# Varieties of Relevance

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*Commentary on the article by Frederick Bird*

## 1.    Introduction

Professor Bird has offered an insightful essay on the relevance of the history of business ethics to the contemporary practice of business ethics. He addresses a wide-ranging question: "Why should those currently engaged in practicing business ethics seek a fuller understanding of how others have engaged in this practice in the past?" (p. 8).

It is good to ask *why* we should seek a fuller historical understanding of business ethics, as well as the related question *how* we can benefit today from such an historical understanding.[1] We often remind ourselves that we can and should learn from our experience. But can we learn from the experience *of others* – which seems to be the fruit of historical understanding? I believe we can learn from the experience of others both by appreciating their moral successes and failures – and by appreciating the *mindsets* that gave rise to those moral successes and failures.[2] The former type of learning, of course, calls for contemporary normativity about what moral success and moral failure amount to. The second kind of learning – about the mindsets *behind* past ethical decisions – may help us to see the strength (or fragility) of the current state of ethical decision making in business.

I cannot do justice in this brief commentary to the richness of Professor Bird's article, so I will highlight some themes that I hope will advance the discussion.

## 2.    Two Kinds of Relevance

When we ask questions about the *relevance* of the history of business ethics to contemporary business practice, it behooves us to be clear that there may be different *types* of relevance. Gabriel Abend in his recent insightful book, distinguishes between "first order" and "second order" issues in the history of business ethics. He identifies "first order" issues – issues in the moral *foreground* – as those that call for normative judgments in business practice (see Abend 2015). Professor Bird offers several examples of such foreground issues in his paper, including environmental pollution, economic growth, income/wealth inequality, corporate tax avoidance, and business practices in developing countries.

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[1]    On this theme, I recommend the concluding chapter, "Patterns and Prospects", of Carroll et al. (2012).

[2]    On the subject of "mindsets", see Goodpaster (2007).

"Second order" issues – issues in the moral *background* – relate to the assumptions of business decision makers about (1) the *objects* of moral assessment (decisions, policies, character, culture), (2) the *grounding* of moral judgments, and (3) the possibility of ethical *objectivity*. The moral background relates to the frameworks of business thinking, not to the economic, technological, or demographic circumstances surrounding business in society.

## 2.1 Foreground Relevance of the History of Business Ethics

The natural tendency in relation to first order issues is to search for patterns or practices in the history of business ethics, adjusting for temporal and social context, which might be action-guiding today.

One must be cautious, of course, not to fall victim to direct inferences from *descriptions* of past norms and trends in business conduct to *prescriptions* regarding current or future behavior. Indeed, even "evolved" expectations are still in the realm of empirical or descriptive ethics. The "fact-value" fallacy is widely appreciated by scholars in ethics, but the foreground relevance of history may be more nuanced.

Professor Bird highlights three levels or categories of business ethics in history that might be action-guiding for modern managers – that might have *foreground relevance*. These levels center on individuals (their virtues, vices, dispositions), organizations (influences and trends in relation to their ethical decision processes), and social systems (developments in publically enforceable business standards like laws and regulations).

- *Individuals*. Business conduct in a given historical period is shaped (at least in part) by the virtues "valorized" and the vices condemned by business peers and the general public in that period. This may help today's decision makers by highlighting the influence of cultures (both institutional and societal) on business behavior. Virtues (and vices) travel with accompanying support systems. Thus if contemporary business leaders seek ethical change, it behooves them to discern what virtues or character traits are being fostered by the surrounding culture.

- *Organizations*. Self-monitoring and self-regulation help avoid or supplement public sector regulation. This can include stockholder to stakeholder governance priorities, the embrace of voluntary ethical codes with or without NGO oversight (e.g., Better Business Bureaus, Chambers of Commerce, the ILO, the UN Global Compact). There is also the influence of public opinion, business school curricula – and ethics officers. Businesses have responded historically to their own statesmen and to moral exhortations by non-governmental groups. Failing that, businesses are compelled to follow legal and regulatory demands by the public sector.

- *Social Systems*. This level of historical analysis tracks the laws that constitute and regulate business institutions and gives thema legal recourse. In the US, examples are the Securities and Exchange Act of 1934 aimed at regulating financial markets; the Sherman Anti-Trust Act of 1890 aimed at preventing anti-social monopolies; and recent comprehensive laws like Sarbanes-Oxley (2002) and Dodd-Frank (2010). Also included here are regulatory agencies that monitor risks to stakeholders (consumers, employees, even competitors) as well as laws

reflecting evolving societal values in the areas of non-discrimination, employee privacy, and environmental protection.

## 2.2 Background Relevance of the History of Business Ethics

The relevance of moral *background* elements may influence contemporary business ethics practitioners differently than moral *foreground* elements. Moral background elements provide philosophical supports for the foreground elements. The moral background reveals historical *presuppositions* and it can influence the *tenacity* with which businesses today can hold on to aspirations like "corporate responsibility" (see Goodpaster 2013). Let me illustrate.

In a recent article about the history of corporate responsibility in America, I identified three "background principles" or substantive assumptions that are critical to the possibility of business ethics going forward. I called them the *Checks and Balances Principle*, the *Moral Projection Principle*, and the *Moral Common Ground Principle*. I will not try to elaborate on these principles here, except to say that each has *background relevance* for business ethics practitioners today:

1.  The *Checks and Balances Principle* reminds us that there can be a healthy equilibrium among three sectors of any society (economic, political, and civic or moral-cultural), such that each of these sectors is checked and balanced by the other two.

