**Business Ethics Notes (academic year 2019-2020)**

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**Content:**

**Introduction—General Summary**

**Part II—A more detailed overview of the content**

**Part III—Giving answers to the questions posted by the professor on Toledo**

**Part IV: The Bibliography given by the professor**

**The exam is oral\*, based on answering three of the 37 questions put on Toledo by the professor. That is the reason why I did not focus on the entire course… but on all that is relevant for answering the questions. (\*maybe this thing might change)**

 **\*\*part of the notes made bellow were created by copying content from the power points.**

Date. 5.04.2020

Email from professor towards students:

„Dear Student,

The oral exam for Business Ethics will be organized in June according to the general safety precautions of our university. The exam is not an open book exam,  but you will receive a list with potential exam questions. This list will be posted next week on Toledo. It will allow you to study exactly what you are expected to know. You can make use of the Power Point presentations, as well as the texts which were announced a reading assignments.  For the exam itself you will get 2 or 3 questions taken from the list, and of course you will get sufficient time to prepare.

I wish you a good health and also  succes!

Johan Verstraeten”

**Introduction: Historical Background**

Business Ethics as a field started in 1974, after the conference at the University of Kansas. However, ethical reflection is much older. Initially, thinking about economy was embedded in religion, myth, or ethical frameworks.

 In the Gilgamesh epos it is showed how Gilgamesh reduces people to work-robots and later friendship transforms Gilgamesh into a humane person. For great acts one needs great friends. Another ancient text with economic implications, *The Bible*. The Jewish taught to love the law. Humans are continuing the work of creation, co-creating.

 In philosophy, Aristotle speaks of oikonomia, serving the common good and promoting the middle way. Protestant ethics played an important role. The protestants promote work not as a self-interested activity but as an ascetic life-style, as producing something in the world. Spiritual meaning attached to Business.

 However, after Mandeville’s story and Adam Smith (*Wealth of Nations*), capitalism becomes capitalism. Self-interest becomes the motivation, and competition the drive of the globe. This leads to ethical problems. Utilitarian terms, profit, the workforce, bureaucratic, monopoly, and shareholders models lead to a sterile worldview. There is a spiritual crisis in Business. Maybe, spirituality is able to make Business humane once again.

The Components of Business Ethics

Components:

* Empirical research on how moral values are used in Business
* Case Studies
* Normative component: reasoning about what ought to be done.

Levels of analysis:

* Individual: moral reasoning and solving dilemmas.
* Corporate: employees and managers in the context of institutional rules, relations between shareholders, stakeholders, society, politics, the environment.
* System: market and capitalism.

Business ethics is about proper action beyond the boundaries of laws. It is not easy to apply it due to corporate mentality, besides other things\*.

Content of the course

 **Bussiness Organisation**

1.Can a corporation as such be a moral actor?

* Yes, Peter French: corporate internal decision structures
* Freedman, no, since the company does not exist, only the people inside it.
* No, Manuel Velasquez.
* Patricia Werhane: yes, as secondary action. Through the company a set of persons act.

2.Different organization approaches:

* Engineering model
* Bureaucratic model
* Profit model: responsibility vis à vis shareholders
* Stakeholders model + value management model
* CSR model
* Social contract model (Donaldson)
* Corporate governance model

**Rights and Duties of shareholders**

* Rights
* Duties
* Ethical investing
* Alternative model: cooperative movements
* Corporate Governance

**Marketing Ethics**—safety of products (caveat emptor + due care) and advertising.

**Human resources**—Privacy/Just Wage/Discrimination/Unions/Work Pressure

**Ethics of Business and the environment**— Case: Deepwater horizon oil spill (BP in the Gulf of Mexico); the polluter pays?

 **Leadership beyond management**.

*Business Ethics Overview* (Summary of entire course)

 Sorry, this course has too many slides, texts, etc.… to make complete notes. Thus, I will focus on the essential. Overview of the entire course.



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**Part II: More detailed look at some aspects in the course**

**Ethical Types of Reasoning**

International competition, deregulation, pressure from financial markets, liberalization🡪**business ethics is more problematic today than 10 years** ago.

It is easy to invoke cultural ethos for justifying immoral practices. In western culture, due to emotivism, ethics is treated as relativistic🡪**Ethics itself is more problematic today**.

Now, companies realized that they need trust between people, between companies and society🡪started to higher Ethicist in business.

**Conflict between norms of organization and norms of people** (inside them).

**Meaningful works, ethics ought to give meaning to human work.**

Our ability to be ethical is not based only on reasoning, it is influenced by imaginary structures, metaphors, narratives. “creation of moral community goes together with the construction of a religious identity”

From Crane Book

As we shall see many times over in this book, the problem of trying to make decisions in the grey areas of business ethics, or where values may be in conflict, means that many of the questions we face are equivocal. What this suggests is that there simply may not be a definitive ‘right’ answer to many business ethics problems. It is often not just a mat- ter of deciding between right and wrong, but between courses of action that different actors, for different reasons, both believe are right—or both believe are wrong.

It would also be wrong to infer that scandals involving corporate wrongdoing mean that the *subject* of business ethics was in some way naïve or idealistic. Indeed, on the contrary, it can be argued that the subject of business ethics primarily exists in order to provide us with some answers as to *why* certain decisions should be evaluated as ethical or unethical, or right or wrong. Without systematic study, how are we able to offer anything more than vague opinions or hunches about whether particular business activities are acceptable?

It is worth stressing that by ‘right’ and ‘wrong’ we mean morally right and wrong, as opposed to, for example, commercially, strategically, or financially right or wrong. Moreover, by ‘business’ ethics, we do not mean only commercial businesses, but also government organizations, pressure groups, not-for-profit businesses, charities, and other organizations. For example, questions of how to manage employees fairly, or what constitutes deception in advertising, are equally as important for organizations such as Wikimedia, Seoul National University, or the German Christian Democrat Party as they are for Facebook, Samsung, or Deutsche Bank

Ethical Types of Reasoning

Narratives as the stories we live in. An event can even have opposite narratives coexisting. Narratives can blind our way to the truth. E.g. pinto case, DCC breast implant. In the Pinto case one narrative was replaced by another. In DCC two opposite narratives co-existed. *Rashomon effect*.

 The narrative that Ford is 100% guilty for the Pinto case is erroneous, according to Patricia Werhane, since the Ford believed that (a) the Pinto car burned during tests simply due to the non-real-life government imposed testing conditions; (b) after the Grimshaw accident Ford did the utilitarian calculus of human life and after the Grimshaw trail he changed the Pinto’s model. The Ulrich accident happened because the Ulrich’s Pinto did take part in this model change.

R.E. Solomon—Six ingredients of **virtue ethics** in business

**Community**—We are part of a community; our individuality and self-interest is also good for the community. Choose your corporation wisely.

**Excellence**—Ethics is more than avoiding wrong action, but is about performance.

**Role integrity**—All ethics is in a context, is about what one has to do in a specific context?

**Holism**—you cannot ignore your ethical life outside of business.

**Integrity**—To respect one’s duty at the job

**Judgment**—there are no mechanical formula for taking ethical decision, use your brain.

**Towards a pragmatic use of ethical theory (Crane):**

Looking through different lenses to discover the proper ethical solution. Problem p (ethical dilemma)🡪different lenses (ethical theories) provide different solutions (normative considerations)



**(Johan Verstraeten) Intuitions are the basis of moral actions.** However, intuitions are not self-sufficient, they still need to be put in a rational form. Theological ethics brings a new horizon, outside the managerial mentality, which enables humane action.

**Business ethics needs to be radical,** besides respecting norms (to corporate self-interest), it should aspire to the ideal of a good life (Schalk Engelbrecht)

**Rights and Duties of Shareholders**

**Rights of shareholders:** a. dividend; b. by or sell stocks.

The stockholders have the right to have adequate information. The year balance sheet needs to be subject to both an internal and an external audit. (The case of Enron. Cooking the books via Special Purpose Entities. Yet, the accounts were approved by Arthur Andersen—conflict of interest).

