Should Academic Business Ethics Be Constructed Upon The Kantian Kernel?

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The development of the Western philosophy of ethics initiates with the Greek and progresses through the Enlightenment and Immanuel Kant, who is generally recognized as providing the kernel of the modern elements of the subject. This Kantian kernel also forms a foundation for business ethics, and it is shown here to be an optimal coordinating system for linking the ethical content of the various subjects in the business core (accounting, finance, management and marketing). For this purpose, the Kantian approach is shown to be superior to other approaches. Furthermore, the Kantian approach lends itself well to consistency with market-based economics, and particularly to leadership development of the harmonious business organization. Illustrations of how the Kantian system can coordinate the ethical content of the various business-core subjects are presented in the form of practical business duties derived from Kant’s categorical imperative.

INTRODUCTION

Business schools either have a single course in business ethics, or they incorporate ethical material into other business-core courses such as accounting, finance, marketing and management. A few business schools successfully do both where the material from the single course is extended and utilized in the other courses. A single course in business ethics might be required by the business school as a core course, or it might be merely a supporting course offered by the university’s philosophy department.
Whether offered as a separate course with later course reinforcement, or having ethics scattered among other business courses, the coordination of this material is difficult. Clarity as to the content of this material can be lacking when each subject’s faculty develops their own ad hoc content. An effective kernel about which this coordination could be achieved is useful.

The uncoordinated approach can hardly lead to optimal development of the business ethics subject. Giving students a dose of Aristotelian virtue ethics, plus a dose of Platonist-Socratic ethical debate, plus modern Kantian principles, plus engaging students in discussion about other perfection-of-character approaches (generally religious) with all its implications for cultural differences, while all no-doubt valuable subjects, is an overly fractured approach for resulting in meaningful understanding and retention. The purpose of covering ethics as an academic subject is to develop the student’s ability to analyze moral conundrums before they demand real-world resolution. This is not likely to be achieved by a fractured-survey approach.

There are, of course, several ways to divide the subject of ethics. These groupings are usually not exclusionary of each other, but they do place emphases differently. One such grouping includes the consequentialist, the natural, the deontological, and the perfectionist schools. Consequentialist schools mostly emphasize utilitarianism with its maximization of the sum of utility of all. There are, of course, well explored paradoxes posed by such an approach, paradoxes concerning interpersonal comparisons of utility functions, i.e. why should the greedy be favored over the charitable in the distributions of resources. Consequentialist schools are not generally acceptable as an approach to coordinating academic business ethics.

The naturalist school emphasizes society’s development of ethical mores, a system that is viewed as maximizing the probability that people, and their society survive. This is a sort of natural selection approach to why our ethical norms exist. As of yet, this approach has not led to any particularly effective organization for business ethics as an academic subject.
The perfectionist school emphasizes virtue ethics, such as Aristotelian ethics, or religious perfection of character. This is an approach that can be emphasized in some parochial universities where subjects such as Christian ethics can be instructed. It is important to note that the perfectionist and natural schools do not strictly exclude Kantian ethics (the deontological or duty and rules based school), since the latter includes development of ethical maxims that are consistent with the former. The Kantian approach, however, does emphasize a different origin and motivation for our ethical norms as reviewed below.

The alternative to the fractured-survey approach to ethics is to center the subject on the Kantian approach which leads to a very practical foundation for a system that lends itself well to the various business subjects, a practical foundation that is easily adopted to market-based economics, and that also leads to modern principles of leadership for establishing harmony within the business organization. The Kantian foundation is not oriented towards virtue development, but it is inherently democratic in approach and is based upon Western-enlightenment with the individual-worth as the central tenet. The argument that the Kantian approach is the superior foundation for coordinating business ethics as an academic subject is made here. The argument points out the following:

- Kant’s ethical philosophy is the center piece of mainstream reasoned-based Western moral thought.
- Kant’s *categorical imperative* is particularly effective for developing a system of moral maxims that compose appropriate codes of ethical behavior for any business organization. These codes pose and categorize the duties we generally recognize as essential to a functioning market-based economy.
- The Kantian emphasis on *reasoned reflection* is particularly relevant for code reinforcement and preservation. In fact current philosophers (see Hanna Arendt, 1963, 1971, 1979, and Lars Svendsen, 2010, as examples) develop cogent examinations of why codes have been abandoned, and how this abandonment can be avoided. These arguments are not present in other approaches.
• Kant’s *categorical imperative’s* emphasis on pursuit of the moral community as the ethical motivation provides one of the paramount and relevant leadership principles for management.

