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Business Leadership and its Ethics – Yesterday, Today and Tomorrow

by Professor James Hoopes, a lecture at the University of Warsaw, organized by the Faculty of Management, Academic Subunit for Organizational Sociology and Business History, October 19th, 2015

In the modern world, business leadership mainly takes places in corporations. Less than five centuries old, business corporations are relatively new organizations in human history. Despite their historical newness, many people think of business corporations almost as part of the natural world, as if they had always been there. In this view, corporations are more or less synonymous with business and entitled to just as much freedom as an individual tradesman or shopkeeper.

To others, large business corporations are monstrous social creations and altogether different from individual human beings. To these critics – call them radical anti-corporatists – the corporation has such immense competitive advantages over individual proprietors that they are potential instruments of oppression. The political and economic power of large corporations should therefore be severely limited.

My view falls somewhere between these two camps. Corporate economies have proven themselves the most productive form of social organization for the purpose of increasing our material wealth. Among the modern world's social innovations, the economic usefulness of the business corporation makes it second in importance only to democratic government. Yet since corporations can easily subvert not only the free market but also democratic government, they require careful watching and regulation.

Recognizing the usefulness as well as the danger of corporations, I refuse to adopt the stance of radical anti-corporatism. Rather, I call myself a moderate anti-corporatist, accepting of the corporation's economic usefulness and wary of its political peril (Hoopes, 2011, pp. 1–7). That is the viewpoint from which I propose, today, to discuss the ethics of business leadership.

Oppression by corporate leaders is not an abstract idea but part of the lived reality of all too many corporate employees. As long as corporate leaders act within the law, they may hire, fire, promote, and otherwise reward and punish their subordinates as they see fit. There are practical limits of course, especially in industries with tight labor markets where employees have alternative employers. Still, democratic ideals such as equal justice and the wrongness of serving as judge in one's own cause have no place in the corporate world. Managers decide for themselves whether they have treated employees justly or unjustly. The 1942 observation of Peter Drucker holds today: managers have "more power over the lives and the livelihood of a greater number of people than most of the political authorities proper." Managerial power is not only immense but also undemocratic and "derived from no one but from the managers themselves, controlled by nobody and nothing and responsible to no one. It is in the most literal sense unfounded, unjustified, uncontrolled and irresponsible power" (Drucker, 1942, pp. 79–80).

Many managers of course hold themselves to high standards in the exercise of their undemocratic power. But all too many others cannot or do not. The danger which Jefferson saw to free children in a slave society is also a threat to corporate denizens: "Our children … thus nursed, educated, and daily exercised in tyranny cannot but be stamped by it" (Jefferson, 1972, pp. 162–163). To live and work under managerial power can only be bad for the character of citizens in a democracy. How much more undemocratic must be the effect on managers themselves of exercising such power? It is surely no accident that the only failed American president of the 21st century and the likely-to-fail current president – George W. Bush and Donald Trump – are corporate men.

The corporate economy is dangerous not only to the character but to the intellect of citizens in a democracy. In my country, the United States, our business leadership ideas often cover up rather than openly recognize the contradiction between our top-down corporate economy and our bottom-up political ideals. Unfortunately, this lack of realism in American management theory affects much of the world. That is because business leadership studies are a largely American affair.

America dominates business leadership studies because, in the 19th and 20th centuries, the United States led the way in developing the modern world's corporate economy. When the United States came into being in the late 18th century it was, geographically, the largest free market in the world, a fact which the American founders feared might make the country too big to govern. In fact, however, the country's size proved an immense advantage in the 19th century. A large market proved ideal for innovations like steam power and electricity, the railroads and the telegraph. This new technology created a transportation and communication revolution which lifted age-old technological constraints on business.

Trade goods and information no longer moved at the speed of wind and animal power as they had for thousands of years. The telegraph carried information at the speed of light. The railroad transported people and goods at 50 miles per hour. The new technology made possible capital-intensive mass production and immense economies of scale. The efficiency of mass production was only obtainable in a mass market. The industrial corporation thrived best in the large free market which the United States happened to offer, making America the world's leader in corporatization and in theories of corporate management.