**The problem of inside trading**— Why is this unethical (Patricia Werhane):

1. It is unfair because of unequal access to information
2. It is a violation of intellectual property: the knowledge about the results must be accessible to all owners
3. It creates distrust.

**Political rights of shareholders:** to vote and to file resolutions + preference right. There can be different conflicts of interest between shareholders and managers (between the interest of the shareholders who are Dutch potato farmers—and want to sell good potatoes and—and managers—who want cheap potato for profit).

 Preference rights: if capital increases, the stockholders with preference rights can buy as many shares as necessary to maintain their proportion of votes in the generally assembly of shareholders.

Some stockholders are not owners, but people who control investments.

Ethical investing, investing stock only in cases which promote/respect ethical standards (no sweatshops, child labor, discriminate hiring, produce detrimental products). Peter Camejo SRI (about ethical investing=investing that is not unethical).

**Corporate governance:**

* Trying to avoid confusion between executive power and the non-executive board.
* Executives can have too much power (example: in 2018 the CEO of ING bank has increased his salary with 50%, after laying off a great number of employees)
* How to resolve the problem of local interests (in the case of multinational mutual funds or holdings)?
* Possible solution: board of supervisors (raad van commissarissen).

<https://en.wikipedia.org/wiki/Enron_scandal#Corporate_governance—about> the Enron Case.

**Ethics of Customer Relations**

Responsibility for the quality of products.

* **Caveat emptor—Social contract theory for companies**—common agreement between company and customer about products. Problems: the company is not always transparent to the customer🡪harmful products.
* **Due Care:** deontological duty to check products before selling (even if the customer does not impose it)

Problems: when do you know they are checked enough; can the company always know the risks of the product before selling it; states nothing about the desirability of the product. (B pays for injuries to p)

Responsibility for the customers

* **Not caveat emptor** (only free to not buy x) but also duties B has to p; e.g. p properly informed, x need not be toxic, x produced in alignment with p (people’s) wants (see UN guidelines)
* **Consumer sovereignty problems**
* **Ethical issues in marketing management:** Due to product policies (making x safe for p); marketing communication (deception of p for profit; encouraging materialism and consumerism); pricing approaches (price fixing above rate=too expensive; too cheap=no competition)
* **Ethical issues in marketing strategies:** Due to the desire for profit disfavoured social classes cannot get essential things due to higher prices, lack of distribution,
* **Ethical consumption and production**

**Strict liability or social cost theory**

* The manufacturer should pay the costs of any injuries sustained through any defects in the product, even when the manufacturer exercised all due care in the design and manifacture of a product and has taken all reasonalble precautions to warn users of every forseen danger.

**Rights of Workers and Employees**

**Problematic language (transforming people into objects)**

* Workforce, downsizing, rightsizing, re-engineering…: disappearance of the human face.
* Flexibility: time (permanent availability), space (re-location, office landscape, contracts (interim work); outsourcing (example K.U.Leuven), platforms, “starbuckization of work”…

E.g*. Principles of Scientific Management* by Taylor=dehumanizing people, transforming them in specialized, separated, functions.

**Discrimination—**see ppt.

**Leadership Business Ethics**

The problem: beyond ‘right action’ and technical skills a good manager needs to encourage a vision, to ask the ethical questions about how a company should be run. Often, workers are in *airconditioned nightmares*, this means that they have a too much work in a corporation.

 A leader does not mean only CEO, it can be any person with contribution, it can also be the people executing a job, they decide how to execute it after all—taking responsibility means leadership.

 The Jesuit spirituality had good ideas of leadership, Jewish companies writing inspiring letters to their customers.

 Why is innovative leadership difficult today?

* Dominance of managerial language

This language is so narrow that it can think only of profit, excluding the human need of a proper life. The managerial language is depersonalized: workforce, downsize, human resources, customers + economic calculus + organize and function design (very precise schedule of what you have to do: dehumanizing)

In Business people are forced to follow the narrow language (Manager, word form French, meaning to turn a hour into workforce). People become machines.

* Differentiation becomes disconnection

Specialization in a job creates differentiation and thus disconnection.

* Disconnected from deeper self

Leaders are disconnected, but they long for wholeness and integrity. Dangers—not understanding connection between work life and other fields (family life); confusion between role-integrity and integral integrity.

* Alienation from deeper self

*Transcendence Selfhood,* Louis Dupre—the modern self is empty=we have an indirect relation to self through work and conquest. Instead of confronting the emptiness, we fill it with work and activity. Meaning is not about work and activity.

* Dependency behavior

One not capable of autonomous decision. Human resources is human technology—self-confidence depends on the approval from the system.

Manipulation of the soul, Nicole Aubert=manipulation of fears and imaginations. Living to please the other, this is an impediment to leadership,

Solution: learning another language: metaphor and story—1)epiphora: confirm what we already know; 2) diaphor: opening of new perspectives, semantic innovation.

 Adopt alternative stories—the leaders need inspiring stories and stories coming from ‘another’ to open their hermeneutic horizon. E.g. The gaze of Love—*Makarius and the Horse* (Thomas Merton)—meaning of the story: the risk of trust versus institutionalized distrust; story about management: horse breaking (she was never a horse, the corporate mindset of their parents transformed her into that in their minds)

 Scientific evidence: both the logical hemisphere (focused on risks) and the creative hemisphere (focused on courage and innovation) need to be nurtured for a successful being.

Second way towards a solution: spirituality

Spirituality is not an escape, but reconnection with reality (profound realism); spirituality is traditioned based (Hick against Denton and Mitroff)

* + Step I: Contemplation—enlarging the perspective
	+ Step II: Self-awareness—introspection/identification, what is my purpose in life, who has strength/weaknesses; silence as a precondition.

Opening oneself to the unexpected, unplanned.

* + Step III: Contemplation in action:
* concentration on the fundamental end + question: « do my personal fundamental ends match with those of my organization » (indifferent from the strict interest of the system, take your values etc. into account)
	+ Step IV: confrontation with vulnerability
* Rejection of perfectionism: accepting the crack in oneself as condition for the acceptance of the vulnerability of the other. (accept your vulenarbility and thus being open to the vulnerability of others)
* Step V: receptivity
* Edith Stein: Husserlian philosopher (a. she). She had a burnout from overactivism… lack in ability to express you will. She learned that the burnout tries to impose her will on herself—forcing the limit. She discovered that when she opened to herself she gained a new attitude: ‘receptivity’ and the discovery of an inner strength—being in the flow. (the idea is not only to construct yourself, accept yourself for being accepted;

**The crucial experience: accepting yourself as you are**

* The courage to be: accepting to be accepted leads to inner peace
* This has three consequences
* 1/It makes an end to a dependency behaviour
* 2/ Paradox of meditation: via interior life we are more connected with the world outside us. The other becomes ‘dear’ to me.
* 3/ Towards a new culture of trust (cf. Chris Lowney).

Gandhi=be the change you wan to see in the world.

To be understood, to change others, takes time (E.g. Plato’s cave)—sometimes people are bad intentioned, you need to wait for the right context. (Chronos—measured time; Kairos—the right moment, you have to catch it)

Liedership—last PPT

* Is not only ‘getting things done’
* But: creating a space in which the future can emerge and where people can develop the best of themselves (human flourishing) and who, as a result of this, contibute to the flourishing of organizations and society.

**Abraham Zalesnik (in Harvard Business Review)**

* It seems that business leaders have much more in common with artists, scientists, and other creative thinkers than they do with managers.. For business schools… the curriculum should worry less about the logics of strategy and imposing the constraints of computer exercises and more about thought experiments in the play of creativity and imagination.

