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CONTRACTARIAN BUSINESS ETHICS: CURRENT STATUS AND NEXT STEPS

Thomas W. Dunfee and Thomas Donaldson

Abstract: Social contract is rapidly becoming one of the significant alternatives for analyzing ethical issues in business. Contractarian approaches emphasizing consent as a means of justifying principles can provide needed context for rendering normative judgements concerning economic behaviors. Current research issues include developing tests of consent for both hypothetical and extant social contracts, and empirically testing the assumptions of the major contractarian approaches. Open questions include exploring the relationship between contractarian business ethics and other approaches, such as stakeholder management and virtue based ethics; and analysis of the intersection of contractarian approaches with the findings and assumptions of the field of moral psychology. Finally, the managerial utility of social contract based approaches needs to be explored with emphasis on identifying "translator" concepts.

Social Contract theories explicitly adapted for business ethics are now little more than a decade old. Donaldson's effort in the early 1980s (1982) and his subsequent defense and extensions (1988, 1989, 1990) provided the initial momentum for the explicit development of contractarian approaches to business ethics. An increasing number of scholars are joining the effort with the result that social contract thinking is rapidly becoming one of the significant theoretical alternatives for analyzing ethical issues in business. This article summarizes the development of the contractarian alternative, positions it with reference to key influential theories and concepts in business ethics, and, in an attempt to set the tone for further research in this area, identifies a set of important research issues.

I. A Map of Ethical Theories Applied to Business Ethics

We begin by surveying the often-used, non-contractarian approaches to business ethics. The difficulties these approaches encounter constitute reasons for exploring the contractarian alternative. Business ethics is a relatively new entrant as an academic field, although it has already succeeded in establishing its own research paradigm. Most of the important research has been conducted by contemporary scholars. The first serious efforts at business ethics applied either classical ethical theories to problems of business ethics or expanded concepts already familiar to business academics. A prime example of the former is the work of Norman Bowie in applying Kantian ethics in a sophisticated manner to a myriad of business contexts (1982, 1988). An elaborate practical application of the Bowie approach may be found in the recently published book based upon the Arthur Andersen program in business ethics entitled *Making the Right De-*

cision. (Hall, 1993). Similarly, in a classic article in the field of business ethics, Freeman & Evan worked out an elaborate Kantian-based model for stakeholder management (1988).¹ Rights-based approaches informed by deontological ethical theories or theories of social justice have also been applied to issues of business ethics. As examples, see the work of DesJardins & McCall (1985) with regard to the question of the random drug testing of employees and that of Werhane concerning a variety of issues within the domain of human resources management (1991, 1984).

Consequential approaches have often been applied to various problems of business and professional ethics, particularly in reference to corporate actions affecting society. An early example was the use of an “end-point” analysis by Pastin & Hooker in their controversial article attacking the ethical basis of the U.S. Foreign Corrupt Practices Act (1980). Later, Ronald Green (1991) used consequential moral reasoning in an attempt to demonstrate that the excuse, “everyone’s doing it” may actually serve as a valid justification for business conduct—at least under specific, consequentially-defined, conditions. An extensive literature in business ethics involves empirical researchers examining the claims that corporate ethics is justified consequentially through achievement of higher profit levels (see for example, Aupperle, Carroll, and Hatfield, 1985). In the domain of professional ethics, Dunfee & Maurer (1992) recently employed an explicit consequentialistic framework in analyzing the ethical dimensions of corporate attorney whistle-blowing.

Many articles in the business ethics literature employ multiple ethical viewpoints in evaluating particular business practices (Pastin and Hooker, 1980; Brummer, 1991), or incorporate both consequential and rights-based factors in lists of principles or questions to be applied by business decision-makers. (DeGeorge, 1993, ch. 3; Nash, 1981). In an early response to the tendency to apply multiple viewpoints, Cavanagh, Moberg & Velasquez (1981) proposed an elaborate decision model for sorting among three of the more common theoretical approaches.

