An Approach to Organizational Ethics*

Josep M. Lozano

ABSTRACT

Great importance has recently been given in studies on management to subjects such as values or organizational cultures. The fact that on dealing with these questions there are many terminological coincidences with ethics has meant that the discourse on values or organizational culture has often automatically been identified with organizational ethics. This paper questions this identification, proposing an approach to what should be understood by organizational ethics (OE). Three ideas support this approach: (1) an understanding of OE from a process and learning approach, (2) a presentation of 10 components that make up a reflective OE, and (3) an understanding of how values are understood in OE, underlining four dimensions: dynamic, practical, dialogical, and committed. The paper concludes by proposing that the development of OE should be linked to the development of an organizational citizenship.

KEYWORDS

Corporate Culture; Learning; Organizational Citizenship; Management and Values

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1. Introduction: from awareness to project

When we talk about organizational ethics (henceforth OE) we are referring to the set of values that identify an organization, from within (or, to put another way, how those working in the organization understand it) as well as from without (the perception of the organization by those who have dealings with it).

Such a set of values can be considered in a broad sense (that is, the set of values structuring the organization and its practices, be they instrumental or final values, positive or negative) or in a stricter sense (where we shall refer only to those values that express the vision, the raison d’être and the commitments of the organization, and that are linked to their corporate and moral identity). Generalizing, we could say that in the first case we would find those organizations that ask themselves “what is necessary for corporate moral excellence?”

This means that when speaking of OE, one can speak from various perspectives:

• One can focus on the practices: from this perspective what is relevant is to identify the values which in fact structure organizational practices. That is, basically to become aware.

• One can focus on formal statements: from this perspective what is relevant is to elaborate the discourse which is proposed as a value reference of the organization. That basically involves formal declarations or statements.

• One can focus on the processes: relevant to OE from this perspective are organizational learning processes which permit continual re-elaboration and reinterpretation of the relationship between statements and practices. That is, basically to narrate and institutionalize.

* This research was carried out in ESADE’s Institute for the Individual, Corporations and Society (IPES), which is sponsored by the Caixa Sabadell Foundation.
• One can focus on the project, stressing what, from this perspective, is relevant to innovation and the creation of corporate identity. Both should be seen as an expression of the contribution that an organization makes to society insofar as it is, simultaneously, economic actor and social actor. That is, basically to build and to institutionalize.

We should not understand these four perspectives as being mutually exclusive – quite the opposite. However, we should take into account their different ‘accents’ and that they can form an evolutionary sequence. At any rate, these ‘accents’ should make us aware of the fact that when we speak of OE we are not referring to a standardized concept but to an option concerning our very understanding of OE. In our case, we adopt a perspective that conceives of OE as an opportunity for learning and innovation. This also means that we position ourselves within what we termed earlier a stricter view (i.e. one that is not merely descriptive or instrumental) and which will lead us on to speak of reflective OE. In other words, it will go beyond OE as a process of awareness to one in which OE is understood as a project.

2. Central issue: OE as an opportunity for learning and innovation

If we talk about OE as an opportunity for learning and innovation it is because the OE issue does not exist in a vacuum. Rather it both forms part of processes of social and organizational change and is their product.

2.1. Why OE? A context of social change

Over the last few years, there have been substantial changes in both the discourse on corporations and society’s expectations regarding corporations. One of the defining features of these changes consists in seeing corporations as simultaneously playing both economic and social roles. We could say that a view of corporations from both market and societal standpoints has emerged. This change has already materialized in various initiatives such as institutional proposals, the creation of new methodologies for auditing or accountability, the launching of new indexes and rankings, the development of new investment tools, or social campaigns against corporate actions perceived as unacceptable. Symptomatic of this sea change is the proposal for “Promoting a European Framework for Corporate Social Responsibility” (European Commission Green Paper).

This trend is inseparable from the deep transformations which our economies and societies are undergoing. To be more precise: we believe that the debate about a new understanding of the relationships between corporations and society is an intrinsic part of these transformations. Beyond the clichés, terms such as globalization, knowledge society or network society indicate that the world is the frame of reference for corporations (regarding actions and decision-making as well as their interpretation). They also indicate that knowledge is the key resource, that such a resource is linked to people and their learning processes, and the paradigm to understanding organizations is not the factory or the hierarchical bureaucracy any more, but networks.

It should not surprise us then that terms such as corporate social responsibility, corporate citizenship, accountability, triple bottom line or stakeholder dialogue have come to occupy a prominent place on corporate agendas. It should not surprise us either to see that other social actors have vigorously joined the debate on the role corporations should play in society. Our view is that we stand at a watershed and that we may need to radically rethink the role of corporations in society.

This is so because of the framework of globalization:

a) companies become co-responsible for governance
b) companies must be aware of all the dimensions of their relationship networks
c) the way companies act creates social capital and shapes organizational leadership
d) companies should build up their legitimacy in the eyes of society
In this context, OE is the name we give to the way in which each organization responds through practice to the question about how these complex structures and new corporate responsibilities and social demands should be acknowledged and managed.