**Heifetz, Leadership without easy answers**

* Leadership is not giving answers to problems from the perspective of fixed ideas, but: answering in a creative way and with ingenuity to adaptive problems.
* Analyse problems together with others, leave your comfort zone, identify the crucial problems (against denial, scapegoating, reduction to a technical problem); let people take responsibility;
* Open yourself to though questions
* Adequate leaders “push us to clarify our values, to face hard realities, to seize new possibilities, however frightening they are” (stop people from running from themselves)

**Part III: Answering to exam questions**

1. **Give a critical comment on the following contention: “a business decision is ethical as soon as there is compliance with the law”.**

In most cases yes, but sometimes no since the law might not cover some ethical situations. You can’t have universal rules for every action. Business Ethics deals precisely with the grey area, where the law does not tell what is ethical or not, but it is still important to make the right choice. Some cases in which the laws are not enough are privacy at the workplace, the globalization context of selecting the country with less employee rights (the case of sweatshops included), discrimination at the workplace, lack of benign manipulation in advertising, ethical whistleblowing.

 The law can be unjust, see Nazi Germany.

1. **Why is a purely deontological approach of business ethics necessary, but not sufficient?**

Ethical whistleblowing. Sometimes there are rules inside the company which conflict, or are ethical principles conflicting with those of the company and maybe even the law. Business ethics is about they grey area, use you head.

1. **Why is a purely utilitarian approach of business ethics necessary but not sufficient?**

The Pinto Case. How to measure human lives. Humans are subjects in themselves, not things (see Kant).

1. **Explain in the light of an example that whistle blowing is based on a conflict of duties. Which criteria should be taken into account in order to justify whistle blowing?**

Does what the company do hurt customers, does it hurt other employee, would any customer consent to such a product if the customer would not all the details? If yes to the first, and no to the last, then whistleblowing is ethical.

 It helps at preventing, informing, and accusing those who deserve correction.

 Whistleblowing is justified if:

* The firm does serious and considerable harm to the public
* The employee has reported the problem to his/her superior and made the moral concern known
* All internal procedure are exhauste.
* Or which are in contradiction with the moral values of the organization
1. **Explain the moral dilemma of the Ford management in the Ford Pinto case. What can we learn from this case about the limits of a utilitarian approach?**

Ford decided to continue releasing the Pinto cars even if they knew that they explode easily. People died, Ford lost the trust of people.

You cannot measure the utilitarian value of human lives. You cannot simply treat humans as tools, they are subjects in themselves.

Problems with the Utilitarian approach:

* Incommensurability between the cost of material harm and the cost of human lives
* Risk: to neglect the consequences on the long run.
* Failing to distinguish between act and rule utilitarianism
* Self-deception: one has the tendency to overestimate the benefits for oneself and to underestimate the costs for others.
1. **In what regard is virtue ethics a necessary supplement of the classical three models of ethical reasoning about business?**

Deontological, Utilitarian, and moral ideas (theory of justice) tackle different criterion for action. However, there is no consensus between the three models, and even when there is consensus, one needs to be wise for being taking the right choices. Thus, virtue is necessary for developing the autonomous ability to act in the good manner. Virtue is focused not on the action, but on the inner state of the person doing the action.

 About virtue ethics: The 6 parameters of Aristotelian ethic:

* Community
* Excellence
* The individual in the organisation: role identity
* Integrity
* Judgment (phronèsis)
* Holism
1. **Is it possible to ‘solve’ ethical problems via the application of a combination of different methods of ethical reasoning. Elucidate your answer with a case.**

Types of decision making

* Consequentialist=about utilitarian calculus of outcomes.
* Deontologist=about respecting the rules of the company and the law
* Ideas and justice= reasoning about the relation between business and society.
* Virtue Ethics=about respecting a set of virtues.

Ethics as ‘problem solver’?

* Velasquez: There are moral problems for which utilitarian considerations are decisive, while for other problems the decisive considerations are either the rights of individuals or the justice of the distributions involved
* Velasquez: Generally speaking, standards concerned with moral rights have greater weight than either utilitarian standards or standards of justice. And standards of justice are generally accorded more weight than utilitarian considerations. But these relationships hold only in general

Vincent Barry: Two step procedure

* The first step is to identify the important considerations involved: obligations, ideals, effects.
* The second step is to decide where the emphasis should lie among the three considerations.
1. **Business ethics also requires taking into account the role of meaning and imagination. Explain.**
* Imagination: Looking at the world from the perspective of metaphors and stories which enable us to see the world differently. Even necessary for objective judgments (Adam Smith’s judicious spectator, Amartya Sen’s ‘transpositional assesment of reality’ or Werhane’s ‘disengaged view from nowhere’) .
* Meaning: Business problems are also questions of human existence and require thus interpretation.
* For more, see the leadership questions at the end.
1. **Can business organizations act like a person? What are the implications for the possibility of bringing a business organization to the criminal court?**

From a technical point of view, they are legally as a person. A corporation owns their assets. Besides legally, a company has a certain culture, set of rules, which shape the behaviour of people inside the company. Thus, the company as an entity is responsible for its actions. From criminal court perspective, the implication is that the not people are guilty, but the company as a whole (partial liability). If the company as a whole obtains some restrictions, this might affect all members in the company.

1. **Compare Werhane’s and Velasquez’ interpretation of the question ‘can a business organisation be a moral actor’.**
* **Patricia Werhane:** Yes—ontology individuality but methodological collectivism—secondary actor. Through the company people act.
* **Velasquez**: No, since “Nestle is responsible” =metaphor, companies like trees do not have agency (do not even exist).

**What is the difference between a company and a person? From Crane book (Not about Werhane or Velasquez but can be introduced in the discussion if you want)**. In 1970, just after the first major wave of the business ethics movement in the us, the nobel-Prize-winning economist milton Friedman published an article that has since be- come a classic text, questioning the alleged social role of corporations. under the pro- vocative title ‘the social responsibility of business is to increase its profits’, he vigorously protested against the notion of social responsibilities for corporations. his arguments, which have been rehearsed by many corporate responsibility sceptics over the years (see for example Karnani 2010), boil down to three concerns:

• **Only human beings have a moral responsibility for their actions**. the first substantial point is that corporations are not human beings and therefore cannot assume true moral responsibility for their actions. since corporations are set up by individual human beings, it is those human beings who have moral responsibility for the actions of the corporation.

**It is managers’ responsibility to act solely in the interests of shareholders**. the second concern is that as long as a corporation abides by the legal framework society has set up for business, the only responsibility of the managers of the corporation is to make profit, because it is for this task that the firm has been set up and the managers have been employed. acting for any other purpose constitutes a betrayal of their special responsibility to shareholders and thus essentially represents a ‘theft’ from shareholders’ pockets.

• **Social issues and problems are the proper province of the state rather than corporate managers**. the critics’ third main point is that managers should not, and cannot, decide what is in society’s best interests. this is the job of government. corporate managers are neither trained to set and achieve social goals, nor (unlike politicians) are they democratically elected to do so.

We will deal with the second and third points shortly. First, however, we will examine the proposition that a company cannot be morally responsible for what it does, since its decisions are essentially those of individual people.

**Can a corporation be morally responsible for its actions?**

“Is a corporation just a loose collection of individuals who work together under the same roof, or is it a distinct entity of its own which can actually assume moral responsibility for the rights and wrongs of its actions? We suggest four considerations that have con- tributed to a situation where most scholars, and indeed the wider public, would nowa- days answer this question in the affirmative.

• **Legal identity**. Perhaps the strongest case for assigning responsibility to a corporation comes from the legal perspective because corporations have a distinct legal identity. corporations enter into contracts, they are subject to a host of legal requirements, including paying taxes, ensuring the safety of their products and meeting environmental obligations. corporations can sue other entities, and vice versa, and they can be subject to all sorts of legal prosecutions. corporations can also claim a number of rights. indeed, the scope of corporate rights in the us has been significantly enlarged in recent years through rulings that grant corporate rights to free speech under the First amendment, including the ability to limitlessly fund political campaigns.1

• **Agency**. corporations can also be said to decide and act independent of their members (moore 1999). this argument is based on the idea that every organization has a *corporate internal decision structure* that directs corporate decisions in line with predetermined goals (French 1979). such an internal decision structure is manifested in various elements—such as corporate policies and procedures—that, acting together, result in the majority of corporate actions being regarded as the result of corporate, not individual, decisions. this does not completely deny individual agency and there are still quite a number of decisions that can be directly traced back to individual actors. the crucial point is that corporations have an organized framework of decision- making that establishes an explicit or implicit *purpose* for these decisions.