American industrialization and corporatization happened, at least initially, mostly outside the political sphere. In politics the emphasis was not on leadership but on the rising glory of democracy. Corporate management and leadership gurus naturally tried to accommodate their ideas to the democratic ideals of the larger society. Frederick W. Taylor, the tyrannical personality who pioneered "scientific management" in the late 19th and early 20th centuries, tried to portray himself as a friend of the working man. In the next generation, the brutality of scientific management was replaced by the manipulativeness of the human relations movement. The founder of that movement, Elton Mayo, and especially one of his intellectual allies, Chester Barnard, argued that managers had little real power and had to lead by their exemplary courage in accepting responsibility without authority. Corporate management and its undemocratic power, it was thus argued, were consistent with bottom-up democracy.

Scientific management and human relations were followed by a third phase in the development of modern leadership theory. This new phase, prevalent since the mid-1970s, argues that leadership is mainly a matter of ethics or "values." The proponents of this "values-based management," no less than the proponents of scientific management and human relations, are eager to cover over the contradiction between democracy and corporate power.

All this denial of the importance of corporate power is a grave threat to the character of business leaders. They need to understand that their power exposes them to dangers which are both political and moral. Managers should aim to develop strong democratic characters in order to resist the temptations of self-righteousness fostered by the leadership gurus who teach that corporate leaders have earned their positions by their exemplary morals.

The self-righteousness fostered by corporate leadership theory can bring leaders to rest on their supposed "moral clarity" as did President George W. Bush. President Donald Trump, despite his personal coarseness, makes similarly grandiose claims to moral perspicacity by his habit of sitting in judgment of others. He seems incapable of good tempered disagreement with opponents. Rather, he immaturely denounces them as not just wrong but "bad," "shameful," "disgraceful," and "liars." Bush's and Trump's pretension to moral leadership could scarcely constitute a graver contradiction to democratic tradition according to which power is always morally suspect and therefore requires institutional checks and balances.

The strong almost always believe they are morally superior to the weak, a tendency which has recently been exacerbated in America. Ever since the Watergate scandal of the early 1970s American leadership gurus have argued that ethics, not power, is the key to successful management. The book *Managing by Values* (1997) is representative not only in its moral emphasis but in its superficiality. In such popular moral discussions "values" and "culture" are treated as if they are subjective and a matter of individual will power. An individual or organization just has to decide to "adopt" or "commit" to new values, and presto, they are launched on a new moral path (Blanchard and O'Connor, 1997, pp. 54–55, 68, 70). The thinness of "values" and "culture" as tools for moral development is all too evident to anyone who has worked in an organization and seen its leaders think they could almost instantly create a "new culture." Usually, it is not bottom-up culture and values which change in such organizations. It is just that management, under cover of culture and values, has imposed a new set of rules.

The fallacious and undemocratic leadership theory propagated under the rubric of values-based-management is influential throughout much of the world. It needs answering before it corrupts democratic society not only in the United States but elsewhere as well. An alternative to values-based management is desperately needed.

In recent years I have turned in my own scholarship to Asia for exemplary business leadership. Asia has a bad reputation in the West for business ethics, especially with regard to issues such as graft and bribery. But I am not interested in arguing that one region of the world is more or less ethical than another. Rather, I ask what we can learn from those people in other regions who do happen to be concerned with moral leadership. In Asia, the popular American language of "culture" and "values" has not always succeeded in shoving aside older concepts of "character" and "virtue." Islam, Hinduism, Buddhism, and Confucianism all conceive of virtue and character as qualities which depend on objective practice, not just subjective and possibly wishful claims to "value" some particular good.