2.2. Why OE? A context of corporate and professional changes

In our opinion, it is important to stress that a series of questions have emerged from the process of redefining the role of corporations in society – issues which go beyond the impact on or contribution of the corporation to society. If this were not so, we would simply be speaking about Corporate Social Responsibility using different words. But precisely because the understanding of the role of corporations in society is changing, firms are asking themselves what building a corporate identity actually means in a swiftly changing world. Some professionals are beginning to wonder how their personal view of life and corporate projects can be squared with their professional and personal integrity on the one hand and the consistency between their personal projects and professional and corporate projects on the other. For their part, corporations are wondering how they can structure their organizations and foster corporate identity. Their task is made harder by greater job mobility of professionals, multiculturalism and trans-national operations. Put baldly, firms are asking themselves to what extent a corporate project can sustain and express a shared commitment yet be compatible with rapid change and flexibility. Firms dealing with social actors increasingly have to develop the capacity to generate a discourse and to explain their activities and socially legitimize them. This set of demands, related to the processes of construction of professional and corporate identities, has converged in the growing importance given to the formulation of corporate values and to finding management models and styles based explicitly on the commitment to fundamental values.

From this point of view, the proposal is that organizations should be able to be creative and innovative not only with regard to technologies and processes but also with regard to establishing values for fuelling corporate practices and identifying them. Here then, we are not speaking so much of responsibility as of creativity. One can say that we are considering the organization as a learning and ethical space where one can develop personal and corporate values. The task is thus to provide an axiological competence which enables people and organizations to move within changing social and cultural contexts characterized by the lack of a fixed set of values.

In this context, OE is the name we give to assuming organizations’ need to create direction, purpose and meaning. They should not simply limit themselves to speaking of their organizational culture but also actively work on building their value-based identities.

2.3. What is the OE horizon?

Finally one should note that when one takes OE seriously as an opportunity for learning and innovation, new questions emerge which might constitute OE’s real central issue. From our point of view, serious development of OE could lead companies “to pay attention to corporate existential matters such as: ‘Who are we?’, ‘What do we stand for?’, ‘What are our core values?’, ‘How should we reflect upon our identity and responsibilities?’, ‘How should we measure, evaluate and report on our identity, development and success?’” In other words, in the final analysis the search for OE is inseparable from the question ‘How can and do corporations contribute to constructing the good society?’

Let us recall that Morgan (1986) spoke of “images of the organization.” He showed us how our comprehension of organizations often rested on metaphors and images that structured our way of thinking about them and seeing them and that these images also structured our actions and decisions. We should go further. We should never forget that any model of organization and any model of management rests on an anthropological model. These in turn shape human profiles which fit in with the model’s conceptions of
organization and management. Thus, what makes it possible for us to understand and manage an organization is not only the clear conscience of its aim and its strategy, but also the acknowledgement of the anthropological model that it has consciously or unconsciously assumed. This issue was already raised explicitly some time ago in the world of management (whether there has been much enthusiasm in addressing it is another question). Read, for example, what Chester Barnard wrote:

I have found it is impossible to go far in the study of organizations or of the behaviour of people in relation to them without being confronted with a few questions which can be simply stated. For example: What is an individual? What do we mean by a person? To what extent do people have a power of choice or free will? The temptation is to avoid such difficult questions, leaving them to the philosophers and scientists who still debate them after centuries. It quickly appears, however, that even if we avoid answering such questions definitely, we cannot evade them. We answer them implicitly in whatever we say about human behaviour; and, what is more important, all sorts of people, and leaders and executives, act on the basis of fundamental assumptions and attitudes regarding them, although these people are rarely conscious that they are doing so.

In the end, as we delve deeper into the meaning of OE, we may end up considering that OE’s central issue concerns recognition within the corporate sphere that firms, in pursuing their own ends, ultimately promote and foster a model of the individual and of society.

3. The state of the art: from culture to identity
3.1. Organizational culture or organizational ethics

Understanding organizations from the cultural point of view amounted to a radical shift in the way of analyzing and managing them. Morgan pointed out that the power of understanding organizations as cultures mainly hinges on two aspects. First, it pays attention to the symbolic — and even magical — meaning of many aspects of the organization’s life which are left unexplained from a rational perspective. Second, it stresses that an organization also depends on a system of shared meanings and on interpretation schemes that create and recreate these meanings. Pettigrew pointed out the importance of analyzing organizations with concepts stemming from anthropology and sociology:

These concepts are directly relevant to the concern in the field of organizational behaviour as to how purpose, commitment, and order are created in the early life of an organization. In the context of the action frame of reference for the study of organizations, those concepts reveal man as a creator of symbols, languages, beliefs, visions, ideologies, and myths, in effect, man as a creator of meaning.

If this is true, it seems reasonable to conclude that company development involves (re)creating the meaning which shapes the company.