• **Organizational culture**”. Company culture influences a lot the decisions which will be taken.

Patricia Werhane

* Corporations are not ‘engines’
* Combination of ontological individualism and methodological collectivism
* Difference between a primary and a secondary actor
* Corporations are secundary collective actors and they aim to realise impersonal goals
* Corporations as ‘intentional systems’

Velasquez

* A moral act is always an act by individuals with an intention (cf. distinction in penal law between ‘mens rea’, ‘actus reus’)
* Example tree: when I chop a tree, I am the person who acts. One can say: “the tree falls” but that is a metaphor. Idem: a merger between two organizations is a metaphor, but it are concrete people who decide (they don’t merge).
* Individual responsibility is what matters.

The professor’s opinion (i.e, The My opinion slide)

* The less one has power and the more one acts ‘on behalf of’ (rules, company, topmanagment etc.) the less one is responsible.
* Those who have power over the ‘corporate internal decision structures’ carry the greatest responsibility.
1. **Milton Friedman’s opinion on ‘corporate social responsibility’. Criticise it in the light of the stakeholder-theory**

Friedman’s Arguments

* Only persons have responsibility
* The managers are the employees of the owners
* Managers may take social responsibility, but on their own account. They have not the right to spend the money of others
* CSR is unjustified taxation (CSR for profite is not CSR)
* CSR undermines the free market and is ‘pure socialism’

Arguments against Friedman

* Besides the minimal duty of a manager to aid the shareholders, a company has stakeholders.
* Edward Freeman: “A stakeholder is any group or individual who can affect or is affected by a business. Thus the stakeholder concept identifies the relevant set of actors in the environment of a business”

From Crain Book: Hence, in addition to these business arguments for csr, it is also important to consider further *moral* arguments for csr:

* **The externalities argument**: externalities are the positive and social impacts of an economic transaction that are borne by those other than the parties engaging in the transaction. corporations create a variety of externalities of one sort or the other. Whether through the provision of products and services, the employment of workers, or through their ubiquitous advertising—corporations cannot escape responsibility for these impacts, whether they are positive, negative, or neutral. many regard corporations to have a moral responsibility to deal with, in particular, the negative externalities they cause, such as pollution, resource depletion, or community problems, insofar as these are not dealt with by governments.
* **The power argument**: another important argument is that as powerful social actors, with recourse to substantial resources, corporations should use the power and resources responsibly in society. some refer to this as the spiderman maxim: ‘with great power comes great responsibility’.
* **The dependency argument**: corporations rely on the contribution of a much wider set of constituencies, or stakeholders in society (such as consumers, suppliers, local communities), rather than just shareholders, and hence have a duty to take into account the interests and goals of these stakeholders as well as those of shareholders.
1. **What is corporate social responsibility?**

CSR need to be distinguished from ‘corporate philanthropy’, as well as from ‘corporate social responsiveness’

**From Crane’s book**: the systematic reasoning about a conceptual framework for corporate social responsibil- ity (csr) started in the us more than half a century ago (carroll 2008). During this time many different concepts and principles have been aired and debated in relation to csr. such debates have focused on two key questions.

**Why do corporations have social responsibilities?**

This first question has raised enormous amounts of controversy in the past, but it is by now fairly widely accepted that businesses do indeed have responsibilities beyond simply making a profit. this is based on a number of distinct, but related, arguments, many of which tend to be couched in terms of *enlightened self-interest*, i.e. the corporation takes on social responsibilities insofar as doing so promotes its own self-interest. such a ‘business case for csr’, is commonly advanced using four main arguments (Davis 1973; mintzberg 1983; smith 2003; Kurucz et al. 2008): **Enhance (long-term) revenues**. **Reduce costs**. **Manageriskanduncertainty**. **Maintaining the social licence to operate**.

A concept that almost overlaps with CSR is ‘corporate good citizenship’.

 Besides these self-interest reasons, there are also reasons such as those mentioned in the answer to the previous question (externalities argument, power argument, dependency argument)

1. **How did the United Nations promote CSR?**

Proposed by Kofi Annan in Davos 1999: “give a human face to the global market”.

“The global compact engages the private sector to collaborate with the UN in partnership with global labor, NGO’s, and academia
to identify and spread good corporate practices in the areas of human rights, labor rights, protection of the environment, and anticorruption.

Principles of the global compact (+global reporting)

* (1) Respect human rights
* (2) Be not complicit in human rights abuses.
* (3) Uphold freedom of association and recognize the right to collective bargaining.
* (4) Elimination of all forms of forced and compulsory labour
* (5) Effective abolition of child labour
* (6) No discrimination
* (7) In order to protect the environment: a precautionary approach
* (8) Undertake initiatives to promote greater environmental responsibility

Not only a paper document: the Global Reporting Initiative

* Business organizations who endorse the global compact, are required to disclose annually how they implement the 10 principles by submitting a ‘Communication and Progess Report’
* With the Global Reporting Initiative business organizations try to demonstrate that they are realizing the ‘triple bottom line’ of sustainabilty. The device is ‘people, planet, profit’.
1. **Explain the social contract theory of Thomas Donaldson with regards to the question: why should a multinational corporation behave ethically in a country which has no enforceable legal framework for the protection of the rights of workers?**

Thomas Donaldson: The Social Contract Theory

* Business organizations are only acceptable if they create a situation which is, for local people, better than their situation in the state of nature without these organizations. If theire is no improvement of income or the quality of life, there is no reason why people would accept them.
* The social contract theory is inspired by political philosophy (for example: Rousseau, Locke, Rawls.
* A distinction is made between the ‘state of nature’ (situation without big companies) and the real situation.

Duties implied in the contract

* A productive organization should enhance the long-term welfare of employees and customers in any society in which the organization operates.
* A productive organization should minimize the drawbacks associated with moving from the state of nature towards a situation with productive organisations.
* A productive organisation should refrain from violating minimum standards of justice and human rights in any society in which it operates.

A minimum duty

* “Is a duty of which the persistent failure to observe, would deprive the corporation of its moral right to exist”.
For example: persistent harm to the environment, not respecting the dignity of workers, selling products that harm the health of people, etc…
* The fairness/affordability test.
1. **In what regard is ‘corporate governance’ necessary with regards to the power conflict between management and shareholders?**

Shareholders, potato farmers. Managers, company wanting profit by selling cheap potato. Conflict of aims. Corporate governance, through a **commission board**, can include the interests of the shareholders.

Corporate governance:

* Trying to avoid confusion between executive power and the non-executive board.
* Executives can have too much power (example: in 2018 the CEO of ING bank has increased his salary with 50%, after laying off a great number of employees)
* How to resolve the problem of local interests (in the case of multinational mutual funds or holdings)?
* Possible solution: board of supervisors (raad van commissarissen).
1. **What are the rights of shareholders?**
* Property rights: (a) dividend (return on investment, not absolute because profit can be reinvested or part of the profit can go to increasing the salary of the CEO) . (b) making profit via buying and selling stocks (but the value of stocks can be very volatile)
1. **Why is insider trading unethical?**

By Patricia Werhane:

1. It is unfair because of unequal access to information
2. It is a violation of intellectual property: the knowledge about the results must be accessible to all owners
3. It creates distrust.

<https://en.wikipedia.org/wiki/Insider_trading>

Other problem: insider trading

* This happens when somebody has information which alows him/her to make very profitable decisions, while others have not the same information.
1. **Do shareholders have duties towards the other stakeholders of business organizations?**

Duties of shareholders

Property: common good or absolute rights?

Power: cf. Berle and Means: The Modern Corporation and Private Property (1932)

 Problem: tension between executive board and board of governors or supervisory board.