The theoretical approach most identified with the business ethics literature is the stakeholder concept. The original stakeholder concept appeared in traditional management literature through the work of scholars such as Dill (1958)² and Aoki (1984), but most of the elaboration and extension of the concept has occurred in the business ethics literature (Freeman, 1984; Carroll, 1988; and Goodpaster, 1991). Donaldson and Preston (1994) have recently provided a framework for understanding this diffuse literature by classifying it into “normative,” “descriptive” and “instrumental” branches. The normative stakeholder literature seeks to justify and identify recognizable ethical obligations on the part of firms to respond to the legitimate interests of corporate stakeholders (Kuhn & Shriver, 1991; Hosseini and Brenner, 1992). The instrumental approach establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals. (Preston & Sapienza, 1990; Preston, *et. al.*, 1991; McGuire, Sundgren & Schneeweis, 1988). The descriptive literature seeks to determine the extent to which firms follow stakeholder management strategies, or whether extant law requires, or is at least supportive of, such approaches (Orts, 1992).

The greatest elaboration of the stakeholder approach has been in the work of Ed Freeman (1982, 1983, 1987, 1988, 1990, 1991). The concept has now reached a watershed in which certain critical normative questions must be resolved before it can achieve full status as a specialized “theory” of business ethics. For example, what serves to *justify* a particular claim by a stakeholder, or for that matter, the claim that someone *is* a stakeholder? An unqualified normative admonition that management has an obligation to respond to the self-defined needs of anyone affected by a corporate decision leads to the intuitively anomalous result that an armored car company must consider the interests of thieves as stakeholders in the context of a decision to improve the security of its cash delivery service. Another critical question involves the weighing, in a normative sense, of competing stakeholder interests in a context where the interests of one set of stakeholders is in direct conflict with important interests of other legitimate stakeholders.³ This issue arises, for example, when asking whether it is appropriate for a firm to give weight to non-shareowner, stakeholder interests when the firm’s core financial well-being is at stake. Should a firm allow itself to become unprofitable in order to avoid a plant shut-down that will cause hundreds of long-time employees to be discharged? Or, in a less dramatic case, should a firm accept a 50% reduction in profits to achieve the same goal? Or 5%? This issue has received a rich and varied treatment in the business ethics literature, but it is fair to say that there is little consensus about how the plant closing question should be resolved. Moreover, very little work has been done to date on the broad theoretical issue of how to weigh stakeholder interests.⁴ All of this suggests that stakeholder analysis holds great promise for the field of business ethics, but much work remains before it will fully realize its potential as a comprehensive normative theory capable of guiding business decision-makers.

Some components of the business ethics literature have no discernible foundation in ethical theory. We, and many others in the field, see this as problematic. Without a normative compass, business ethics too often reflects either a particular author’s intuitive response or political bias. The analysis of individual case studies often is used as a substitute for general theory, and false inferences to unrelated cases are drawn. More than once, business ethics has deserved the criticism sometimes made in common law contexts that “hard cases make bad law.” An a-theoretical, case-by-case approach lacks the consistency and legitimacy essential for offering anything other than unreliable, politically-contaminated guidance.

II. Evolution of Contractarian Approaches to Business Ethics

The evolution of theoretical approaches in business ethics has been influenced by certain seemingly intractable constraints and problems. With the exception of the still unfolding development of stakeholder theory, none of the approaches to date have been able to establish a beachhead as a practicable, generally accepted core paradigm in business ethics. The attempts to apply classical Western ethical theories to business problems have been handicapped by the generality of the theories and the difficulty in applying them to the “artifactual” environment of

business. As we have explained elsewhere (Donaldson & Dunfee, 1995, 1994), business is different from other key social institutions, such as the family, in being almost entirely the product of human design. This “artifactual” character of business means that the rules and structure of business can vary dramatically from culture to culture, from industry to industry, and from company to company. It raises Herculean problems for ethical analysis. Those who seek to apply the traditional broad ethical theories to hard-core business problems, such as nepotism, bribery in Third World cultures, drug-testing and insider trading, usually reach vague, unsatisfying conclusions. Frequently, indeed, inapposite conclusions are reached, a phenomenon lending weight to skeptical claims that the field lacks substance.