As a result, the issue of whether to treat culture as an organizational variable or simply as a useful metaphor is one which has gained considerable theoretical and practical importance. This alternative can be thrown into sharp relief by asking whether organizations have a culture or are culture. Probably we should not think of these alternatives as mutually exclusive. Organizational cultures are both an inheritance and a social construction so that (from a management perspective) we should neither consider them as something unchanging and imposed upon us nor as a reality that we can freely manipulate. This should lead us to a consideration along the lines of what Smirich expresses when he points out that organizational culture should be taken as “a particular structure of knowledge for knowing and acting. (...) an organizational culture may be represented as a ‘master contract’ that includes the organization’s self-image, as well as constitutive and regulative rules that organize beliefs and actions in light of the image.”
At this point, it was probably Schein who offered an approach allowing us to understand better how to deal with OE. Schein considered that Organizational culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.\(^\text{17}\)

In addition, Schein proposed a scheme which distinguishes three levels of culture, together with their interactions (FIGURE 1).\(^\text{18}\)

This scheme reveals at least two things: (1) that it is not always easy to escape the temptation to reduce the development of an organizational culture (and, eventually, of an OE) to the level of artefacts and creations; and (2) that values play a crucial role in this whole process. It is for this reason that Gagliardi argued that the maintenance of a corporation’s cultural identity through paying special attention to values constituted one of the most important management tasks.\(^\text{19}\) We think that this should always be seen as a learning process from which the values of the corporation as well as the underlying assumptions are created, assumed, transmitted, and eventually also criticized and transformed. We should not forget, however, that this presupposes, to put it in Schein’s terms, developing within organizations (and in the people who are part of it) a capacity to re-elaborate artefacts and creations, as well as values and basic assumptions.

Here is where the risk of ambiguity mentioned earlier arises. Is talking about organizational culture the same as talking about OE? In a broad sense — with a merely descriptive approach — it might be, to the extent that some elements of this culture reflect some kind of organizational ethos. In a strict sense — with a basically constructive approach — it is not necessarily the same.\(^\text{20}\) In other words, it is true that developing an organizational culture involves aspects of organizational life which can be understood from an ethical standpoint. But this does not mean that ethical approaches are explicitly stated.\(^\text{21}\) Put another way, even if seeing organizations as cultures involves using terms and concepts that are common to ethics, this should not lead us uncritically to the conclusion that an OE is being explicitly developed.\(^\text{22}\)

What really makes sense is “a cultural perspective on changing and developing organizational ethics”,\(^\text{23}\) where the accent is precisely on OE and on the willingness to turn it into a project for corporate identity. This disposition helps one start the search for the tools needed to develop this project.

In developing a moral culture a corporation must formulate clear ethical strategies and structures, taking into account opportunities and risks, resources and competencies, personal values and preferences, and economic and social responsibilities. Such a corporate
thinking process might include ethical codification, management and worker ethical training programs, broad-based board representation, internal ethical audits, clear and open avenues for information flow to provide for ongoing communication and consultation at all levels, and the hiring and directing of top corporate officers to develop corporate ethical policies and management strategies for the carrying out of such policies. Moves such as these and others will enable the corporation to systematically reflect upon the moral data of which it becomes aware in an effort to arrive at a moral position for decision-making.24

The issue is then to go from a broad, passive view (recognizing what the corporate values are and see how we take them into account, given that there is no organization without an organizational culture) to a stricter, ethically committed view (to shape the values that express the organizational project and give it internal and external legitimacy). This involves going beyond mere acknowledgement of culture to the construction of identity. The closer we get to the issue of corporate identity, the more we can talk about OE properly.

3.2. Two related issues: stakeholder approach and leadership

The itinerary from recognition to construction is formally very similar to that followed by issues like relationships with stakeholders and the reformulation of leadership.25

Just as reflections about OE begin with the realization that there is no organization without organizational culture, the debate about the stakeholder corporation begins with the recognition of the power that organizations currently have in our world.26 The great majority of contemporary debates on the role of corporations in society begin, explicitly or not, with this realization. This becomes evident when the debate is framed in an analysis of the processes of globalization. As Donaldson & Preston emphasize,27 we can approach the theory of stakeholders from a descriptive, an instrumental or a normative perspective.28 From an analytical point of view, to draw a map of stakeholders is nothing more than a descriptive exercise in which one should determine the network of relationships in which the organization is immersed. To the extent that it moves from a descriptive approach to a normative one the stakeholder theory allows each organization to re-elaborate its relationships of power and influence in the light of its responsibilities. However, this means that each organization has to decide which interests it takes into consideration, what the nature or hierarchy of those interests is, and whether a stakeholder is considered simply as someone who can affect or can be affected by the organization, or whether he is recognized as a valid interlocutor. Thus, just as there is a route from organizational culture to OE, there is a similar route from stakeholder analysis to (for example) a view of “stakeholder theory by recognizing stakeholders as partners who create both economic and social value through collaborative problem-solving.”29

Similarly, leadership cannot be reduced to the view of a single person and his coterie. It is not only a question of mobilizing people and giving some meaning to their action. It is still less one of surrendering responsibility and putting it in the hands of the leader.

Organizational practices are situated within a given climate, interpreted in a discourse of sense making, rooted in an organizational culture, and shaped by processes of decision taking which are themselves part of a corpus of practice. However, there is one further element which needs to be added to this account. For the moral agent, whether individual or collective, it is purpose which gives action focus and direction, so that in order to give this conceptual framework a definitive ethical ‘thrust’ we need an account of corporate purpose which is more comprehensive and reflective than strategic means-ends rationality.30

It is this need for corporate purpose that makes us see the leader as something more than a simple manager or administrator of corporate values.31 As Heifetz stressed, leadership can be thought of
as the capacity to trigger the emergence of those values that make our purposes worthwhile. Perhaps leaders are those who do not evade the question of whether a change of habits, attitudes or values is required. A leader’s most important role could be to state this issue clearly and tackle it boldly and creatively. Perhaps leaders are those individuals who are able to make us aware of the values present in our options and decisions.

