A Kantian approach to business ethics – Norman Bowie

The importance of purity of motive

• Kant argued that the highest good was the good will. To act from a good will is to act from duty. Thus, it is the intention behind an action rather than its consequences that make that action good. For example, for Kant if a merchant is honest so as to earn a good reputation, these acts of being honest are not genuinely moral.

• An action is only truly moral if it is morally motivated. Truly moral actions cannot be contaminated by motives of self-interest. Since the good acts of even the most enlightened corporations are almost always justified in part on the grounds that such actions are profitable, it may appear that even the best actions of the best corporations are not truly moral.

In discussing this issue, people seem to assume that actions that enhance the bottom line are acts of self-interest on the part of the corporation. However, for publicly held corporations and for partnerships, this is not the case. Publicly held corporations have an obligation to make a profit based on their charters of incorporation, legal obligations to shareholders, and an implied contract with the public. It would not be stretching a point too far to say that the managers of a publicly held corporation have promised to strive for profits.

• Even if Kant is wrong about the necessity of pure motivation for an act’s being moral, he still has a lot to offer the business ethicist. Working out the implications of the three formulations of the categorical imperative provides a rich agenda for the business ethicist. However, a bit more should be said, especially in light of the fact that the general public judges business from a strict Kantian position.

Formulation One: Universalisability

• One example Kant used to illustrate this was a business one. Suppose you desperately needed money. Should you ask someone to lend you money with a promise to pay the money back but with no intention of paying it back? Do your extreme financial circumstances justify a lying promise? To find out, Kant would require us to universalize the maxim of this action: “It is morally permissible for anyone in desperate financial circumstances to make a lying promise, that is, to promise to repay borrowed money with no intention of doing so.” Would such a universalized maxim be logically coherent? Kant answers with a resounding no.

• A business manager who accepts Kantian morality would ask for any given decision, does the principle on which the decision is based pass the test of the first formulation, that is, can it be willed universally without contradiction? If it can, then the decision would be morally permissible. If it cannot, the action is morally forbidden.

• Let us consider two other examples to illustrate Kant’s point.

  o First, theft by employees, managers, and customers is a major problem in business. Suppose that an employee, angry at the boss for some justified reason, considers stealing from the firm. Could a maxim which permitted stealing be universalized? It could not. If a maxim that permitted stealing were universalized, there could be no private property. If everyone were free to take from everyone else, then nothing could be owned. Thus, if the employee steals from the boss, the theft is morally wrong.

  o Another example found in the press concerns companies that try to renegotiate contracts. A favorite ploy of General Motors, was to demand price reductions from negotiated contracts with suppliers. In this way, General Motors cut costs and contributed to its bottom line. Would such a
tactic pass the test of formulation one? No, it could not. If a maxim that permitted contract breaking were universalized, there could be no contracts (and contracts would cease to exist). No one would enter into a contract if he or she believed the other party had no intention of honoring it.

The test of the categorical imperative formulation one in business becomes a principle of fair play.

There are positive stories that illustrate Kant’s point. The development of a Russian stock market provides one such example. Russia had difficulties developing a stock market because company spokespersons would not provide accurate information about their companies. As a Kantian would expect, investors were not forthcoming. Gradually, a few companies including Irkutsk Energo, Bratsky LPK, and Rostelecom were able to establish a reputation as truth tellers. These companies were then able to attract investors and have done well. The success of these honest firms has led other firms to be more honest to the point where the Russian stock market became viable.

**Formulation Two: Ends in themselves – treating stakeholders as persons**

Since human beings have free will and are able to act from laws required by reason, Kant believed they have dignity or a value beyond price. Thus, one human being cannot use another simply to satisfy his or her own interests. What are the implications of this formulation of the categorical imperative for business?

- ‘Treating people as means’ does not prohibit commercial transactions. No one is used as merely a means in a voluntary economic exchange where both parties benefit. What this formulation of the categorical imperative does do is to put some constraints on the nature of economic transactions.

- Kant’s distinction between negative freedom and positive freedom is important. Negative freedom is freedom from coercion and deception. Positive freedom is the freedom to develop one’s human capacities. For Kant, that means developing one’s rational and moral capacities. In interacting with others, we must not do anything to diminish or inhibit these uniquely human capacities. Thus, treating the humanity in a person as an end, and not as a means merely, in a business relationship requires two things.

  o First, it requires that people in a business relationship not be used, i.e. they not be coerced or deceived.
  o Second, it means that business organizations and business practices should be arranged so that they contribute to the development of human rational and moral capacities, rather than inhibit the development of these capacities.

These requirements, if implemented, would change the nature of business practice.

Example: Positive freedom would endorse the practice known as open book management. Open book management was developed by Jack Stack at the Springfield Manufacturing Company. Under open book management, all employees are given all the financial information about the company on a regular frequent basis. With complete information and the proper incentive, employees behave responsibly without the necessity of layers of supervision. People get a chance to act, to take responsibility, rather than just doing their job. . . . Open book management also enhances employee self-respect. Employees at Springfield Manufacturing Company use Kantian “respect for persons” language when describing the impact of open book management on working conditions. By enhancing employee self-respect, open book management supports positive freedom.
What are the general implications of Kant’s theory of positive freedom for business practice? It allows for a definition of meaningful work consistent with Kant’s views. For a Kantian, meaningful work:

- Is freely chosen and allows the exercise of autonomy on the job
- Supports the rationality of human beings; work that undermines rationality is immoral
- Provides a salary sufficient to exercise independence
- Does not interfere with a worker’s moral development.

A manager taking the Kantian approach to business ethics would regard providing such meaningful work as a moral obligation. Some Thus, Kantian managers need to create a certain kind of organization.

**Formulation three: Kingdom of ends – the firm as a moral community**

A Kantian approach to the organizational design of a business firm as a ‘kingdom of ends’ would endorse these principles:

- The firm should consider the interests of all the affected stakeholders in any decision it makes.
- The firm should have those affected by the firm’s rules and policies participate in the setting of those rules and policies before they are implemented.
- The interests of one stakeholder should never automatically take priority.
- No business rule or practice can be adopted which is inconsistent with the first two formulations of the categorical imperative.
- Every profit-making firm has a limited, but genuine, duty to do good.
- Every business firm must establish procedures designed to ensure that relations among stakeholders are governed by rules of justice.

A Kantian views an organization as a moral community. Each member of the organization stands in a moral relationship to all the others. Organizations are created as ways of achieving common goals and shared ends. An individual who views the organization purely instrumentally is acting contrary to the “respect for persons” principle.

- Formulation three stands opposed to authoritarian hierarchical organizational structures. A Kantian would morally object to a hierarchical structure that requires those lower down to carry out the orders of those above, more or less without question.

A word on International business

One of the key features of the enlightenment was its cosmopolitan perspective, and Kant was cosmopolitan in many ways. For Kant, national boundaries have, at most, derivative significance. His greatest concern was with the human community and with ways that the human community could live in peace. Contemporary capitalism is also cosmopolitan and is no respecter of national boundaries. Many have also argued that capitalism contributes to world peace. Kant would tend to agree. In addition, international economic cooperation provides the foundation for a universal morality that is consistent with Kant’s philosophy.

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