What about the ‘small’ owners: duty not to harm

1. **What can we learn from the Enron case about the role of external auditors?**

[**https://en.wikipedia.org/wiki/Enron\_scandal#Corporate\_governance—about**](https://en.wikipedia.org/wiki/Enron_scandal#Corporate_governance—about)the Enron Case. Conflict of interest in audition companies. Arthur Andersen both business consultant and external auditor🡪conflict of interest.

* Cooking the books via SPE’s (Special purpose entities)
* Yet the accounts were approved by Arthur Andersen.

Audit

* Auditors are subjected to strict rules, such as: being independent, having expertise, being objective and not simply pleasing the executive power.
* But sometimes there is a conflict of interest. For example: before the financial crisis Arthur Anderson was simulatenously business consultant and external auditor.
1. **Ethical investing: explain its ‘why’ and main aspects.**

Investing into ethical and philanthropist actions can have as motivation ethical reasons: externalities (the company is responsible for its effects in the world), with great power comes great responsibility, dependency (the company is dependent on the customers). There can also be pure industrial reasons such as: increasing safety and prevention, decreasing energy consumption, being more liked by people, obtaining the license to run.

## What Is Ethical Investing?

Ethical investing refers to the practice of using one's ethical principles as the primary filter for the selection of securities investing. Ethical investing depends on the investor's views. Ethical investing is sometimes used interchangeably with socially conscious investing; however, socially conscious funds typically have one overarching set of guidelines that are used to select the [portfolio](https://www.investopedia.com/terms/p/portfolio.asp), whereas ethical investing brings about a more personalized result. (https://www.investopedia.com/terms/e/ethical-investing.asp)

Ethical investing, socially responsible investing or sustainable investing

* Peter Camejo: investment practice that takes into account the impact of a given investment on the society. His definition of SRI is quite negative: “investments that screen out companies that violate environmental or other laws, use child labour or sweatshops, discriminate in hiring, or in general produces products detrimental to society…”
* Russel Sparkes: SRI must be distinguised from SDI (socially directed investment): in this case profit is not the main motive and one accepts a subnormal return.
* Christopher Cowton: The practice of ethical and social criteria in the selection and management of investment portfolios, generally consisting of company shares or stocks.

It questions the products or services, the manner the business is conducted and the location of the business

1. **What is the thesis of Richard De George with regards to the role of theologians in business ethics. Criticize his proposition.**

“when they remain uniquely theological in their approach their work contributes little, if anything, to the field of business ethics; but when they occasionally do contribute to the fiels of business ethics, they apparently cease being theological” (Journal of Business Ethics, dec. 1986—Title: “Theological Ethics and Bussiness Ethics”)

„The view of many philosophers, and one which I share, is. that there is only one ethics or morali ty. There is not a Christian ethics, a Jewish ethics, a Moslem ethics, a secular ethics, and so on. Ethics is universal. What is right is right for all; what is wrong is wrong for all similarly placed. If I read him correctly, James Gustafson is a contemporary theologian who agrees that there is only one ethics. But although he claims there is no specifically Christian ethics he claims that "not only can ethics be Christian, but the ethics of Christians must be Christian."20 He explains this by saying that religion qualifies morality by providing "(1) the reason for being moral, (2) the character of the moral agent, and (3) the points of reference used to determine conduct.

No one, however, owns any field of research or knowledge, and no one can legislate what can or cannot be done. There is much research waiting to be done. Providing the research is well done, all three groups can only benefit from the research any of them does relating to ethics in business” (passage from Richard T. De George—*Theological Ethics and Business Ethics)*

1. **Business organizations are responsible vis-à-vis their customers (advertising not included here) Explain why and how.**

Too make safe products (due care), not caveat emptor.

* The manufacturer has the duty to exercise due care to prevent others from being injured by the product, even if the manufacturer explicitly disclaims such responsibility and the buyer agrees to the disclaimer. Difficult to determine whether one has sufficiently taken care
1. **We live in a brandscape. Explain.**
* From now on, when targetting consumers with purchasing power, everything is about lifestyle marketing. One sells a way of life, an attitude, a set of values, a look, an idea. For big companies like Coke, Pepsi, McDonald, Disney, IBM, Swatch: the brand is more important than the product.
* Even GM “launched a car built not out of steel and rubber but out of New Age spirituality and seventies feminism”.

We live in a world of marketing… where brands, instead of religion, given meaning to our lives.

1. **Explain: the persuasive function of advertising.**

Sometimes it takes already existent psychological desires, intensifies them and associates their fulfilment with a product. By putting a product under a certain light, by bluffing and hyperonizations the product is seen as the solution.

 Benetton did not sell so much his T-shirts, but a lifestyle. He pretended to care for a better world and a link between this caring attitude and his cloths was produced.

* AIDA model: attention, intrest, desire, action

Associative advertising

* Basis needs are limited (food, cloths, shelter), but psychological needs are endless (desire for sex, attraction, attention, pleasure, health, status, power, beauty, …)
* First one induces the need or desire, than one suggests that the product is the answer to the need.
1. **Explain how Baudrillard criticizes an economy in which consumer goods have a sign value.**

Economy of Signs

* Baudrillard: “Pour une économie politique du signe”
* Three functions of consumer objects: use value, exchange value and sign value (a sign value is what ‘psychological connotations’ does an object have. E.g. having a B.M.W. implies having power and prestige).
* Distinction between symbol and sign. (A symbol is a connection between an object and a spiritual meaning, a ‘psychological connotation’ which once attached to an object remains there for ever. E.g. a wedding ring)
* The desire for differentiation. (The desire which makes people buy products is the desire to be unique, power, to be on a higher ground then their relatives)
* The role of the system of signs governed by the ‘semiocrats’. (Since what advertisers manipulate are signs, and not symbolos, their value can change whenever needed. By creating a new iPhone model each 3 months it implies that you always need to buy the newest phone for still getting to the prestige and power given by the phone)

Consequences

* Objects loos their symbolic unicity and are endless inter-changeable: in order to differentiate oneself from others, one needs continuously objects since the sign value of them changes.
* Production of social inequality
* Reification of the person: the social position of a person is determined by purchasing power. (value is attached to sign, signs are obtained through purcahsing power)
* Intersubjectivity reduced to a relationship between material goods

Solution: return to the symbolic value of objects, a joyful celebration of life.

1. **In what regards have Girard, Marcuse and Achterhuis contributed to a better understanding of the negative social effects of advertising and consumerism?**

Alternative approaches

* Herbert Marcuse: The One-dimensional Man and the ‘Human Technology’ via a repressive conscience (our desires are manipulated, engineered. Technology applied on us. **Like Freud’s superego, values are created by the interiorization of the standards from outside**. Through consumerist thinking we repress our desires. Solution: let’s express/return to these authentic desires) (His interpretation is a bit too Marxist, dialectical and narrow—according to the professor)
* René Girard: the triangular structure of human desire: we desire the scarce goods via the other (the other is my ‘model’, but also my obstacle’). This leads to a mimetic crisis. (we desire what others desire)
* Achterhuis: we do not resolve the problem of objective scarcity, + we produce subjective scarcity. (subjectivity scarcity—desires, not real human needs). (thus, we do not resolve problems such as hunger) (Economy does not promote satisfaction but the opposite, the idea of endless subjective scarcity… of continous desire for becoming more, of being richer, of having more houses etc.)
1. **What is wrong with Benetton’s humanitarian advertising?**

It is fake, while he advertised himself as helping people he did his T-shirts in sweatshops.

* See youtube: Campanas de Publicidad de Benetton Toscani, and:
Benetton Advertising. Nil Munoz.
1. **What are the main responsibilities of a business organization with regards to its employees. Articulate what according to you is the most important responsibility.**

To offer proper working conditions (not sweatshops), to properly inform the employee of the contract conditions and of the employee’s duties and rights, two protect privacy. Other responsibility of a company is to avoid discrimination of all kinds, proper wages

To offer them proper working conditions, to make their work worthwhile, and a fair wage for their job.