What we are proposing can be said to be a reflective perspective. It is existential or philosophical in nature and, in comparison with the pragmatic perspective, employs a broader repertoire of measures of corporate success and focuses on organizational identity rather than image. It is reflective rather than communicative in nature and is more concerned with the inherent character of the organization rather than its outward appearance. This perspective does not receive nearly as much conscious leadership attention as the pragmatic perspective. Nevertheless, its focus on ‘what is’ and ‘what should be’ — rather than on ‘what appears to be’ — is rapidly becoming central to the theory and practice of leadership.

Thus, we can see that the itinerary which led us to conceive, first, an OE with a more descriptive character and then an OE with a more pragmatic character finally takes us towards a more reflective OE which (at least from a formal viewpoint) is not so very different from the itineraries followed by the reflection on the stakeholder approach and on leadership. But we should also realize that OE cannot be conceived independently from the assumption of the stakeholder approach and corporate social responsibility (outwards35) or from processes of personal transformation and development (inwards). It is precisely within this framework that we can start talking meaningfully about reflective OE.

3.3. OE should be learning-oriented and process-oriented

Reflective OE shapes and expresses corporate identity. But in our world, identity is not a snapshot of who we are but a chart. However, we will focus here on the organizational perspective. In the context of moral pluralism, which is a trait of modern societies, this means that the ethical reference cannot be injected into the organizations from the outside or imposed by decree from the highest levels within. Instead, OE should be understood as a shared value horizon37 that facilitates transformation and orients organizational practices, creating significant ethical meanings at the same time. An organizational process that integrates ethical dimensions should make it possible to create this shared value horizon and live within it constantly. Considering this as a process is tantamount to assuming that it is not something given from the outset but something that must be created and constructed, with all the members or the organizations sharing in its creation as well as in its construction.

It is in this context that “we view learning as the bridge between working and innovating.” The innovation we need today does not refer only to products, services, and processes. We also need to learn how to innovate in terms of institutions, values and attitudes. In the emergent knowledge society, organizations will have to learn to build their own legitimacy (since it will be given to them from outside), and will have to decide how they want to be recognized. And this is a question clearly linked to that of identity: an identity, which is learning-oriented and process-oriented. “The pragmatic ‘goods’ for business organizations are defined in terms of the ‘goods’ of effectiveness and performance but there are also ethical ‘goods’ in terms of what serves corporate purpose, and moral ‘goods’ in the sense of just decisions. (...) It is for this reason that a theory of organizational ethics requires both substantive and procedural elements”. That is, OE needs to rely simultaneously on contents and on processes: process expressing contents and context giving meaning to processes.

It is very important to recall that OE is something eminently practical. When we speak of OE, we certainly speak of identity but we do so in order to name organizational practices and projects. In this respect, Nonaka and Konno’s
contribution provides clarification. They distinguish between two types of knowledge: explicit and tacit knowledge. Explicit knowledge can be expressed in words and numbers and it is usually easily and quickly transmitted in a formal and systematic way. Tacit knowledge is highly personal and hard to formalize. Tacit knowledge is deeply rooted in an individual’s actions and experience as well as his ideals, values and emotions. Notice that “there are two dimensions of tacit knowledge. The first is the technical dimension, which encompasses the kind of informal personal skills or crafts often referred to as ‘know-how’. The second is the cognitive dimension. It consists of beliefs, ideals, values, schemata, and mental models which are deeply ingrained in us and which we often take for granted. While difficult to articulate, this cognitive dimension of tacit knowledge shapes the way we perceive the world”. The creation of knowledge is thus a continuous process of interaction between tacit and explicit knowledge.

This process (Figure 2) involves a never-ending sequence of socialization (sharing tacit knowledge between individuals through physical proximity); externalization (the expression of tacit knowledge and its translation into comprehensive forms that can be understood by others); combination (the conversion of explicit knowledge into more complex sets of explicit knowledge, which entails communication, diffusion and systematization of knowledge); and internalization (the

![Figure 2: The creation of knowledge as a process between tacit and explicit knowledge.](image-url)
conversion of explicit knowledge into the organization’s tacit knowledge).\textsuperscript{44}

We could assert that reflective OE can be perfectly understood from this sequence. From our perspective, what is specific to reflective OE is consideration of this process (socialization, externalization, combination and internalizations) by focusing on values and corporate identity. We can make this assertion in these terms, on the one hand, because in this process values refer back to practices and stem from them and hence the two are inextricably linked; and, on the other hand, because values bring into play our basic assumptions about the human condition and our conceptions concerning individuals and society. Reflective OE is therefore the never-ending process of translating the organization’s values from explicit to tacit and from tacit to explicit. It is a process that allows us to critically draw up the organizational project we want to share and to which we want to commit ourselves. In this sense we fully assume the following view, put forward in a slightly different context:

At the heart of this model is the dynamic interaction of action — having an experience — and reflection that helps a person interpret and reinterpret experience. The quality of reflection is central to how a person makes meaning of what is occurring. We are often guided in reflection by internalized social rules, norms, values and beliefs that have been acquired implicitly and explicitly through socialization. These internalized perspectives can distort our interpretation of an experience. To learn deeply from experience, people must critically reflect on the assumptions, values and beliefs that shape their understanding.\textsuperscript{45}

At the heart of our conception of learning there is the conviction, confidence and commitment to activate human potentialities in all their dimensions.\textsuperscript{46} If we do not want dialogue to merely mean the sum of monologues, a shallow exchange of ideas or a sterile discussion but rather the space for the creation of a shared perspective, we need to insist that a reflective OE presupposes individuals recognizing each other in the organizational context as persons and realizing that they need one another to act. This also means that if individuals are to contribute their capacities and commitments to organizations, corporate values should not be the object of submission and reverence but rather connect with personal values and reflect them in a credible way: they can only be shared if they can really be incorporated in an individual’s values. Evidently, all this does not avoid conflicts and pressures arising. It should also not lead to everyday cares being forgotten to endlessly dwell on a discourse on values. In a reflective OE values are inseparable from everyday work. Values give a horizon of shared reference that can generate confidence and trust, allowing us to live in the present without being absorbed by it, and can be a powerful stimulus to innovation.

From the theoretical point of view, we believe that this approach (which we have called reflective OE) facilitates the integration between the organizational perspective and the ethical perspective.\textsuperscript{47} This integration is captured by Table 1.\textsuperscript{48}

To the extent that an OE process has reflective and practical organizational and ethical integration as its aim, we can truly speak of OE as the step from corporate culture to corporate identity.

When we are dealing with OE, in what sense can we talk about examples? It does not mean that there is a single model for OE. Nor does it mean that we can bring forth some best practices that we should follow as the norm. Both aspirations would contradict what we have said up to this point. Each organization builds\textsuperscript{49} its OE according to its own tradition, its context and its project. Since this construction is basically a process, it contains contradictions and ambiguities. Each organization provides itself with the tools it considers necessary to give shape to its own OE.

4. Reflective OE understood as an approach

Reflective OE is not a solution. It is an approach.\textsuperscript{50} We can ask ourselves what traits shape this approach. We shall confine ourselves here to considering just
three: first, a theoretical perspective that aims at integrating the ethical and corporate elements, reflected in Collier’s table above; second, a set of OE structuring components; and third, a way of understanding the process that structures a reflective OE. Taking Schein’s diagram (see above), we propose to locate OE’s focus on the theoretical and practical elaboration of corporate values. We do so because, as already noted, we consider, first, that we cannot talk about corporate values without linking these values with organizational practices; and second, that we cannot talk about values without asking what kind of model of individual and society underlies the organizational project and is thus being endorsed. Let us briefly consider these structuring components to shed light on the process with reference to values.

4.1. Reflective OE: its structuring components

Here we refer to those elements that we can take into account in order to grasp the nature of OE in an organization at any given moment.

a) A negative component. This refers to all those organizational approaches aimed basically at avoiding actions which might be considered reprehensible. These approaches concern risk avoidance and penalties. With these approaches, one learns what one should not do rather than what one should. When these approaches prevail, they encourage reactive attitudes. Here we include everything related to reputation management, to the extent that it might ultimately reflect a desire to avoid a bad reputation.

b) A normative component (of a legal nature). This refers to all those organizational approaches that reflect how organizations square themselves with both the spirit and the letter of the law. This also includes their consistency in dealing with different demands and legal frameworks in the countries where they operate.

c) A normative component (of a fundamental nature). This refers to the relevance that an appeal to human rights has in corporate actions and policies, which can range from passive conformity to active commitment. We believe that on this point “the need for organizational ethics becomes visible as a link between legality and legitimacy”.

d) A propositional component. This refers to the whole gamut of instruments (codes, formal

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Table 1: A comparison between the organizational and the ethical perspective

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<th>Organization</th>
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<tr>
<td>• The ‘good’ is defined in purpose</td>
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<td>• The ‘good’ is realized in practices;</td>
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<td>identity of a moral life by articulating</td>
<td>which facilitates learning</td>
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<td>its history and its future</td>
<td>• Organizational narratives play a key part</td>
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<td>in organizational sense making</td>
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<td>is embedded and practices are understood</td>
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<td>• The right is established by means of a</td>
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<td>discourse of moral argumentation</td>
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<td>collective choice process</td>
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statements, etc.) available to organizations in explicitly proposing a frame of reference for its actions. This enables a positive approach but when the statements are taken out of context they can become irrelevant or, worse still, a PR whitewash.

e) A personal component. This refers to the possibility — and the challenge — of increasing human quality in the organizational context. The question is not only to avoid the corrosion of character but also to promote character-building as an intrinsic component of professional development. This implies a system of acknowledgement and reward for behaviour which is consistent with corporate values.

f) A procedural component. This refers to the way in which decision-making processes are managed as well as the way in which tensions and the diversity of criteria are dealt with. It also covers the creation of a corporate tradition in decision-making procedures, a tradition enabling the corporation to manage conflicts over incompatible options reflecting equally desirable values.

g) An institutional component. This refers to the range of instruments (e.g. from allocating specific responsibilities to training programmes) whose purpose is to create new corporate spheres in which values and practices are made explicit, learnt and integrated in daily work.