Perhaps the most intractable aspect of the “artifactual” problem in business ethics is cultural variety. Economic institutions, even more than most other human ones, are subject to striking cultural diversity. Some cultures emphasize property right dimensions of intellectual property, others emphasize cooperative behavior and societal sharing of innovations. (Swinyard, Rinne & Kau, 1990) Some nations tightly constrain the use of firm-derived (inside) information in securities markets, while others show considerable indifference to the phenomenon. How are these differing responses to be reconciled? Is a society which de-emphasizes property rights in favor of cooperative sharing immoral? Or vice versa? Should Singapore be required to base its approach to intellectual property on utilitarian grounds?

Is there only a single approach to the use of inside information in securities transactions which satisfies the normative standards of business ethics? That is, does (or should) business ethics theory mandate a particular form of restriction on insider trading? And by what rationale should a Muslim culture be subjected to a comprehensive system of Kantian-based economic ethics? If the response is that theories of universal ethics such as Utilitarianism or Kantianism serve only to identify the core values that apply to a small set of behaviors within a given culture, then what constitutes the *source and justification* of many of the detailed, day-to-day ethical standards for business activities around the world?

A contractarian approach derived from classical political theory has evolved as a significant alternative for trying to solve such fundamental problems. In general, contractarian theories utilize the device of hypothetical consent to justify principles, policies, and structures.⁵ The normative authority of any social contract derives from the assumption that humans, acting rationally, would consent to the terms of some particular societal agreement. Further, contractarian approaches can be designed to take existing artifactual institutions and business practices into consideration, thus providing the essential context for rendering normative judgments concerning economic behaviors.

The first recognition of the potential for a contractarian approach to business ethics was by Donaldson (1982) who sought to construct the outlines of a social contract for business capable of providing concrete insights into the nature of *corporate* obligations. Following the classical tradition of using a hypothetical agreement as a device for parsing specific rights and responsibilities, he imag-

ined the terms of an agreement between business firms (all productive cooperative enterprises) and society (individual members of a given society in the aggregate). Using this device, Donaldson identified the reciprocal expectations of the parties to the contract who were both assumed to be interested in maximizing the benefits (e.g., specialization, stabilization of output and distribution, liability resources, increased wages) and minimizing the drawbacks (pollution, depletion of natural resources, destruction of personal accountability, worker alienation) of productive organizations. The terms of the contract incorporate, for example, a process by which tradeoffs between these various factors can be realized. Donaldson's initial effort produced a variety of responses, including one from Hodapp (1990) questioning whether the approach was founded upon an adequate normative basis, or was instead circular, presupposing the very terms it claimed to generate. Another, from Kultgen (1986) questioned whether by disallowing status as a real agreement or a set of actual contracts the effort represented a "minor heuristic exercise." Others urged Donaldson to commit personally to the existence of a real social contract. (Levitt, 1986) Attempts were also made to apply Donaldson's model to specific contexts, such as agribusiness ethics. Donaldson responded vigorously to criticisms generated by his 1982 exposition and in the process clarified and expanded upon his original concept (1988, 1989, and 1990).

Other attempts to connect the social contract concept to business and economic events emerged during the 1980s. In 1982, Norman Bowie offered a brief description of the "social contract" between business and society in his book, *Business Ethics*. In his 1986 book, *Morals by Agreement*, David Gauthier utilized concepts of economic rationality to advance a hypothetical "agreement" among rational, self-interested agents that formed the basis for a collective morality. Gauthier noted that, ironically, it was self-interestedly rational for agents to bind themselves to moral commitments that flouted self-interest in the short term to gain greater offsetting interest satisfaction in the long-term. In 1988, Michael Keeley developed a progressive theory of organizations using social contract concepts in his book *A Social Contract Theory of Organizations*. Keeley uses the contract metaphor in a non-traditional way, viewing the firm as a series of contract-like agreements about social rules. Keeley's recurring emphasis is on voluntariness. In the process, he identifies a series of rights whose existence he argues are essential to preserve voluntariness. Keeley's social contract view contrasts sharply to the "organismic" model of the firm, a view he criticizes for subordinating the welfare of individuals to the welfare of the organization.