• The Kantian approach is robust in application to all academic business subjects such as marketing, management, accounting and finance. Whereas it provides a coordinated method for analyzing ethical conundrums across these disciplines, other ethical approaches provide fractured analysis. It enables a logically-consistent approach to analyzing ethical conundrums across these disciplines.

These five supporting reasons for the Kantian approach are examined below.

**NON-PHILOSOPHICAL EXAMINATIONS OF ETHICS**

Ethics is not strictly a philosophical subject. It is a subject also explored through the social sciences of anthropology (cultural differences in morality), sociology (morality applications across societies and smaller social groupings), and psychology (the psychological origins of the emotions that lead to moral foundations), but all of these explorations are positive and descriptive rather than normative, i.e. what one *ought to do*. Real world business ethics, however, attempts to establish and maintain normative codes of behavior such as accounting rules, rules about conflicts of interest among directors and managers, and complex internal controls as a few examples. Business has logical reasons about how and why we organize these codes.

Jonathan Haidt (2012) recently argued an approach to ethics based upon the *Moral Foundation Theory* from psychology. This theory is that ethics stem from our emotions, or *intuitions*, and that these have evolved with humanity so as to allow us to compete within groups, and also allow groups to succeed. The argument is that “intuitions come first, strategic reasoning comes second.” (pp.315)
This approach actually has a long history in philosophical ethics, where the Plato-Socratic approach is that logical reasoned reflection must tame and control the passions. The philosopher David Hume (1739/1969) argued that “… reason is, and ought only to be the slave of passions, and can never pretend to any other office than to serve and obey them.” (p. 462) By this, Hume means that emotions direct our reasoned reflection, and as Haidt argues, our logical investigations are so arranged by our innate emotions as to merely justify the moral positions we select ex post. Our morality is manifested in our genetically evolved emotions which dictate or logical reflective reasoning. In fact, Haidt is very critical of the Kantian system of derived moral maxims and duties (2012, p.119-120), but then again, Haidt does not view ethics as a normative subject, but rather a positive subject (descriptive of what behavior is rather than what it should be). Business ethics is an applied subject, however, and it must be far more normative than descriptive. How should a business be managed? This is how! This is how we ethically lead an organization! This is the subject we wish to explore as academic business ethics.

One can certainly argue that our business ethics is a product of societal evolution, or one can argue that it is strictly a product of logical reasoning and with a dispassionate foundation, that our logical ethical rules are necessary to enable our business society to prosper. Either way, we see academic business ethics as a normative subject that explores the establishment and maintenance of ethical codes of conduct.

**The Kantian Categorical Imperative**

Business ethics courses offered by Western universities should be rooted in Western philosophical thought, from its Greek foundation through the Enlightenment and including the current mainstream philosophy. The German philosopher Immanuel Kant’s (1724–1804) influence on the *Enlightenment era* of Western civilization can hardly be overestimated. He is one of the major figures in the history of philosophy. He sought to restore ethics to a non-religious foundation as in the Greek philosophy
of Plato and Aristotle. Given the religious conflicts and wars in Europe that occurred in the two centuries prior to Kant, he saw this non-religious foundation as necessary for human advancement particularly in the context of the democratic political movements of his era. It should be noted that Kant was a deeply religious man (Christian) who did not seek to force his religious notions on others.

Kant’s moral philosophy is spread among several significant works which include *Critique of Pure Reason* (1781, 1787), *Fundamental Principles of the Metaphysics of Morals* (1785), *Critique of Practical Reason* (1788), *Religion Within the Limits of Reason Alone* (1793), and several others.\(^2\) Reasoned reflection about the moral problems we face is a fundamental duty in the Kantian vision, and indeed, in the Greek origins of Western ethical philosophy. We try to develop this particular sense of duty in our business ethics course. Kant’s *categorical imperative* provides a focus from which reason can deduce practical *maxims* for which we have a *duty* to follow. It is important to note here that in Kantian analysis, all of our practical *maxims and duties* must be derived from the broader principles, i.e. the *categorical imperative* (CI).