h) A relational component. This refers to building relationships with stakeholders which includes the values at stake. Accordingly, relationships should not be reduced to merely managing interests or to information gathering. The relationship with stakeholders should also be based on dialogue and partnership. This can be especially relevant in the knowledge society where the limits of organizations are more like permeable membranes than sea walls.

i) An accountability component. This refers to the need to find procedures to identify, evaluate and give an account of the correlation between corporate practices and values. “The first point to make is that if ethical auditing is to create ethical knowledge about the impacts of companies on the ability of their employees, customers, communities and other stakeholders to lead good and flourishing lives. […] However useful empirical data is, it is only half the story. The other half is required if ethical auditing is to create ethical knowledge, is a process of experimentation and theory building”.55

j) A time frame. This refers to the time frame in which a corporate project is set (i.e. whether it is of a short-term nature or not).

I take the liberty of concluding this section with a long quotation from Pruzan & Thyssen:

Developing and employing organizational ethics is a demanding strategic task for the autopoietic organization. The focus is on the dynamic interplay between conflict and consensus in an ongoing conversation between the organizations and its stakeholders. The ideal of ethics is action which is rationally accepted for all the parties involved. This ethical principle forms a basis for operational directives as to such far-reaching areas as the organization’s and its stakeholders’ identity and values, the development of the company’s ethical codex and ethical accounting statement, the ethical design of the organization, the dissolution of intra-, inter-, and systemic conflicts, and finally formal procedures for conflict solving when conflicts cannot be dissolved by consensus. (…) It is often said that ethics cannot co-exist with free market competition. Our conclusion is the opposite: only if the enterprise develops — and lives up to — an organizational ethics can private initiative survive in the long run.56

4.2. Reflective OE: how to understand the process

The components of the previous section can help us identify the state of affairs regarding OE in an organization at a given moment. However, it should be remembered that reflective OE is a process. This is so because an organization not
only produces goods and services but in doing so, it shapes itself. Consequently, a reflective OE should attend to its processes as well as its contents. These processes should enable us to answer three questions: What are the values shaping our identity? With what do we want to identify ourselves and how do we want to be identified? Last but not least, what do want to commit ourselves to and in what way?

Such reflective and practical development of corporate values and identity follows a sequence that can take a host of forms in relation to methodologies and instruments. The forms these assume depend on the nature of each organization and its circumstances. Nevertheless, the process tends to go through certain stages (Figure 3).

From this sequence (which characterizes the entire OE), we would like to underline the following:

1. We should avoid the temptation of believing that we start from scratch. On the contrary, it is very important to give the opportunity to make explicit the diversity of values concerning the organization’s history and development. This explicitation process should make it possible not only to remember the formal statements but also to bring to the surface the implicit values identified as present in prevailing practices, attitudes and tendencies. In this context, it is also very important not to fall into the trap of moralizing but instead let the organization’s values surface, whatever we happen to think of them.
2. The critical reformulation of the predominant values in the present organization should not be approached in a confrontational fashion but rather be directed towards building a consensus which makes values explicit. This consensus should not be reduced to an agreement on the least common denominator but instead should show the path ahead, emphasizing a shared project. It should also take into account the contribution that the organization makes to society: it is vital not to turn reflective OE into an inward-looking corporate process.

3. Values only make sense in a context. A reflective OE aims at turning the organization into a shared ethical space. For this reason an exercise of creativity and innovation becomes indispensable, an exercise enabling us to identify and formulate the specific practices and policies giving shape to corporate identity. Clarity in the orientation should be compatible with trust and with respect for individual differences: the objective is to generate identity and cohesion, not to homogenize and control.

4. The entire process makes no sense without some form of auditing and accountability, which will make it possible to resume the process and to turn the commitment with values into a key for corporate improvement and innovation, and into an opportunity to build stable and transparent relations with stakeholders.

5. From all of the above it follows that a key question for corporate identity is to decide to whom one gives a say in the various stages of the process. We refer here both to voices inside and outside the organization. We believe that the question should always be raised because the answer we give will define the process itself. This is so regardless of any decision to limit participation on the grounds of expediency.

Evidently, behind this sequence there are certain assumptions about learning and its participants. First of all, we consider learning to be the opposite of training. We understand training as transmitting pre-determined content in order to achieve an objective defined without the participation of the people involved. We also assume that the participants are adults rather than children and treat them accordingly. Stating that they are adults turns the participants into the focus of the process. This is not simply a question of teaching methods because adults learn only to the extent that they wish to learn. In other words, they learn to the extent that learning gives a personal meaning to some specific problem or issue addressed as the result of prior experience. Learning does not take place in a vacuum, but within a specific situation, which is the result of the interplay between the internal conditions of the individual and the objective conditions (especially corporate conditions). In our opinion, however, the participants’ role cannot be reduced to a vision that considers them solely as human resources. Considering participants as human resources is a form of reification, and thus learning becomes a form of training. To sum up, we view participants in the process as actors within organizations and not

<table>
<thead>
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<th>Table 2: Two possible perspectives on OE’s development</th>
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<tr>
<td><strong>Normative and top-down</strong></td>
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<tr>
<td>• Someone with authority establishes the values</td>
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<tr>
<td>• The results establish the identity and give legitimacy</td>
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<tr>
<td>• Enunciate – communicate – accept – assume – apply</td>
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<tr>
<td>• Obedience with participation</td>
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simply as mere human resources. We subscribe to Dewey’s idea that if an experience is genuine there exists “an active side which changes in some degree the objective conditions under which experiences are had”. This is indeed valid when we talk about reflective OE.