1. **What are the main obstacles to inspiring and responsible leadership?**

The corporate language and the corporate mentality. The corporate language is focused on profit and workforce, instead of people, values, and creativity. Corporate language perpetuates corporate mentality. Corporate mentality, besides the trait of corporate language, it includes a lack of imagination and narrative.

1. **In what regards is managerial language an obstacle to human leadership and what is the solution?**

The corporate language is focused on profit and workforce, instead of people, values, and creativity. Corporate language perpetuates corporate mentality. Managerial language does not motivate people to work, it just orders them to submit. Corporate language leads to the tendency to create air-conditioned nightmares, where employee work excessively. This is tight with the need of corporate language to reach concrete results. This needs also results into excessive supervision of workers, in some cases.

1. **How can spirituality contribute to business ethics, especially with regards to overcoming the problem of disconnection?**

From differentiation to disconnection

* “We are like actors who play a variety of roles, who dash from one stage to the other, often with astonishing rapidity, acting out each time a different drama, unable to see the connection between the one and the other” (MacIntyre).
* Denton and Mitroff: managers and leaders suffer from a disconnection, but long for wholeness and integrity

Example: agenda (cf. consultant Jochanan Belinfante)

* Dangers
1. Not understanding the values and concerns connected to another role (best example: tension between work and family life, or work and social life). (2) Confusion between role-integrity and integral integrity (example Eichmann)

Solution

* Learn another language: story and metaphor.

Metaphor and diaphor

* Epiphor: confirmation of what we already know (“humans are like trees”)
* Diaphor: opening of new perspectives, semantic innovation

Stories

* They need to be inspired by a story which is not their own story: only « otherness » can open the closed hermeneutic horizon
* E.g. Makarius and the Horse (Thomas Merton). A nice story about a daughter which the parents believe she had been transformed into a horse. In the end, they discover that they perceived her as transformed into a horse due to their corporate mentality.

Scientific evidence

* Two functions of the brains: mathematical thinking/facts….. Connected with the centre of anxiety
* The other function: imagination… acting beyond fear and taking risks
* Great scientific innovations: by people who have use both functions (example: Jewish scientists, songwriters, philosophers; Amartya Sen)
1. **One of the obstacles to authentic leadership is a dependency relationship. Explain what this is and how spirituality can be a solution.**

Manipulation and dependency

* Human resources is human technology: self-confidence depends on the backslaps from the system
* One is not capable of making autonomous decisions

Nicole Aubert

* Human resources: manipulation of desires, fears and imagination.
* Employees long for recognition, self-expression, self-realisation.
* Living “to please the other” makes it impossible to do the right thing (no leaderschip possible if one is too much depending on the opinion or the approval by others)

Solution

 The same as with disconnection, learning a new language, metaphor and story. Connecting to the deeper self, do not find satisfaction in obedience to the corporation but in finding your vocation.

1. **In what regards can vulnerability contribute to leadership.**
* Chris Lowney in Heroic Leadership: becoming aware of who one is with strenghts and weaknesses

Forth step: confrontation with vulnerability

* “There is a crack in everything, that’s how the light gets in”
* Rejection of perfectionism: accepting the crack in oneself as condition for the acceptance of the vulnerability of the other
* Johannes Claeys: vulnerability can be a strength

The crucial experience: accepting yourself as you are

1. **How do contemplation and self-awareness improve leadership**?

Second way towards a solution: spirituality

* Not an escape, but re-connecting with reality (= re-ligare)
* Spirituality is ‘profound realism’
* Spirituality is tradition based (Hicks against Denton and Mitroff)

First step: contemplation

* Nietzsche: we live in a culture of restlessness and the contemplative aspect of live need to be re-valued
* De-centring. Learning to look at reality as it is.

Two examples: Etty Hillesum and Otto Scharmer (open mind -abandoning downloaded ideas about management- and open heart (being touched by people: empathy as alternative for functionalizing and depersonalising people, counter example: CEO Ford Europe)

* Attentive listening and accepting critique

Second step: self-awareness

* Chris Lowney in Heroic Leadership: becoming aware of who one is with strengths and weaknesses
* What is the fundamental purpose of my life meditation.
* Two ways: identification and introspection
* Silence as precondition

Third step: contemplation in action

* Contemplation in action: concentration on the fundamental end + question: « do my personal fundamental ends match with those of my organization »
* Discernment
* Indifference: making choices in function of the fundamental end and what really matters
* Magis: do what you can in order to realize the fundamental end

Forth step: confrontation with vulnerability

* “There is a crack in everything, that’s how the light gets in”
* Rejection of perfectionism: accepting the crack in oneself as condition for the acceptance of the vulnerability of the other
* Johannes Claeys: vulnerability can be a strength

Fifth step: receptivity

* Edith Stein: From overactivism and imposing our will, to ‘receptivity’ and the discovery of an inner strength

The crucial experience: accepting yourself as you are

* The courage to be: accepting to be accepted leads to inner peace
* This has three consequences
* 1/It makes an end to a dependency behaviour
* 2/ Paradox of meditation: via interior life we are more connected with the world outside us. The other becomes ‘dear’ to me.
* 3/ Towards a new culture of trust (cf. Chris Lowney).
1. **In what regards is ‘sustainability’ relevant for business? What are the problematic aspects of it?**

<https://online.hbs.edu/blog/post/what-is-sustainability-in-business>. Sustainability simply means that business sustain environment, society, and their workers. The problematic aspects of it is when it does not properly take care of the above. International corporations in Africa might provide Nike to the people but use workers in sweatshops or pollute nature. In a non-developed country, the regulations for employee protection are lower, thus companies can exploit this.

 The Nestle and the Shell case are examples of the opposite—of not-sustainability.

A more robust definition of sustainability (from Andrew Crane’s manual):

At the same time that these new challenges of globalization have emerged, considerable interest has also been directed towards the development of new ways of addressing the diverse impacts of business in society. Many of these impacts are far-reaching and profound. To mention just a few, one only needs to think of impacts such as:

* The environmental pollution, in particular the effects on climate change, caused by the production, transportation, and use of products such as cars, refrigerators, or newspapers.
* Theever-increasingproblemsofwastedisposalandmanagementasaresultofexcessive product packaging and the dominance of our ‘throwaway culture’.
* The devastating consequences for individuals and communities as a result of plant closures, ‘downsizing’, or ‘outsourcing’ as experienced throughout Europe and North America.
* The erosion of local cultures and environments due to the influx of mass tourism in places as diverse as Thai fishing villages, Swiss alpine communities, or ancient Roman monuments.

Faced with such problems (and many more besides), it has been widely suggested that the goals and consequences of business require radical rethinking. Ever since the Rio Earth Summit of 1992, one concept in particular appears to have been widely promoted (though not unilaterally accepted) as the essential new conceptual frame for assessing not only business activities specifically, but industrial and social development more generally. That concept is *sustainability*.

Sustainability has become an increasingly common term in the rhetoric surrounding business ethics, and has been widely used by corporations, governments, consultants, pressure groups, and academics alike. **Figure 1.7** provides some examples of sustain- ability being used in the corporate reports and websites of some major multinational firms. Despite this widespread use, sustainability is a term that has been utilized and interpreted in substantially different ways (Dobson 1996). Probably the most common usage of sustainability, however, is in relation to sustainable development, which is typi- cally defined as a ‘strategy of social development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (World Commission on Environment and Development 1987).

This, however, is only the core idea of an elusive and widely contested concept—and one that has also been subject to a vast array of different conceptualizations and defini- tions (Gladwin, Kennelly, and Krause 1995; Starik and Rands 1995). So while we would caution against any unreserved acceptance of any particular interpretation, at a very basic level, sustainability appears to be primarily about system maintenance, as in ensuring that our actions do not impact upon the system—for example, the Earth or the biosphere—in such a way that its long-term viability is threatened. By focusing sustainable development on the potential for future generations to satisfy their needs, sustainability also raises con- siderations of *intergenerational equity*, i.e. equality between one generation and another.