Kant presented three versions of the *categorical imperative* (CI). Kant envisioned these versions, presented below as three “formulas,” as entirely consistent with each other, and in fact he envisioned each as logically necessitated from the others. Below, we use Sullivan’s (1994, pp. 29) interpretations from the original German language:

*Formula 1 – the formula of autonomy or of universal law:* “I ought never to act in such a way that I could not also will that my maxim should be a universal law.” (1785, pp. 402)

*Formula 2 – the formula for the respect for the dignity of persons:* “Act so that you treat humanity, whether in your own person or in that of any other, always as an end and never as a means only.” (1785, pp. 429)

*Formula 3 – the formula of legislation for a moral community:* “All maxims that proceed from our own making of law ought to harmonize with a possible kingdom of ends.” (1785, pp. 436)
Kant’s first formula, the imperative of universal law, prohibits us from behaving by personal maxims applicable only to us, and that are designed only for our convenience. For example, if our business temporarily suffered from financial distress, and we decided that it would be acceptable to commit some fraudulent act to ameliorate our problem, we would violate the imperative of universal law. We could never will this temporarily fraudulent behavior to be universal. That would be equivalent to willing that the foundation of trust upon which all our community’s business relations are built be universally destroyed. A maxim of “commit fraud only when we temporarily suffer from financial distress” is unacceptable in Kant’s ethic.

In a similar way, Kant’s formula for the respect for the dignity of persons, would also be violated by the maxim of fraud described in the above paragraph. Fraud is essentially a lie. It deceives others into serving our own ends, while not allowing others to pursue their personal ends. This example illustrates the consistency of the first two formulas. Indeed, Kant argued that one formula logically follows from, and is necessitated by the other.

The motivation for pursuit of the first two formulas of the CI lies in the third, the formula of legislation for a moral community. Before examining this motivation, we should explore the notions developed in the Socratic dialogue Gorgias. (Plato, 1989). In that dialogue, Socrates develops two principles:

- “No man does evil voluntarily.”
- “It is better to suffer evil than to commit evil.”

With respect to the first of these propositions, Socrates states that to know what is good, and to select what is evil, is an absurdity. No person willingly selects evil because it inevitably destroys that person. People select evil only in spite of the fact that it is evil, not voluntarily and knowingly because it is evil. Evil is merely the necessary result of ignorance. Note that this preserves the notion of free will in that people could still select to perform evil actions, but they would do so only
out of ignorance. According to Socrates, Plato, and certainly also Kant, reasoned free-will is what gives meaning to life. By selecting evil, a person therefore destroys that which gives meaning to life. This Kantian emphasis on logical reasoning for moral explorations should be the essence of the business ethics curriculum. It is this logical reasoning that higher education tries to develop, and it forms the foundation of Western philosophy.

This argument concerning evil and reason appears to us as rather convoluted. Kant, however, wants to extend this Greek philosophical argument; to give it more content. To do this, Kant argues rational people seek a *kingdom of ends*, what in Greek philosophy is termed *the good*. By *kingdom*, Kant means “the union of different rational beings in a system by common laws” or maxims. (1785, 4: 433) Through the first two formulas of the CI, practical maxims and duties can be derived which should be motivated by the pursuit of this *kingdom of ends*. These duties logically follow from the practical ethical maxims formed from the CI. By *harmony*, Kant means that these rational beings pursue consistent and coordinated duties aimed ultimately at pursuing this *kingdom of ends*. Moral actions are therefore those that are motivated by the pursuit of this ultimate good. They cannot be those that serve only the self at the expense of others in this “union of rational beings.” (1785, 4: 430)

Kant’s *kingdom of ends* refers, of course, to an harmonious overall society, one where reasoning people pursue practical maxims which they form and therefore find acceptable, and which are derived from the categorical imperative. This *kingdom of ends* cannot be restricted to a single business, but rather applies to society as a whole. Nonetheless, within the business firm, management can act in pursuit of this final social end when forming and acting on its derived maxims. This should be an essential point of the business curriculum, i.e. management should pursue a moral community within the firm.