In 1989 Donaldson extended a modified version of his social contract model to the global level. Using again the imaginary social contract as a heuristic device, he relied upon reason and intuition to identify terms in the contract that establish a minimal floor of responsibility for global corporations (Donaldson, 1989). From this he recognized sets of explicit and implicit derivative obligations for global corporations which require them to 1) enhance the long-term welfare of employees and consumers wherever they operate, 2) minimize drawbacks associated with developing productive societies and 3) refrain from vio-

lating minimum standards of justice and human rights. These obligations translate into an obligation to avoid depriving and, under some circumstances, a duty to protect from deprivation a set of ten fundamental human rights.

In 1991, Dunfee emphasized real or “extant” social contracts as constituting a significant source of ethical norms in business. When these real but usually informal social contracts are based upon uncoerced and informed consent, and the norms they produce are consistent with the principles of broader ethical theories, they become *prima facie* obligatory. Subsequently, as discussed elsewhere in this issue of the *Business Ethics Quarterly*, Donaldson and Dunfee have explored the way in which a contractarian theory can be developed that combines the concept of a hypothetical social contract (not unlike that discussed earlier by Donaldson) and real social contracts (not unlike that discussed earlier by Dunfee) (Donaldson & Dunfee, 1995; 1994). The aim of integrating the two approaches is to “put the ‘is’ and the ‘ought’ in symbiotic harmony in a way requiring the cooperation of both empirical and normative research in rendering ultimate value judgments.”

Contractarian approaches are now being used to evaluate a host of issues. Kim Scheppele (1993, p.151) has recently supported restrictions on insider trading through a contractarian analysis that she stresses is capable of providing “concrete guidance in working out how to think about the ethics of insider trading.” She argues that consent must be “based on more detailed and context-dependent knowledge of specific features of American life and of particular individuals.” After extensive analysis along these lines, she justifies restrictions on insider trading based upon a contractually derived desire to provide equal access to financial markets. Similarly, Robert Frank (1993) has recently advanced a contractarian view of regulatory policy in emerging market economies, noting that “recent decades have seen a resurgence of contractarian thinking about the nature and origins of the state (Frank, 1993, p. 258).”

III. Remaining Issues and Promising Research Directions for Contractarian Business Ethics

It is not surprising that contractarian business ethics, itself only a decade old, is replete with unresolved issues. Many difficult and important research issues remain to be analyzed before social contract theory can fulfill its promise as a critical theoretical tool for business ethics. Some of the most important issues are identified briefly below.

A. Consent

Consent is the justificatory linchpin of any social contract method, whether the contract proposed is hypothetical or real. In the use of hypothetical social contracts, theorists must offer persuasive reasons why rational prospective contractors would agree to the terms of a given agreement. Various strategies have been employed by contractarian theorists, including the use of pre-contractual devices such as a veil of ignorance (Rawls, 1971) and the “state of individual production” (Donaldson, 1982), or the assumption that agreement is the only viable

solution to serious non-cooperation problems (Gauthier, 1986). The difficulties in making the case for (nearly) universal acceptability of the terms of a hypothetical agreement tend to lead theorists toward parsimonious assumptions which in turn lead to narrowly defined social contracts. In a sense, the more insignificant the agreement, the less the justification required to show that its terms are generally acceptable.

Interestingly, few social contract theorists have presumed that contractors are even moderately altruistic (both Rawls and Gauthier refuse to make this presumption in their models), even though there is growing evidence that humans appear to be by nature altruistic. By rejecting altruism theorists seek to strengthen the persuasiveness of their presumed agreements; as if to say, "If self-interested contractors will agree to these moral principles without supposing any altruistic influence, clearly ordinary humans, who may possess altruistic instincts, will *also* agree to them."