Virtue ethics is humanity's oldest school of moral philosophy. It deals with building good habits – i.e. a strong character. According to the ancient Greek virtue ethicist Aristotle, moral development comes from long, slow practice of good behavior until it becomes a "habit," a virtue engrained in the character. For example, Aristotle held that we develop the virtue of justice by "doing just actions" (Aristotle, 1889, p. 34). Similarly, a person develops the virtue of courage by acting courageously, develops kindness by acting kindly, and so on. As habits, the virtues are achieved through action and practice.

Professor Ochinowski's kind invitation to visit Warsaw has reminded me that there is a strong tradition of virtue ethics in Christianity. But virtue ethics has been abandoned by many American Christians, especially those who pride themselves on sticking to fundamentals. "Fundamentalist" Christians in the United States are often unwitting modernists, imbued by Cartesian subjectivism which supports faith in naïve conceptions of free will. Eager to believe every behavior they deplore is a "choice," the fundamentalists wishfully think that people only have to make a different choice and, presto, they are born again.

My experiences in Asia have included encounters with Christian business leaders who in some ways seem less modern and therefore morally sounder than many fundamentalist Christians in the United States. The Asians remember the difficulty of character change as described by Saint Paul: "the good that I would I do not: but the evil which I would not, that I do." By contrast, American fundamentalists believe in ideas of the early modern era such as the notions that moral self-knowledge and moral self-determination are easy matters. They follow the 17th- and 18th-century thinkers who believed that the same empiricism which launched the scientific revolution only had to be turned inward to know oneself. From there it is only a short step to the self-righteousness which is all too characteristic of American fundamentalist Christians and of believers in values-based management.

In China and Korea, I have met business leaders who are both Christians and Confucians. They find no contradiction between Christianity and virtue ethics. After all, Christianity has long celebrated the "seven heavenly virtues" of humility, kindness, abstinence, chastity, patience, generosity, and diligence. The Christian virtues are viewed as habits requiring practice, same as Aristotle. Therefore, Chinese and Korean Christians find no inconsistency between their religion and the dictum of Confucius that "human beings are close in nature, it is habit that separates them from each other" (Mingran, 2012, p. 40).

Such ancient views are actually very consistent with some versions of the post-modern idea of the human self as a construct, an interpretation of a sign. While Derrida's and Saussure's notion of signs is too free and arbitrary to fit with traditional Aristotelian, Christian, and Confucian views of character, the same limitation does not apply to the more deeply reasoned semiotic of the great 19th-century American philosopher Charles Sanders Peirce. In Peirce's semiotic realism, the self is a sign which "has its physiological basis quite evidently in the most characteristic of the nervous system, the power of taking habits" (Hoopes, 1991, pp. 227–230). Character is a habit no less for Peirce than for Aristotle or Confucius. Such a view does not allow for human beings to instantly will themselves into new moral states. But it does allow some freedom for people to change over time, provided the habit is weak enough that practicing a new habit can break it.

Peirce's views have the potential to allow theorists of leadership and management to replace the tired ideas of culture and values with the concepts of character and virtue. Since Peirce sees thoughts coming together to interpret each other as constituting a self, he sees no reason why that process should stop with the individual human being: "… there should be something like personal consciousness in bodies of men who are in intimate and intensely sympathetic communication." He offers Christians' experience as church members as a possible example for his idea that there is such a thing as "minds of corporations" (Hoopes, 1991, p. 230). Such ideas point to the possibility of a whole new science of management, more generous and social than anything currently underway in management studies, at least to my knowledge.

Perhaps all this points to the possibility of important contributions to business leadership theory by Poles. Poland has a long history of corporate organizations such as the Catholic Church. Although my knowledge of Polish culture is rudimentary, it seems possible to me that the strength and staying power of important recent historical figures such as Lech Walesa and Pope John Paul II suggest an at least tacit national understanding that leadership depends on more than supposedly subjective self-announced values and culture. Perhaps they found their strength in a national, a religious, or "corporate" culture larger than themselves.

I must leave to you to determine whether the discipline and practice involved in the achievement of virtues and character in business leaders is something which Poland is exceptionally well situated to accomplish.

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