In our business curriculum, we teach that management acts as the legal agent of the firm’s owners. As such, they have a legal and ethical obligation to serve the interests of the owners, but always within legal and ethical constraints. Management should seek to serve these interests
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because they are consistent with Kant’s CI, particularly with the *formula for the respect for the dignity of persons*, i.e. the owners employ management as agents who are to serve the owners’ ends provided other stakeholders are allowed to pursue their own ends. Shareholder wealth maximization (SWM), presented in finance courses as the typical business goal for the publicly traded corporation with diversified ownership, need not be unethical when properly viewed in this way.

When managers apply a consistent set of maxims, derived from Kant’s the CI, they aim to produce an harmonious organization that satisfies the most basic interests of stakeholders. We mean this in the Socratic sense that people do not willingly seek evil. In general, people do respond positively to the “pursuit of the good,” although their egos often point them in contrary directions.

It is the belief that stakeholders will respond favorably to this *harmonious management ethic* that motivates the exploration of Kant as the coordinating mechanism for business ethics. It is important, however, to note that although this *harmonious management ethic* may be a necessary condition for SWM, the motive for management behaving ethically should be the pursuit of the *kingdom of ends*, and not the pursuit of SWM. The latter goal may follow, but it is not the ethical motivation for managerial action.

The material below explores some of the practical *maxims and duties* suggested by Kant. These illustrations show that the three formulas of the CI provide very practical tools for business leadership and decisions. They also ultimately form an ethical system that can be considered a productive factor to the firm, and as such, a necessary mechanism for the pursuit of organizational goals.

**Maxims for Achieving the Harmonious Organization**

Kant’s *categorical imperative* in the form of *formula 2 – the formula for the respect for the dignity of persons* - is the fundamental proposition concerning correct conduct, and as such, its application is necessary for achieving an harmonious organization. It usually is reviewed in business
ethics texts as the Kantian source of duties. (See Shaw and Barry, 2010.) What is not generally reviewed, however, is that harmony, or its lack, is one principal factor that affects the economic efficiency of the organization. An argument in support of this proposition is presented here. In addition, this Kantian notion of harmony is not covered in current business ethics texts, but is should be covered. It should be a principal organizational tool of any management oriented course.

This characteristic of *harmony* is essential to the ethical system presented here. By *harmony we mean the achievement of a high degree of cooperation among management and employees so that clarity in managerial pursuit of these maxims (business code) is accomplished.* This *clarity* can be achieved only after management fully understands that its ethical code is:

- worthy of pursuit,
- that the behavioral maxims utilized by the firm are derived from broader principles such as the *categorical imperative*,
- and that the pursuit of these maxims are motivated by achieving a moral community that encapsulates the business firm, i.e. the *kingdom of ends*.

Note that it does not require an education in Kantian philosophy to have this harmony as a goal for management. After all, the CI appears logical and self evident, but an extensive review in a business ethics course would help with student understanding and commitment. Indeed, it is also argued below that managerial leadership in pursuit of this *harmony* is in part a natural necessity for SWM.

Achievement of harmony in the organization requires two general categories of managerial actions:

i. respect for the dignity of others as thinking individuals,
ii. reflective thought about the ethical and other problems faced by the organization.
It is argued below that the second of these actions is necessary to avoid the breakdown in the organization that is generally associated with the firm becoming overly bureaucratic in its decision making, particularly bureaucratic in application of “codes of conduct.” This is an especially difficult modern problem, and it should be a significant topic of concern for the business ethics curriculum.

In the *Foundations of the Metaphysics of Morals* (1785), Immanuel Kant reviewed some maxims against particular actions, these maxims being derived from his categorical imperative. We review some of these here. Space constraints prevent the development and/or examination of other maxims applicable to business situations where these maxims are consistent with the CI, but this is a useful class exercise for the business ethics course. The limitations of behavior posed by these maxims are certainly required for maintaining an harmonious organization. They are certainly consistent with the motives of respect for the reasoning individual as moral agent, and they should form the basis for much reflective thought about the ethical conundrums faced by management.

It is important to note that in all of Kant’s ethical philosophy, it is the agent’s aim in acting on the particular maxim that forms the ethical content. The motive for action is fundamentally important in the ethics of Kant. Without the ethical motive of pursuing the moral community within the business firm, no system of moral codes will hold. This is a paramount point that should be maintained throughout the business curriculum.

*Maxim 1: We ought not to make lying promises.* This maxim is properly illustrated by the following question:

Question: “When in distress, may I make a promise with the intention of not keeping it?”