Many issues pertaining to the vital element of consent in social contracts remain open to further research. One is whether a creative way exists to design a hypothetical agreement appropriate to business ethics that can solve the problems of justifying the agreement. For example, can the new evidence from the fields of behavioral economics and economic psychology provide insights into the nature of human rationality helpful for designing plausible social contracts? Can the emerging research seeking to identify universally held values be used to support a realistic description of a global social contract for economic ethics?

Reliance upon existing or "extant" social contracts is one solution to the justification problem. Under this approach no agreement supporting an existing social contract can be assumed until supported by actual *evidence* of consent. Even though consent fails as a sufficient condition for the justification of a normative agreement (in dire circumstances individuals may consent to be slaves), it is from the standpoint of social contract theory a *necessary* condition for such justification. In assessing whether consent has occurred in a given extant social contract, the answer cannot lie merely in assertion. Rather, the question becomes an empirical one of determining whether members of a particular community have indeed accepted the terms of an agreement. Certain statistical and empirical methods are clearly helpful in making such a determination. If the determination is affirmative, i.e., if evidence shows they have, in fact, consented to the contract; then the first step has been taken towards establishing that an obligation to comply with its terms also exists.

In this context, a different, but vitally important question arises concerning the manner in which consent is tested. Consent by its very nature is valid only when uncoerced and informed. The issue thus becomes one of how best to identify genuine versus apparent consent in business communities. Norms such as dress codes or participation in corporate blood drives forced from the top-down do not involve genuine consent when employees participate only from fear of retaliation. Certainly the mere fact that an "ethics code" exists is insufficient to establish its status as the consented-to term of a firm-level social contract. It is worth noting, however, that the instances in which stakeholder interests are directly competing may be rarer than most imagine (Preston & Sapienza, 1990).

A workable and useful contractarian approach to business ethics needs a workable and useful test of genuine consent. If, for example, consent is to be established through survey techniques, what controls are important for identifying genuine consent? Is it necessary to have the surveys done by outside parties in an environment of strict confidentiality? What other restrictions on testing should be employed? And so on.

B. Empirical Foundations

Contractarian approaches inevitably generate a swarm of empirical issues. One important question is the extent to which managers and political leaders accept the contract metaphor as representative of current social approaches. If they are already familiar with and accept the idea, then they may be particularly receptive to the use of contractarian language to translate ethical precepts. An important stream of research in business ethics seeks to determine how business decision-makers reason in the context of ethical decisions. For example, is there a general tendency for managers to use a particular ethical theory (Jones, 1991)? If not, then are there other variables, including gender, industry, or decision-context which influence their choice of an ethical theory for resolving specific ethical problems (Smiley, 1992)? Within this framework, an important open question is how likely are managers to reason in contractarian terms?

A key research question in business ethics is the extent to which a person's ethical thought, or the mode of that person's ethical thought, influences her behavior. In the contractarian context, the question becomes whether individuals who tend to think in terms of unwritten agreements or unspoken promises will be less likely to act unethically. If so, then such a finding would lead to further support for the value of the social contract metaphor as a way of thinking about ethical decisions in business.

Contractarianism tends to be a *norm-centered* approach to ethics. Empirical issues abound concerning how norms come to be created, communicated and accepted within particular business communities, how they change or are purged, and how they are enforced or supported. The issue of how to identify norms accurately within a particular community is vitally important for any contractarian approach relying upon real or extant norms. For example, are there certain proxies for norms within particular communities that can be identified? Consider the question of under what circumstances can a corporate code of ethics be considered representative of ethical norms within that community? Which of the following, if any, would represent the best method for testing this important issue: when employees are required to sign a code and do so, when a code is listed as part of the application process to work at a firm, or when most employees privately and confidentially state that they agree with the provisions of a code?

