of themselves to others. Sometimes caring may involve saying "no," limiting what we will do for others, or ending a specific relationship. It is also critical to point out that while the ethic of care is typically more prevalent in young women, it is something that is in us all and is not a feminine ethic but a human one.⁴

Examples of relationships and care

While Gilligan's work has focused on care in the context of boys and girls, there are also strong connections from her work with other forms of moral reasoning that emphasize relationships and the things we owe to others in a relational context.

Whether operating in a context where actors are more at arm's length and detached or where relationships are primary, Gilligan's work highlights two critical themes: that ethics is not just about abstract reason, but it is also about emotionally charged feeling and sentiments that are critical to moral reflection; and that both being and doing good involves connection with and caring for others (and oneself) in relationships.

³ Carol Gilligan, *In a Different Voice: Psychological Theory and Women's Development* (Cambridge, Massachusetts: Harvard University Press, 1982).

⁴ R. Edward Freeman, Andrew C. Wicks, and Rebecca L. Villa, "A Note on the Ethic of Caring," UVA-E-0068 (Charlottesville, VA: Darden Business Publishing, 1990).

Take for instance Heinz's dilemma, which was used to highlight differences in thinking about moral issues. Heinz has a sick wife who needs an expensive drug to survive. Heinz does not have the money to buy the drug, so he must decide whether he should steal the drug to save his wife or respect the rules against theft and let her die. Using the logic of standards of conduct, young boys tended to turn the dilemma into a "math problem with humans" noting that life was more important than property, so therefore Heinz should steal the drug. In contrast, young women tended to talk about the case differently noting that if Heinz stole the drug he would likely get caught and go to jail, and when he did, who would care for his sick wife? Also rather than accept the problem as it is, why not appeal to the druggist's sense of compassion, and ask if he would lower the price or find a way to help Heinz finance the drug? While neither approach solves the problem, the example highlights the contrasting ways of thinking about the issues.

Beyond Gilligan's work, the focus on relationships is a prominent feature of ethics in many cultures and traditions, particularly in more collectivist countries. For example, in China, there is a strong emphasis on *guanxi*, which highlights the importance of social networks, mutual obligations within relationships, and goodwill extended to those who are part of your network.⁵ In addition, in India, there is a similar emphasis on the importance of relationships and the duties people owe to others within established social networks, some of which is tied to the concept of *dharma*, or doing your duty.⁶

Importance of relationships and care

Like character, healthy relationships are a critical aspect of living well as is our ability to generate positive consequences for the firm. Without healthy stakeholder relationships and getting stakeholders to give their best every day, firms erode their ability to sustain positive results. Outstanding performance by an organization is, at least in part, a story about healthy organizational relationships in which stakeholders feel they are part of something larger than themselves, that they are valued, and that they are critical to the success of the organization.

Weaknesses: Different firms (and strategies) require different kinds of relationships with various stakeholders, making it challenging to understand what a healthy relationship involves. In addition, maintaining a healthy relationship may entail a variety of costs that can easily drain organizational resources and invite forms of "cronyism"—even corruption—if not carefully monitored and limited. Some relationships can be favored to the detriment of others, or to the neglect of important ethical principles or desired outcomes. Finally, thinking in terms of relationships and attachment to others can impede our ability to see other competing priorities and strategies.

Key questions

1. Which relationships are most relevant for thinking about the dynamics of this case?
2. Which relationships are potentially at risk or put under stress by the choices we face?
3. What can I do to both protect key relationships and repair any damage done by my decision in this case?

Thoughts on the Four Traditions

The four traditions of moral theory help capture what is going on, morally speaking, within a given situation; however, there will often be tensions within each tradition as well as across them. This is an acute

⁵ Ming-Jer Chen, *Inside Chinese Business: A Guide for Managers Worldwide* (Boston: Harvard Business School Press, 2001).

⁶ Shyam Ranganathan, *Ethics and the History of Indian Philosophy* (Delhi: Motilal Banarasidass, 2007).

problem in many moral dilemmas in business, especially when managers face significant incentives or pressures (e.g., going out of business) to bend the rules or adopt unsavory practices. There is no simple way of resolving these conflicts. But no matter how compelling the goal, certain actions or means are always morally suspect (e.g., lying, breaking promises, stealing, or violence), while others may never be acceptable (e.g., murder, torture, or rape). To resolve such conflicts, managers need to consider the justifiability of their choices to the audiences in question (e.g., key stakeholders) and take further steps to avoid rationalizations.

Our focus in this course is to help managers get more comfortable with the language of ethics and begin to see that how they talk about business that already has ethics embedded within it rather than drive them to agonize about how to articulate the issue they are considering. Is it about a principle, a character issue, a consequence, or care in relationships? We encourage managers to be pragmatic and think more about how they can use these different types of considerations to understand and discuss issues, as well as to listen for the nuance in how others talk about those issues. Sometimes understanding the basis of the concern being raised by stakeholders is vital to being able to hear them and to reason with them rather than talk past them. If someone is talking about an issue that primarily involves caring and a manager responds in terms of principles, that person may think the manager is either deeply confused or possibly insulting them. Understanding the underlying logic and dynamics of each of the four traditions and being able to express issues within each, is the core challenge for organizational leaders, not technical precision or philosophical mastery.

Moral language helps us appreciate the moral complexity or “mess” going on in a situation and better identify points of tension we may experience at a visceral level. It can provide the language and constructs to connect what is going on in our gut with our conscious mind and allow us to think a problem through. The four traditions enable us to see what is going on, yet neither they nor how they are formulated in our framework tell us what to do. It is up to us to decide how we reconcile the various considerations to make a decision we believe is best and then defend it to others. But if organizational leaders do a good job of identifying the core issues, they also end up with a host of potential arguments for their side as well as concerns that we may need to address either in the rationale for our decision, or in what we do after we make our choice.

How We Will Use the Language of Ethics: Ties to Framework

The language of ethics, specifically the four traditions, makes up the core content of our framework in ethics. The note “Using a Framework to Create Better Choices” (UVA-E-0407) provides more detail.⁷ The framework provides tools to see the complexity of the situation, to identify key points of tension, and to better understand the context from the standpoint of multiple stakeholders. We will use this framework as a starting point for understanding what is going on in a given case, for identifying sources of tension, and for helping us understand what needs to be done.

Beyond simply crafting a set of issues in the case using language that highlights ethics, our framework is also about engagement: by describing the situation using the language of ethics, managers better understand the forces at play directing them to act, to feel, and to be. The note on framework will provide more detail about how we will use the four traditions of ethics to inform managerial judgment, establish priorities, and take responsible action.

⁷ Andrew C. Wicks, R. Edward Freeman, Jared D. Harris, and Bidhan Parmar, “Using a Framework to Create Better Choices,” UVA-E-0407 (Charlottesville, VA: Darden Business Publishing, 2015).

Conclusion

The four traditions of moral theory help us to capture what is going on, morally speaking, within a given situation; however, there will often be tensions within each tradition as well as across them. This is an acute problem in many moral dilemmas in business, especially when managers face significant incentives or pressures, such as going out of business, to bend the rules or adopt unsavory practices. Understanding the underlying logic and dynamics of each of the four traditions, and being able to express the issues within each, is the core challenge for us as managers. These tools can help us see the complexity of the situation, identify key points of tension, and better understand the context from the standpoint of multiple stakeholders, in order to help us more intentionally create the world we desire with others.