The motives for the *lying promise* might be to avoid financial, physical, or psychological distress, or to achieve some pleasure or avoid some inconvenience. In all cases, the lying promise violates the CI. People, and business managers, who make lying promises in pursuit
of personal gain or advantage violate the CI. They lack respect for the reasoning individuals they interact with. They are trying to manipulate others into pursuit of the ends associated with the lie, but in the process, they frustrate the pursuits of the ends of those manipulated. Harmonious relations are destroyed by the promise. Any sense of team work is violated, and the potential for future team cooperation is upset. One can never envision a society or business organization that could function efficiently if lying promises were common, and therefore the maxim prohibiting them satisfies Kant’s demand for the categorical imperative of universal law.

**Maxim 2:** Within practical limitations, we ought to help others pursue their own ends where and when we can. This maxim is properly illustrated by the following question:

Question: “My life is flourishing. I do not directly or immediately need the help of others. Shall I neither contribute to the welfare of others, nor expect their help in return?”

When making decision about our relations with others, it is obvious that we must take into account that all people are dependent and vulnerable, with continuous needs. When we are satisfied that our needs are met, we might avoid helping others pursue their own ends. We know, however, that this independent state cannot be permanent. We are social beings who are, by nature, not self sufficient. We all need the help of others to promote our natural welfare and happiness. We cannot totally renounce this help, and we must cultivate it. We cannot reasonably make the universal claim that everyone can remain independent of the beneficence of others. We must, therefore adopt Maxim 2 as a positive obligation that is necessary for the harmonious organization.

**Maxim 3:** We ought to behave as though all our actions were publicly known, even when some actions must be kept private. This maxim is properly illustrated by the following question:

Question: “A company intends to close a particular branch in the near-term future, but for competitive reasons, it cannot disclose
its plans. When workers enquire, should management deceive them about the future in order to protect this confidence?"

To be competitive, business must frequently keep various secrets. Nonetheless, \textit{formula 2} prohibits us from deception for the purpose of motivating others to pursue our ends. When enquiries are made, simple declarations such as “I cannot divulge that information!” are sufficient to be consistent with \textit{formula 2} provided we clearly do not mislead others in any way.

\textit{Maxim 4: Whenever we use others to promote our own welfare, we ought not to humiliate them, or fail to recognize that they have a dignity equal to our own.} This maxim is properly illustrated by the following question:

Question: “When we observe others underperforming, should we use humiliation to motivate them?”

Nobody seeks an end of humiliation for themselves. If we humiliate somebody, we violate Kant’s categorical imperative. We disrupt harmony by breeding frustration within the humiliated individual, and also, it should be argued, we show a lack of self respect for ourselves due to our own frustration. We should, however, be able to manage that frustration. Managers should be able to present cogent arguments, effectively assign responsibilities, evaluate and reward employees by fair systems in order to achieve the motivation desired. Humiliating behavior is a disease that destroys the harmonious organization. It should be obvious that a much more extensive list of maxims can be derived to guide the functioning of any particular business. Whatever the set of maxims to be applied, they must rely on reflective reasoning for their establishment and commitment. The business ethics curriculum should fully explore the above set, and have students explore and develop additional possibilities.

\textbf{Codes and Duties}

It should be readily apparent that maxims such as those reviewed above, or others derived by the management team (provided these are consistent
with the CI), are capable of forming rational codes-of-conduct for any business. Such codes are found throughout business in that they include among others:

- codes governing personnel matters such as hiring, separation, annual evaluations, and other matters;
- procedural codes for capital budgeting that are primarily aimed at assuring that due diligence is performed in computing predictions of cash flows, and that are also aimed at preventing the “pet projects” of management;
- procedural codes for purchasing and cash disbursement that are aimed at preventing fraud;
- internal auditing codes that are aimed at preventing both fraud and gross inefficiency;
- conflict-of-interest codes aimed at management and boards of directors.

Business codes should be formed only through reasoned reflection and discourse, and should be aimed at forming an harmonious morally-constrained organization. Codes of this sort create Kantian duties that are mostly of the negative sort (perfect duties) in that certain actions are absolutely forbidden, but some duties of the positive sort (imperfect duties) are also created. The latter category describes those obligations that are pursued with practical limitations, such as charitable contributions, or obligations for beneficent interactions among employees.