C. Contractarian Business Ethics and Stakeholder Management

Earlier in this article we identified critical issues needing resolution in stakeholder analysis, which we believe to be an important and increasingly well-accepted approach to corporate ethics. These include establishing methods for

justifying the claims of particular stakeholders, identifying normative criteria for weighing competing stakeholder interests and for resolving conflicts between stakeholder interests and the financial objectives of the firm. In short, stakeholder analysis requires some normative justification that goes deeper than a mere assertion of the stakeholder idea itself. Evan & Freeman (1988) proposed a Kantian solution to this problem, yet contractarian approaches also have significant potential for resolving core issues. Consider, for example, the fundamental question of whether a plausible justification can be presented for the claim that firm managers have a significant responsibility to stakeholders other than stockholders. Social contract theory can be used as an imaginary heuristic device to develop a persuasive case that management has duties to employees and customers, as Donaldson (1982) has demonstrated. Further, we believe that empirically a social contract *does* exist in the United States and most other developed countries that requires management to recognize certain sets of stakeholder interests. If our assumption is correct, then empirical research capable of isolating the boundaries of general public expectations concerning obligations to stakeholders would contribute significantly to the debate on this topic. The debate engendered by Milton Friedman concerning whether it is socially responsible for managers to seek to do otherwise than maximize profits ultimately reduces to a certain set of empirical claims. The contractarian alternative, also in part empirically based, has the potential to serve as a powerful, legitimate counter-point to the Friedman position, as discussed more fully in the next section.

We suggest further that context-specificity in contractarian ethics may constitute an ideal source of normative standards for the actual process of stakeholder management. Can, for example, implied social contracts be identified that specify with some precision the tradeoffs that need to be recognized among certain classes of stakeholders or how firm-stakeholder tradeoffs should be made? If the answer is yes, then a contractarian approach may have significant comparative advantages for dealing with the dilemma of choosing between “multi-fiduciary” and “strategic” stakeholder analysis as described by Goodpaster (1991).

D. Contractarian Business Ethics and Ethical Theory

There may be a tendency to see the various ethical theories as competitive, and to suppose that one must either be a utilitarian, a virtue ethics theorist, a deontologist, or so on. This view is losing ground in philosophy (Becker, 1992) and, indeed, we see contractarian approaches as potentially consistent with a number of alternative ethical theories. The possibility of significant ethical “pluralism” deserves exploration and has received increasing attention in recent years. In 1992, the journal *Ethics* devoted a special edition of the journal (Vol. #102) to this very issue of pluralism. Important questions include determining the circumstances in which different theories result in irreconcilable judgments, and understanding the factors generating inapposite results.

Consider an example of such pluralism. Contractarian approaches that incorporate reference to actual implied social contracts are potentially reconcilable

with virtue ethics. Concepts of virtue may themselves be part of an extant contract (as when, say, the employees of a corporation internalize the virtue of “integrity” in their corporate roles). Further, certain virtues may be seen as critical in the construction of extant social contracts (as when, say, the virtue of tolerance is important in establishing ethical norms among racially diverse contractors). Important research issues involving the integration of virtue and contractarian ethics approaches include understanding the relationship between the use of the concept of “practices” in the work of virtue theorist Alisdair McIntyre (1981) and the process by which norms are formed and recognized within communities.

Even Milton Friedman’s conception of the corporation as merely agent for self-interested shareowners (Friedman, 1988), long regarded by many as an amoral theory, may be better understood through a contractarian approach. In order for the Friedman view to obtain legitimacy under a contractarian approach, one of two claims must be established. Either it must be established that a plausible hypothetical contract, grounded in a realistic account of human rationality, can be defined which endorses single-minded attention to shareholder wealth; or, alternatively, existing extant social contracts which support his position, must be identified. At least one of these two is *necessary* to bestow legitimacy to his theory—although neither is *sufficient* to bestow such legitimacy. If neither can be established, (which is our intuition) then Friedman’s claim is merely one of the minority voices in U.S. society advocating an as yet unendorsed normative position. In such a circumstance, Friedman’s theory could not lay claim to imposing ethical obligations on business practitioners.