2.  The *Moral Projection Principle* affirms that corporations can be morally responsible by analogy with individual persons. And for us to have "moral expectations" of corporations *presupposes* some degree of "freedom" or managerial discretion.[3]

3.  The *Moral Common Ground Principle* insists that while *unanimity* about the core values and moral expectations of society (regarding corporate responsibility) may be unnecessary, some degree of reasoned *consensus* about them is essential.

If we learn from the history of business ethics that such principles have been background assumptions of both practitioners and critics of corporate responsibility, then these background elements take on relevance for the present and the future. If the *background* assumptions of past business ethics practitioners weaken or fragment, then contemporary aspirations to improve upon and carry forward their business ethics agenda become vulnerable. This is a different kind of relevance, a different kind of "learning from history" – perhaps a more sobering kind.

If, for example, public sector enforcement of standards and limitations on risk become more onerous, the *moral discretion* of the corporation becomes more and more constrained. At the limit, businesses become little more than arms of the state, a state that is not necessarily checked and balanced by the economic and the civic, or moral-cultural sectors. And if the next generation of business leaders is formed by school or by life experience to regard moral values as purely *subjective* – lacking any kind of interpersonal validity – then calls for social justice and environmental responsibility, as well as warnings about economic growth, tax avoidance, and wealth disparities, will fall on skeptical ears.

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[3]     Professor Bird alludes to the importance of this principle when he mentions the legal personhood of the corporation leading to moral expectations as well.

So there are at least these two varieties of the "relevance" of business ethics history, *foreground* relevance and *background* relevance.

Arguments about the foreground relevance of history here might take the form of "We've come a long way since then; it's useful to see how responsibilities to consumers and to the environment have evolved over time; and clearly the trend of asking more of corporations in these areas is salutary". The normative part of the argument comes at the end with the use of words like "salutary". Foreground relevance does not mean guiding current ethical decision makers directly by pointing to information about past practices or trends. The relevance appears to be more subtle, providing historical *context* and *perspective* to contemporary normative judgments at the levels of individual character formation, organizational self-regulation, and government regulation. Historical context and perspective explain why – returning to Professor Bird's opening question – those currently engaged in practicing business ethics should "seek a fuller understanding of how others have engaged in this practice in the past" (p. 8). Foreground challenges should *take account* of historical understanding, but they cannot be *resolved* by historical understanding alone.

When it comes to *background* relevance, a typical debate might sound something like this: "If we strengthen the role of the public sector in relation to the economic and moral-cultural sectors, we run the risk of undermining the *very idea* of business ethics. After all, 'business oughts imply business cans.'" Or perhaps, "Calling for corporate responsibility may have had a more stable meaning fifty years ago. There was considerable moral consensus then around human dignity, the common good, fiduciary duty, fair taxation, etc. Today, however, moral common ground seems to be shrinking; relativism reigns; and the idea of 'corporate responsibility' may be drifting toward the eye of the beholder!"[4] Background relevance presents itself not so much as a source of *context* or *perspective*, but rather as a warning notice about the basic convictions that underlie the very possibility of business ethics.

## 3.    Summing Up and Looking Forward

So what can we conclude from Professor Bird's paper and these reflections on the *relevance* of the history of business ethics for present and future decision making? I have argued that the idea of "relevance" can be understood in more than one way, and we can benefit from each type of relevance differently.

The foreground relevance of historical understanding is significant and in some ways the most visible. While not affording (fallacious) inferences from past precedent or social trends to contemporary normative decisions, practices, or policies, historical understanding does afford the wisdom of *context* and *perspective* to practitioners who must make similar normative ethical judgments in the present.

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4    See David Brooks (2011), also see Goodpaster (2013: 589–593). More specifically, "(w)e cannot be tenacious about our belief in corporate responsibility without a conviction that the idea of "responsibility" is not empty or fragmented. We cannot be tenacious about corporate responsibility unless we share a conviction that in the realm of goods and services, there are some goods that are truly good and some services that truly serve" (Goodpaster 2013: 590).

The background relevance of historical understanding is also significant but less visible. It helps us to appreciate the conceptual and cultural presuppositions of business ethics practitioners. And it may alert us to some hazards in contemporary business ethics that we would otherwise have overlooked.

Finally, I wish to applaud and even expand upon several suggestions in Professor Bird's article with which I wholeheartedly agree:

He emphasizes the importance of *moral formation* for business leaders (with attention to business school curricula and bold pronouncements like the *MBA Oath*). I would add that this contributes to making business a credible *profession*, alongside medicine, law, and engineering.

He emphasizes increasing the presence of business ethics practitioners in the *public square*. We should also include public sector and civic sector practitioners in such dialogues.

He mentions the importance of businesses becoming more politically engaged. I agree and would even enlarge this recommendation to include *collaborative engagement* among practitioners in *all three social sectors* (political, economic, and civic) – both domestically and internationally. Elsewhere I have argued that the need to collaborate stems from the increasing complexity of the problems facing our global society. And while many challenges cannot be solved *solely* by corporate initiatives, they may still call on the consciences of business leaders (and leaders from other sectors) to make an effort.[5]

Professor Bird writes in his conclusion that "contemporary ethical challenges are in many ways more deep-rooted, more complex, and more disturbing" (p. 33). I agree, hoping that we have the moral common ground to meet these challenges. One thing is clear: Professor Bird has provided us with a very sophisticated map of the terrain and a worthy paean to historical understanding.

### References

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[5] "Companies are increasingly called upon to direct their ethical attention outside their conventional spans of influence and control" (Goodpaster 2010).