As explained, some of the moral maxims we find in explicit business codes, such as the maxim forbidding the lying promise, form an absolute negative duty, i.e. do not make a lying promise under any circumstances. Other maxims, such as the maxim to help others when and where we can, form positive duties to be pursued within practical limitations. They are frequently implicit codes in that they are expressed by managerial leadership, behavior and expectation, but are not written in any sort of manual. This approach to bifurcation of duties is a strength of the Kantian approach. Some actions involving fraud, deception and coercion must
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be absolutely prohibited, i.e. explicit negative duties. Other actions are
demanded by the code, i.e. positive duties, but these have understand-
able and practical limitations within the business world, and may actually
be implicit as expressed by leader behavior, and encouragement. Bene-
fitence, charity, community involvement, although all ethically demanded,
must have their limitations or the business cannot serve owners, various
other stakeholders, and survive as an ongoing institution. This Kantian
division into perfect and imperfect duties makes codes of conduct more
understandable and acceptable. Where to draw the line on practical ver-
sus impractical can be illustrated by examples associated with each duty.

As an example, charitable contributions from the company to com-
munity interests are generally made when they enhance some aspect of
business relations that positively impact the company’s cash flows. Other
charitable contributions are left to the discretion of the business’ owners
since they own the earnings to be contributed. The owners therefore should
decide the practical limitation on charitable contributions, as well as which
charities to reward. This illustrates a strength of the Kantian approach. It
allows clarity about the moral ambiguity associated with duties, which
ones are absolute, and which have practical limitations. Other approaches,
such as virtue ethics, do not resolve this ambiguity so clearly.

The important argument here is that the Kantian approach of bifurca-
tion into implicit and explicit, and perfect and imperfect codes forms
a natural coordinating umbrella for an important part of any business
ethics curriculum. Business codes, and their reasons for being, should
always compose a significant portion of the business ethics curriculum.
The student certainly should not be left with the notion that, for example,
the obligation of community charity is as absolute as the anti-fraud obli-
gation stated in either the internal auditing code or the conflict of inter-
est code. A course built around the concepts of virtue ethics, or other
schools of ethics, has a more difficult time explaining the importance
and application of business codes.

The suggestion that reasoned moral-codes, both implicit and explicit,
can be established for any business begs the question, “Why are reasoned
moral-codes periodically abandoned so that evil and scandal pervade some
businesses?” Perhaps there is a flaw in Kant’s analysis that explains these abandonments. Kant argued that reasoned thought provided the foundation of ethics, and that the reasoning ability of the ordinary average person was sufficient to establish an ethical society. This idea was, however, challenged by the 19th century philosopher Hanna Arendt (1971, pp. 421). She argued that it was not the lack of a capacity for logical reflection that inhibits people from keeping ethical codes, but rather their habit of not thinking about the importance of these codes. [See Robinson (2012) for a review of Arendt’s theory and the abandonment of ethical codes.] Businesses become bureaucratic about codes, and treat them as mere slogans that have little moral basis. As a result, when they are challenged, people have little commitment to the codes’ preservation. Few demonstrate what Arendt called the “noble nature” of speaking out in their defense.

Any course in business ethics should certainly include intensive discussion about the need for the student someday exhibiting this “noble nature” of publicly speaking within the business organization to say “this is wrong.” Indeed, these courses usually include cases and discussion of “whistle blowers,” and their importance to the moral integrity of the firm. As Arendt shows, this reinforcement of the “noble nature” is a natural extension of the Kantian demand for rational reflection that must lie behind our moral maxims. It is this reflection, and exploratory discourse of the need for the business code, that make up a considerable portion of any properly designed course. Relying upon virtue ethics, or other schools of thought for this exploration is difficult since it is the code itself, and the reasons for having it, that are at the heart of the matter. Furthermore, the Kantian notion of pursuing the moral community as being the ethical motivation behind our actions, naturally fits a business-ethics course exploration of why we should keep the codes at question. Hence, the Kantian approach can be the effective coordinating mechanism behind course explorations of why codes are periodically abandoned (a lack of reflective thought behind the need for the code, and consequent commitment to it), and also how they may be maintained, i.e. through the “noble nature” of speaking publicly in their defense.
Kantian Ethics and Leadership in Management

Consider the maxims presented above, and ask “What are the characteristics of an organization that does not pursue these maxims?” When this question is asked in the business ethics course, the student should be able to draw the conclusion that the characteristics would be

- a lack of trust among stakeholders,
- a lack of beneficent cooperation among management and employees,
- a general lack of truthfulness, and
- a psychological state of inferiority among employees with associated fear of contact with superiors.