If we had to summarize the possible perspectives in OE’s development, we could do so by underlining these two orientations. These two approaches should not be considered as descriptions but rather as paradigms and general orientations when one engages in the process of developing OE. In any case, whatever the approach, we should not forget that some form of enunciation, communication, acceptance, assumption and application of corporate values is required in any case. In any event, we believe that reflective OE will almost always require a narrative and dialogical approach (Table 2).

Thus, we consider that our view of values has to be sharpened and clarified within the framework of reflective OE.

- We propose a dynamic view of values. Values are not inanimate objects but rather the expression of a horizon that directs and gives meaning to our actions. This means that in our organizations, the accent should not be on the definition of our identity (as if this were some fixed essence) but on what we identify with, what our project is, what we have in common, and what we want to achieve.
- We propose a practical view of values. We do not proceed from formulated values to practices but rather we enunciate our values when we give direction and meaning to what we do. Values are not holy writ to be carved in stone but a catalyst for innovation and creativity. Any discourse on values in an organization should be linked to the process of making associated improvements explicit regarding competencies which should be developed and to the policies that need to be implemented if we want to assume these values, based on the conviction that a reflective OE should entail an improvement in an organization’s quality and cohesion.
- We propose a dialogical perspective with regard to values. A dialogical perspective can go as far as reaching—at least potentially—all stakeholders. Organizationally, the question is to go from ‘my’ values to ‘our’ values. This implies then an organizational environment that takes into account the individuals’ autonomy, sensibility, and values as well as professional ethics. However, this does not mean we should be satisfied with a cacophony of voices. Rather,
these views are the point of departure and support for achieving one of reflective OE’s aims: learning to say ‘we’ instead of just using ‘I’.59

- We propose a committed perspective with regard to values. That is to say, we consider that reference to values should not be rhetorical but practical. This means that taking care of an organization’s core values is one of the fundamental features of the management function and of leadership at all the levels of the organization. Put differently, reflective OE exists when talking about the future and is inextricably bound up with our present commitment.

We should recall that a true process of reflective OE fosters learning, which in turn affects fundamental aspects of identity, both personal and organizational. This learning is an opportunity for change and transformation (FIGURE 4).60

5. Beyond OE? Organizational citizenship

We have proposed a way of understanding OE. Yet we should remember that we are faced by several crucial considerations which impinge upon the field of organizational ethics.

We live in a society that is made up of organizations. Their impact (both positive and negative) as social actors raises questions concerning the values guiding them and the legitimacy of their actions. A society comprising organizations is an interdependent one and is structured in networks. It means that each organization has to create its own network of relationships and decide the criteria and values that guide its actions and provide its raison d’être. It is for this reason that we have talked about reflective OE.

Moreover, if we talk about organizations — and about OE — we do so because we are not thinking only about business but about a complex society like ours, structured by many types of organizations, each with its unique features, shaping its own OE.61 Furthermore, we should overcome the implicit division of labour according to which each organization (corporations, governments, institutions, NGOs, non-profit, etc.) has its particular kind of responsibility and therefore ignores all other responsibilities. In today’s world, responsibilities are shared — we cannot limit ourselves to talk about one’s own responsibilities, we need to speak about shared responsibilities. Consequently, the inter-relationship between different

Figure 5: The organization in its social context.
types of organizations is increasingly important in meeting social challenges. If a genuine dialogue is to arise from such an inter-relationship, it is essential that organizations rethink the way they see themselves. In this sense, we think that a partnership approach will be one of the keys to OE in the future.

The future of organizations is inseparable from the future of society, and vice versa. Accordingly, we think that will become increasingly necessary to also speak of organizational citizenship and not only of OE. Simply stated, we cannot elaborate a reflection on organizations without also reflecting on their contribution to society. We could visualize organizational citizenship as the intersection of three elements (FIGURE 5). Speaking of OE in this way helps correct the risk of adopting a unilateralist stance. When we only find development or management of values in an organization it means there is a risk of manipulation and indoctrination (to the extent that anyone talking only about values whilst looking inwards is probably bent on making the organization homogeneous and closed). When we find only organizational references to stakeholders, it means the firm runs the risk of only seeking a pragmatic approach based on strategic advantage, ignoring the need for dialogue. When we find only organizational references to the company’s contribution to society, it means that the firm runs the risk of merely carrying out a PR exercise. It is the integration of all three elements that makes OE appear publicly as organizational citizenship.

“Corporate citizenship is an essential feature of the New Economy. Corporate citizenship is about business taking account of their total impact on society and the natural environment. […] Corporate citizenship implies a strategy that moves from a focus on short-term transaction to longer-term, values-based relationships with these stakeholders. This is exactly what one would expect in the New Economy, where loyalty will be based on a company’s ability to build a sense of shared values and mission with key stakeholder”. In our context of globalization, we speak of organizational citizenship because governance is a challenge for everyone in an interdependent world. We need also a civil contribution to governance at the micro, meso and macro levels. It is true that some organizations (particularly corporations) are, through their actions, part of the problems plaguing our world, however all of them should be part of the solution. In this respect, we consider organizational citizenship as the public constitution of a developed and reflective OE.