1. **Give a critical comment on BP’s attitude towards ‘cleaning’ the water of the Gulf of Mexico after the massive oil spill (Deepwater Horizon case)?**

<https://www.epa.gov/enforcement/deepwater-horizon-bp-gulf-mexico-oil-spill>

<https://en.wikipedia.org/wiki/Deepwater_Horizon_oil_spill>

<https://www.britannica.com/event/Deepwater-Horizon-oil-spill>

Chagres against individuals

“In April 2012 the first criminal charges to come out of the disaster were filed against a former senior drilling engineer for [BP](https://www.britannica.com/topic/BP-PLC). Kurt Mix, who had worked for BP until January 2012, was charged in federal court with obstructing [justice](https://www.merriam-webster.com/dictionary/justice) for deleting hundreds of text messages concerning the flow rate of [oil](https://www.britannica.com/science/petroleum) despite having received legal notification to preserve the correspondence. Some of the messages were forensically recovered; one contained a flow rate estimate three times higher than what BP had publicly attested to at the time. He was convicted in December 2013 […]

November 2012 two senior officers on the Deepwater Horizon oil rig, Robert Kaluza and Donald Vidrine, were charged with manslaughter. David Rainey, the former vice president for exploration in the [Gulf of Mexico](https://www.britannica.com/place/Gulf-of-Mexico), was charged with obstructing [Congress](https://www.britannica.com/topic/Congress-of-the-United-States) and making false statements to law enforcement concerning the rate at which oil was leaking from the rig” (from Encyclopedia Britannica). None of the above were sent to jail.

“A finalized settlement of $20.8 billion was announced in October 2015, bringing the third phase to a close. It was the largest financial penalty ever leveled by the U.S. government against a single company. “

Their attitude was of pretending that the spill was not so big. This was the unethical thing done. They tried to ‘clean’ it, but did not put their full effort. It took a while until the entire situation was solved… if they were more committed, things could have moved faster.

1. **Often I ask as extra question (but not always, it depends on the time used for the other questions): what have you learned from this course?**

**Examples of answering the exam questions**

1. **Give a critical comment on the following contention: “a business decision is ethical as soon as there is compliance with the law”.**

The law, similar to Ethics, is a codification of societies moral precepts. The law provides general rules (most of them being universal). Not all situations fall under a general set of rules. Ethics deals also with particular rules. Since there is a difference between ethics and laws, it implies that one cannot be reduced to the other. Business ethics deals with the grey areas, with situations which are legally allowed but none-the-less ethically wrong. There can exist situations in it is difficult to determine what action is the morally right one. Also, business ethics is not only about determining right action, but about establishing a virtuous character.

 To put into concrete terms, if the statement (“a business decision is ethical as soon as there is compliance with the law”) would be true, then respecting the needs of employee would be optional, embracing manipulative advertisings. I

In yet-developing countries there are not so many laws regarding the proper work conditions of employee, and for this reason some companies opt to work in such a country. The Union Carbide case is an example of such a case. Due to the libertine laws of India, the Carbide company chose India as the perfect place for a factory. After some years of functioning, an accident happens at the workplace due to lack of proper protection of employee. The Indian court accused the company and it got a big fine and would not be allowed to work in India.

Manipulative advertising can refer to non-harming forms such as bluffing/hyperonization, or to harmful misinformation. The law deals with harmful misinformation, but not with the harmless. The advertising campaign of Benneton promotes the Brand as compassionate even if Benneton T-shirts are produced in sweatshops.

1. **Why is a purely deontological approach of business ethics necessary, but not sufficient?**

A deontological approach to ethics is the approach in which the normative rightness or wrongness of an action is determined not by the consequences of an action, but by rules one has to follow. Kantian ethic is deontological and states that humans are subjects in themselves, they may never be treated simply as *a means*. Utilitarian is consequentialist, is about discovering which actions/rules bring most happiness.

 Utilitarian ethics might justify the injustice of some for the greater happiness of the majority. Utilitarian ethics is relativistic, while deontology is not. There exist situations in which multiple duties conflict with each other. In such situations, a deontological approach seems insufficient.

 *Ethical reasoning* is the conceptual basis of business ethics. One approach to ethical reasoning, proposed by Velasquez, is that different ethical theories apply in different situations. Another approach to ethical reasoning is virtue ethics, using your own judgement to choose when rules fail you. Examples of conflicting duties can be: the cases of when ethical whistleblowing is necessary; the case of project Manhattan during WWII.

 In both whistleblowing and the Manhattan project, it is clear how abiding to a clear set of rules is not sufficient. Since one has different rules, one has a different set of duties. As human being we have some duties towards mankind. As members of an organisation we have some duties towards that organisation. As a member of a project, you have the duty to fulfil that project. Deontology can mean not only Kant, but also Eichmann. Blind rule following leads to lack of character, lack of personal initiative to given an original solution to a case.

1. **Why is a purely utilitarian approach of business ethics necessary but not sufficient?**

Utilitarian is consequentialist, is about discovering which actions/rules bring most happiness. Utilitarian ethics might justify the injustice of some for the greater happiness of the majority. Utilitarian ethics is relativistic, depending on the value of the happiness produced.

The Utilitarianism of Jeremy Bentham considered that all pleasures had the same quality, but different quantity. The Utilitarianism of John Stuart Mill states that pleasures also have different qualities. There exists also: act/rule utilitarianism, total/average utilitarianism, hedonistic/preference utilitarianism.

*Ethical reasoning* is the conceptual basis of business ethics. One approach to ethical reasoning, proposed by Velasquez, is that different ethical theories apply in different situations. Utilitarianism is good in situations where the moral dilemma concerns that degree of satisfaction received by a stakeholder such as customers or employee. Satisfying customers is the aim of a company. However, utilitarianism is not so good in situations not about the satisfaction of the stakeholder, but its safety. Drugs are preferred by some people, but harm them.

Also, utilitarianism is not good when used to measure the happiness of the company in comparison with the customer’s discontent. Such an example is the pinto case. Ford used the utilitarian calculus to determine whether it would cause more happiness/pain to the company if he implements a non-exploding car design or not. Situations about safety ought to be judged deontological. Human safety is a right, is more important than profit.

Rule-utilitarianism would not have allowed Ford to continue with an explosible care model on the market.

1. **Explain in the light of an example that whistle blowing is based on a conflict of duties. Which criteria should be taken into account in order to justify whistle blowing?**

*Ethical reasoning* is the conceptual basis of business ethics. One approach to ethical reasoning, proposed by Velasquez, is that different ethical theories apply in different situations. Another approach to ethical reasoning is virtue ethics, using your own judgement to choose when rules fail you. An example of conflicting duties are the cases when ethical whistleblowing is necessary.

 In some situations, there are conflicts between one’s duties inside the company or towards the manager and one’s duties as a human being or towards the customer. Such case is the Pinto Case, the DC-10

 If the engineers would have presented the potential threat of the Pinto models before being launched than maybe it would not have been realised at all and human lives would have been saved. In the DC-10 case, if Applegate would have publicly informed about the cargo doors problems, then the chances of McDonald selling flawed planes would not have been approved. Whistleblowing is ethical if a corporate action: hurts customers or the environment; goes against the ethical norms of the corporation; cannot be addressed through any internal procedure.

1. **Explain the moral dilemma of the Ford management in the Ford Pinto case. What can we learn from this case about the limits of a utilitarian approach?**

Utilitarian is consequentialist, is about discovering which actions/rules bring most happiness. Utilitarian ethics might justify the injustice of some for the greater happiness of the majority. Utilitarian ethics is relativistic, depending on the value of the happiness produced.

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Rule-utilitarianism would not have allowed Ford to continue with an explosible care model on the market.

1. **In what regard is virtue ethics a necessary supplement of the classical three models of ethical reasoning about business?**

Utilitarian is consequentialist, is about discovering which actions/rules bring most happiness. Utilitarian ethics might justify the injustice of some for the greater happiness of the majority. A deontological approach to ethics is the approach in which the normative rightness or wrongness of an action is determined not by the consequences of an action, but by rules one has to follow. A theory of justice approach is focused different conceptions of justice.