Is it possible that a firm exhibiting these characteristics could adequately or effectively pursue any worthy goal? It is for this reason that managerial leadership in pursuit of these, and/or other maxims consistent with Kant’s categorical imperative must enable them to pervade the organization. This is the essence of organizational leadership. It can also be the essence of any academic course in leadership. This must be an emphasis within the business curriculum.

Surely we all agree that top management is obliged to assure that all its properly established business codes, whether explicit or implicit, are frequently reviewed by all organization participants, that the code is accepted by these participants, and that the reasons why the code should be considered worthy are also well communicated. The motivation for what are essentially moral maxims is best expressed in Kant’s 3rd formula, i.e. that the proper ethical motivation is never narrow self-interest, but always a broader social goal such as the employment survival of fellow employees. Proper codes are to be kept because the business society crumbles without them. Accounting rules are not to be flaunted because business cannot thrive without them. Financial fraud cannot be condoned because general business deteriorates with widespread fraud. Employees must be respected because business organizations are human institutions, and free-market competitive
business cannot survive without this general respect. The reason for the
code can never be “We will be jailed or fined if we violate the code!” The
reason can never be “We will be embarrassed or fired!” Narrow self inter-
est can always be defeated by other alternative narrow self-interests such as
“We will have more, and our fraud will not be discovered!” It is therefore
this ethical motivation, as best asserted by Kant’s 3rd formula, that is a criti-
cal emphasis in any business ethics course.

CRITICISM OF THE KANTIAN APPROACH
The philosopher Onora O’Neill (2000) categorized the typical criticisms
of Kantian ethics:

- **Criticism:** The Kantian approach is overly formal in establishing
  rules that are inflexible across case variations. The counter criticism is that these moral codes can only be guides, and not
  algorithms for moral decisions. There are no automatic proce-
dures for identifying ethical action but only the moral law. In busi-
ness ethics, there are no exceptions to prohibitions against fraud
or other violations of human dignity. Criticisms that we must be
flexible in application of business codes and associated duties are
not logically persuasive against the Kantian approach.

- **Criticism:** The Kantian approach is overly abstract in its use of the
categorical imperative as a guide. The counter criticism is that the
CI is the guide from which practical, not abstract, moral maxims
are to be derived, and these practical maxims are to compose our
business codes.

- **Criticism:** The Kantian approach requires a motivation based on
duty, and not inclination as in virtue ethics. The counter criticism
is that action from a sense of duty is likely to be more reliable than
from personal inclination. Also, the motivation of the pursuit of a
moral community (within and without the business organization)
is hardly unappealing or an unlikely inclination. What would the
opposite be, and is this opposite prevalent? Our Western market-oriented economy is not constrained by demands for virtue, but by demands the participants follow moral duties.

The other primary criticism of the Kantian approach was provided by W.D. Ross’ (1930) theory of *prima facie duties*. His theory is that certain moral obligations are at least equally fundamental to those derived from the categorical imperative, and do not need the Kantian approach for their derivation. These duties include:

1. The obligation to help others,
2. The obligation to keep our promises,
3. The obligation to repay past acts of kindness,
4. The obligation to not let people down who are relying on us.

We could use the philosophy of prima facie duties to organize a business ethics curriculum. Codes could easily be derives about the four duties listed above, but there would be definite problems associated with a code that is not based upon, or at least consistent with, respect for the dignity of persons, namely that the code listed above could also be adopted by any organized crime group. Once the principle of respect for the dignity of all people is adopted, i.e. that there can be no deception, fraud, coercion, or physical violence towards others, then the resulting code is clearly in the realm of the categorical imperative. Kant’s logic on this point is irrefutable. This principle is the universal principle, and the only worldly motive for pursuing this principle can be the pursuit of a broad social goal, i.e. the *kingdom of ends* according to Kant.

The problem with Ross’ approach for practical business ethics is therefore twofold:

1. It lacks a unifying principle for organizing a fuller list of ethical business codes, a principle provided by the categorical imperative.
2. It lacks the key motivational principle of *pursuit of a moral community*, and this principle is the basis for resolution of practical moral conundrums we find in business.