In conclusion, we can divine both a trend and propose a path for the future. Organizational citizenship implies a broader vision of organizations as social actors operating within a social context. This means highlighting the role of organizations as social contributors and innovators. This also means that the specific contribution of each organization to society takes the shape of an itinerary from OE to organizational citizenship.

Notes

5. Nonetheless, one should analyze each case carefully. Just as the new social demands have generated in some corporations a mere reactive attitude (which is limited to the search for a better management of its reputation), some
corporations adopt a management by values approach, as if they did not have enough with buying the capacities of those who work there, and would want to buy also their souls.


8. Along similar lines, but with a more sociological perspective, see P. Koslowski, *Ethik des Kapitalismus* (Tübingen: J.C.B. Mohr, 1982).


14. Which, let us remember, they should never be considered isolated from their social context.


20. Perhaps the best example can be found in Peters & Waterman’s book *In Search of Excellence* (1982) where the ambiguity of the emphasis in the culture and values of corporations was revealed in all its splendour insofar as this discourse seemed to be directed to finding new ways of submission to the corporation through a fusion between personal and corporate values, so that values become an element of integration and order, and occupy the place that discipline had occupied before. See, for example, the excellent study by Soeters (1986) where he identifies in these views the same features present in social movements of a totalitarian nature.

21. In our view, what is here under discussion is the temptation to qualify everything that refers to organizational culture automatically as ethics (thus identifying ethics and organizational culture).

22. It is this point that, in my opinion, makes all the rhetoric around the management of values so ambiguous.


25. This section intends to point out only one aspect of the relationship between our topic and these other issues.


28. And in the last case one should also distinguish if the interests at stake in relation to each stakeholder are valued in an instrumental way or because of their intrinsic value.


31. “We would like to speak to the other side of leadership: the need to appreciate diversity within the organization. We recognize that executives are powerful to the extent that they do both simultaneously, helping diverse members
experience themselves as contributing to a shared understanding that drives collective action” in S. Srivastva and F.J. Barrett, “Foundations for Executive Integrity: Dialogue, Diversity, Development,” in Executive Integrity: The Search for High Human Values in Organizational Life, eds. S. Srivastva et al. (San Francisco: Jossey-Bass, 1988), 303.


33. “The value of a shared mission is not the outcome of the shared agreement itself but the opportunity it creates for the tolerance of discord, for creative individual expression. (…) Agreement, in fact, is never identity, and so even the appearance of unanimous agreement is only a comforting fiction”. In Srivastva and Barrett, 1988, 308.


35. It is not at all accidental that the closed and self-sufficient approaches to organizational cultures almost never talk about corporate social responsibility.


38. Let us recall that “the learning organization is one that learns continuously and transforms itself. Learning takes place in individuals, teams, the organization and even the communities with which the organization interacts. Learning is a continuous, strategically used process integrated with, and running parallel to, work. Learning results in changes in knowledge, beliefs, and behaviours. Learning also enhances organizational capacity for innovation and growth”. (Watkins and Marsick, 1993, 8).


41. “Workplace learning is best understood, then, in terms of the communities being formed or joined and personal identities being changed. The central issue in learning is becoming a practitioner not learning about practice. This approach draws attention away from abstract knowledge and cranial processes and situates it in practices and communities in which knowledge takes on significance” (Brown and Duguid, 1991, 48).


43. Nonaka and Konno, 1998, 42. Note the importance of beliefs, ideals and values, and their inseparability from knowledge and concrete practices.


49. We say ‘build’ in part in the sense of ‘conscious will’, as implied by the expression. But also in the sense of ‘social construction of reality’ proposed by Berger & Luckman.

50. We do not talk about solution because this would mean that there is only one problem, and we know what it is. In our case, given our topic, we prefer to talk about approach because it puts the accent in a way to tackle simultaneously the relation between problem and solution.

51. For an elaboration of this perspective, see Lozano, 2000.


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58. Nevertheless, recording values in writing serves a purpose.
59. Evidently, this does not mean removing individual identity within the group.
60. C. Folguera, “L’aprenentatge en els processos d’internacionalització de petites i mitjanes empreses de Catalunya” (Ph.Diss., Esade – Ramon Llull University, 2000).
61. We should not presuppose that this is a challenge for only one kind of organization. To put it clearly, we should not think that everything we have said is a problem affecting only corporations and that, for instance, NGOs are not implied. Moreover, to follow with the example, to the extent that NGOs are organizations loaded with value-speech, they might run a greater risk of being deficient in OE, for they might believe that this is a question that does not concern them.
63. S. Zadek, N. Hojensgaard and P. Raynard, The New Economy of Corporate Citizenship (Copenhagen: The Copenhagen Centre, 2000), 8. Let us take into account that: “The New Economy is more than the internet, or even its underlying information and communications technologies. The New Economy is short-hand for a radical shift in how we organize ourselves, how economic wealth is created and how relationships work between individuals, institutions and communities,” Zadek, Hojensgaard and Raynard (27).

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