All the three approaches above are inapplicable in some cases and some of them (deontology and theory of justice) suffer from conflict of duties. Virtue ethics solves all of this by focusing on the cognitive agent instead of the rule/motivation or result of action. By developing phronesis, the ability to judge, one is able to determine the proper ethical framework specific to a station. Besides phronesis (judgement), there are different virtues such as: community, excellence, role integrity, integrity, holism.

1. **Is it possible to ‘solve’ ethical problems via the application of a combination of different methods of ethical reasoning. Elucidate your answer with a case.**

*Ethical reasoning* is the conceptual basis of business ethics. One approach to ethical reasoning, proposed by Velasquez, is that different ethical theories apply in different situations. Another approach is that of Vincent Barry, according to which there are two steps (obligations, ideals, effects).

Business ethics deals with the grey areas, with situations which are legally allowed but none-the-less ethically wrong. There can exist situations in it is difficult to determine what action is the morally right one. Also, business ethics is not only about determining right action, but about establishing a virtuous character. (

Virtue ethics emphasize your ability to judge in such grey-area difficult situations. The Manhattan project case can be judged both from an utilitarian perspective (counting the number of lives killed by the bombs versus the number of lives which might be lost if WWII continues) or by a deontological Kantian Framework. Virtue Ethics will train one to be able to choose between the two. My solution would be the middle way. Design a bomb small enough to frighten the Japanese but not big enough to kill many people. Or, the bomb could be thrown in the wild, in order to not hurt people, simply intimidate them.

**Part IV: The Bibliography given by the professor**

**This bibliography is incomplete, it misses a small percentage of the**

**Books mentioned by the professor.**

**Recommended text book:**

**Andrew CRANE, Dirk MATTEN, *Business Ethics. Managing Corporate Citizenship and Sustainability in the Age of Globalization*, Second Edition, Oxford, Oxford University Press, 2010 (you can also use the subsequent editions) . This book is connected with an interesting online resource center, accessible at [www.oxfordtextbooks.co.uk/orc/cranebe](http://www.oxfordtextbooks.co.uk/orc/cranebe).**

Mandatory (text as document via Toledo) : Johan VERSTRAETEN, *From Business Ethics to the Vocation of Business Leaders to Humanize the World of Business*, in: *Business Ethics. A European Review*, 7 (1998), pp. 111-124.

**General Bibliography**

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*Business and Society Review*, since 1972/73

*Business Ethics Quarterly*, since 1991

*Business Ethics. A European Review*, since 1992.

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* 1. **Models of Ethical Reasoning in Business: a critique**

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Tom MORRIS, *If Aristotle Ran General Motors. The New Soul of Business*, New York, Henry Holt and Co., 1998.

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**1.2. Why moral reasoning on the basis of applying models of reasoning is not**

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**Complex pragmatism and ethical decision making : Matten/ Crane, pp. 127-168.**

**Excursus: The contribution of theology to business ethics**

*Theology and Business Ethics*, *Journal of Business Ethics* 5 (1986), pp. 417-499.

H.J. ALFORD, M.J. NAUGHTON, *Managing as if Faith Mattered. Christian Social Principles in the Modern Organization*, Notre Dame, Notre Dame University Press, 2001.

S.A. CORTRIGHT and M.J. NAUGHTON (eds.), *Rethinking the Purpose of Business. Interdisciplinary Essays from the Catholic Tradition*, Notre Dame, University of Notre Dame Press, 2002

J.M. CHILDS, *Ethics in Business. Faith at Work*, Minneapolis, Fortress, 1995.

Daniel K. FINN, *The True Wealth of Nations. Catholic Social Thought and Economic Life,* Oxford, Oxford University Press, 2010

M. FALISE, *Une pratique chrétienne de l'économie*, Parijs, 1985.

J. VERSTRAETEN, *The Theologian’s Contribution to Business Ethics*, in: M. LEJEUNE, Ph. P. ROSEMANN, *Business Ethics in the African Context Today* (UMU Studies in Contemporary Africa, 1), Nkozi, Uganda Martyrs University Press/Kampala, Konrad Adenauer Foundation, pp. 29-45.

O.F. WILLIAMS, J.W. HOUCK, *Full Value. Cases in Christian Business Ethics*, San Francisco, 1978.

**Chapter 2. Business ethics as ethics of the organization.**

**2.1. The corporation as moral subject (see power point presentations).**

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G. PEARSON, *Integrity in Organizations. An Alternative Business Ethic*, London, McGraw-Hill, 1995.

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M.G. VELASQUEZ, *Why Corporations Are Not Morally Responsible for Anything They Do*, in: DESJARDINS, McCALL, o.c., pp. 114-125.

**2.2. Models of corporate social responsibility (see power point presentation).**

**2.2.1. Engineering model**

**2.2.2. Bureaucratic model** (problem: role morality, fragmentation of conscience)
See Werhane, 1999, 28-41.
Case: the Stanford prison experiment in Crane/Matten

 IBM and the Holocaust

**2.2.3. Profit or Shareholder model** (cf. Milton Friedman: “the social responsibility of business is to increase its profits without deception or fraud”))

**2.2.4. Stakeholder model**

CRANE, MATTEN, pp. 57-63

R.E. FREEMAN, *Strategic Management. A Stakeholder Approach*, Marshfield (Mass), 1984.

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**2.2.5. Value management model**
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Case: Tylenol

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L. BOUCKAERT, J. VANDENHOVE, *Meer dan strategie? Sociale verantwoordelijkheid als bedrijfsfilosofie*, Leuven, Amersfoort, 1994.

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**2.3. Corporate Responsibility in an International Context.**

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Richard STEENVOORDE, *Regulatory Transformations in International Economic Relations*, Nijmegen, WLP, 2008.

Patricia H. WERHANE, *Globalization and Its Challenges for Business Ethics in the 21st Century*, Waltham (Mass), Center for Business Ethics, Bentley University, 2012.

**Chapter 3. The moral responsibility with regards to different stakeholders**

See CRANE/MATTEN and power point presentations.

Additional reading

J.R. BOATRIGHT, *Ethics in Finance*, Oxford, Blackwell, 1999

P. CHILAMBWE, *Towards The Ethics of Investing. Is there such a Thing as Ethical or Socially Responsible Investing*? Leuven, Ph. D. Dissertation, 2011

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-The 'raid' of Carlo de Benedetti on the 'Generale Maatschappij' (see power point presentation)

*- The Interfaith Center on Corporate Responsibility and the Debate over South African Disinvestment*.

- The Norwegian Petroleum Fund: keeping the Nobel Prize sponsors noble, in CRANE/MATTEN, 248-249.

Other literature

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3.2**. Responsibility with regards to Customers**

General

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Cases:

- **McDonalds ‘s response to ethical criticism in Europe, Crane/Matten, pp. 36-39**

- *Dalkon Shield*

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and particularly Patricia H. WERHANE, Tara RADIN, with Norman E. BOWIE, *Employment and Employee Rights*, Oxford; Blackwell, 2004

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3.3.2. Privacy:

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3.3.4. Sexual Harassment.

3.3.5. Wage, trade unions and strike

3.3.6. Participation

Case: Mondragon (cf. J.E. BARKER, *The Mondragon Model. A New Pathway for the Twenty-First Century*, in: F. HESSELBEIN, M. GOLDSMITH, R. BECKHARD (eds.), *The Organization and the Future*, San Francisco, Jossey Bass, 1997, pp. 109-177

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Charles HANDY, *The Hungry Spirit. Beyond Capitalism: A Quest for Purpose in the Modern World, New York, Broadway, 1998.*

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**3. 4. Business and the Environment:**

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**Chapter 4. Focus on Leadership versus management.**

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Douglas A. Hicks, *Religion and the Workplace*, Cambridge, Cambridge University Press, 2003

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