For example, again consider the question “Why should auditors obey our auditing codes?” The answer cannot be narrow egoism in that if the auditor does not obey the code, he or she might be discovered and lose their license, but rather the motivation must be that if it is acceptable for this auditor to violate the code, it must be acceptable for others. As a result, our business society could not thrive. Business society must strive to live as a moral community, or fail. If the auditor is motivated by narrow egoism, then surely there are times when the probability of discovery is so remote that the auditor will violate the code, as will others. For this paramount reason, among others, we should organize our academic business ethics around the Kantian philosophic approach.

**The Business Curriculum and Kantian Ethics**

The use of Kant’s categorical imperative throughout the business curriculum is capable of unifying the instructional efforts of faculty within each of the divisional subjects: accounting, finance, management, and marketing. This unifying integration is built upon Kant’s 2nd formula: *respect for the dignity of individuals*. As an example, the willful or cavalier violation of either the generally accepted accounting rules, or auditing rules, is fraud. Also, a lying promise in financial securities is clearly in violation of the 2nd formula, and so are various other agency violations. The agency problem concerns management’s pursuit of its own welfare at the hidden expense to the shareholders (company owners) or of debt-security owners. For management to state that they will pursue the interests of these stakeholders, and do so for the clear and transparent agreed-upon compensation, but to then exploit earnings for only their own benefit, is a clear purposeful deception. This agency problem is the typical ethical subject explored in finance, and it fits best under the umbrella of the 2nd formula.

Further examples include employee humiliation, which are also a clear violation of the 2nd formula. Avoidance of humiliation in personnel
management is a clear negative duty. Also, as reviewed above, the motivation for the ethical business code must always be the 3rd formula, that is service to a broad social goal and not a narrow personal goal. This is a fundamental principle of management. In marketing, prohibitions against deliberate deception, the typical marketing ethical problem, is also a clear violation of the 2nd formula.

The reasons why ethical codes are abandoned, i.e. the actual process of abandonment, and where prevention of this development should be best asserted, can be a subject within either the management core course, or in a separate business ethics course. In either case, it clearly belongs under the umbrella of business leadership, and should be an essential part of the curriculum. Case studies involving business scandals that could have been avoided by proper ethical enforcement of codes are frequently presented in management courses, but if they are presented without the integrating aspect of the Kantian approach, they are just interesting anecdotes to business courses. Without this integrating aspect, students can neither perceive how the scandals developed, nor how they could have been prevented other than just citing, that “These business managers should have been more virtuous!”

Not only does the Kantian approach explain the ethical problems typically explored within the business curriculum, but reference to and use of the categorical imperative throughout the business curriculum allows students to perceive a consistent integrative approach, one that is solidly within the Western philosophical tradition, and one that best provides clarity to this subject. These benefits cannot be obtained from a consequentialist approach, or a virtue ethics approach. For these reasons, business ethics should be Kantian in its organization. Additional reasons, however, include the recent explorations of Kantian philosophers concerning why ethical codes are abandoned, and how to best assure their retention and effectiveness.
REFERENCES

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Should Academic Business Ethics Be Constructed


1. Aquinas first developed the natural law approach as a linkage with religion. His argument was that since God created nature, then God originated the natural moral law which if violated threatens the survival of the individual and society.

2. Kant’s writings are rather ponderous and hence difficult, but significant selections can be found in the edited version by Wood (2001). Kant’s writings are so often referred to in philosophy that, as in Plato’s writings, there is a standard reference methodology, one that is used here.

3. Note that all widely used business ethics texts cover the categorical imperative, but none place sufficient emphasis on this as a central organizing principle for the curriculum. See Jennings (2009, pp.6), Stanwick and Stanwick (2009, pp.7), Shaw (2008, pp. 60–62), and Shaw and Barry (2010, pp. 68–74).

4. The Brickley, Smith and Zimmerman (2007, Chapter 22) text reviews the application of these codes to business.

5. The material reviewed here relies on Sullivan (1994).

6. “Pet projects” are those with NPV < 0, but that management wants for their own welfare pursuit.

7. See Robinson (2012) for a review of Arendt’s theory and the abandonment of ethical codes.