E. Contractarian Assumptions and Moral Psychology

A great deal of empirical work has been done recently concerning how people actually think about ethical issues. Few people apply what Lawrence Kohlberg (1983) identifies as the highest or sixth stage of moral reasoning (either Kantian or Utilitarian reasoning would, according to Kohlberg, qualify as sixth stage). Most people respond to the laws and norms of society (which Kohlberg identifies as stage four) and the expectations of their close colleagues and relatives (stage three). It remains to be seen whether a relationship exists between these findings and the assumptions of contractarian business ethics. Are these findings supportive of and compatible with contractarian ethics as opposed to other approaches? Can extant contracts be classified by Kohlbergian stages? In a related vein, can contractarian analysis help in understanding the *process* of moral reasoning? At the extreme, might more explicit incorporation of contractarian approaches require changes in standard frameworks or testing procedures used in moral psychology?

F. Managerial Utility and Contractarian Business Ethics

Managers often use the terminology of social contract in describing, for example, relationships between their firm and the local community. Employees also frequently speak of the “implied agreements” that surround policies and proce-

dures, including ones affecting downsizing, corporate pensions, and due process. Corporate pensioners may, for example, express belief in a social contract obligation on the part of the firm to take steps to guarantee that their retirement remains secure. Similarly, politicians sometimes make use of contractarian language when describing business-government relationships.

Thus, the concept and terminology of social contract is already familiar to many managers. Further, new research indicating that managers tend to think in terms of unwritten agreements and unspoken promises (Robertson & Ross, this issue, and sources cited therein) suggests potential far-reaching receptivity to ethical standards grounded in contractarian concepts. Conry elaborates upon the various contractarian approaches that have been attempted and no attempt is made here to duplicate his effort — instead, we just seek to provide a clear overview of the state of contractarian approaches. Managers confronted with urgent ethical dilemmas cannot be expected to pause in the middle of hectic schedules to reflect carefully on the detailed implications of the terms of a hypothetical social contract or to search for microsocial contract norms. Some “translator” concepts, suitable for hands-on application to day-to-day business problems, are required. Research is needed to resolve questions such as the following. Can contractarian business ethics be reduced to certain rules of thumb, or sets of questions which can serve as effective, efficient normative guideposts for managers? Can such approaches be devised and tested? What would be the most effective tests for systems which seek to operationalize a particular ethical theory?

These, then, are some of the issues and challenges confronting social contract theory as it emerges in the 1990s to examine the norms of modern business. We have seen that in one sense the concept is as old as philosophical speculation. Surely, the “compact” with God spoken of in the Old Testament and the imaginary agreement between hypothetical members of the state in Plato’s *Republic* (1968) are influential examples of social contracts in intellectual history. Yet, as we have also seen, the contractarian device promises striking contributions to modern business issues. A growing wave of efforts in the 1980s and early 1990s applied contractarian thinking to a vast range of economic issues. During the same period, the sophistication and rigor of contractarian theoretical frameworks increased dramatically. This volume is dedicated to taking one more, but important step, in the evolution in contractarian thought about economic issues.

Notes

¹There is no shortage of attempts to apply Kantian concepts to issues in business ethics. See also, for example, Michael Green’s (1986) “A Kantian Evaluation of Taylorism in the Workplace.”

²Dill himself, interestingly enough, did not use the term “stakeholder,” yet is properly regarded as a key precursor of the stakeholder movement.

³It is worth noting, however, that the instances in which stakeholder interests are directly competing are rarer than most imagine (Preston & Sapienza, 1990).

⁴Note, however, the complex methodology of Brenner & Hosseini (1991) .

⁵Conry elaborates upon the various contractarian approaches that have been attempted and no attempt is made here to duplicate his effort - instead, we just seek to provide a clear overview of the state of contractarian approaches.

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