

# BUSINESS ETHICS

SECOND  
EDITION

A KANTIAN PERSPECTIVE



NORMAN E. BOWIE



It is more important than ever that a business must be both ethical and profitable. In this thoroughly revised and updated second edition, Professor Norman E. Bowie shows that by applying Kant's three formulations of the categorical imperative, and by doing the right thing for the right reason, a business can achieve success in both of these fields. Bowie uses examples such as building trust, transparency through open book management and respecting employees by providing a living wage and meaningful work. This new edition, for graduates and academic researchers in the field of business ethics, has been heavily revised to include the newest scholarship on Kantian ethics, including:

- **A new emphasis on Kant's later moral and political theory.**
- **A workable account of Kantian capitalism.**
- **Accounts on corporate social responsibility, Kantianism and human rights, corporate moral agency, and the Kantian theory of meaningful work.**

Norman E. Bowie is Professor Emeritus at the University of Minnesota where he held the Elmer L. Andersen Chair in Corporate Responsibility. He is best known for bringing the moral philosophy of Immanuel Kant to bear on issues in business ethics. He authored or edited 18 books and about 100 articles. He is past president of the Society for Business Ethics and recipient of the Society's award for outstanding scholarly achievement. He has been honored with a festschrift under the title *Kantian Business Ethics: Critical Perspectives*.

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NORMAN E. BOWIE

University of Minnesota



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## *Business Ethics: A Kantian Perspective*

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*My wife Maureen provided encouragement to both do this project and get it done*





## Preface

The first edition published in 1999 was the culmination of five years of research that began in 1994 with an invitation to present a Ruffin Lecture at the Darden School, University of Virginia. I decided to write on Kantian capitalism because my friend Ed Freeman had not completed that project himself. His essay with the late William Evan published in the third edition of Beauchamp and Bowie's *Ethical Theory and Business* was entitled, "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism." However, Freeman's stakeholder theory took a pragmatic turn, and I took up the challenge of presenting a Kantian theory of business ethics. Over the past two decades Ed and I have continued a friendly debate about the role of pragmatism in business ethics. Ed has even argued that my Kantian capitalism has become pragmatic over the years. I invite the readers of the second edition to decide for themselves whether Freeman is correct.

During the 1996–97 academic year I took a sabbatical as a fellow at Harvard's Program in Ethics and the Professions as it was called then. My colleagues in that program under the leadership of Dennis Thompson provided invaluable insights as I turned my original idea of Kantian capitalism into a book. The resulting book was published in 1999 to reasonable reviews but frankly not much enthusiasm. However, gradually a critical literature around the book arose, and some younger scholars, including several in Europe, began expanding the Kantian project. A festschrift in my honor brought forth several innovative insights into Kantian business ethics such as a Kantian theory of environmental ethics in a business context. I followed up with a more general book on business ethics, *Business Ethics in the 21st Century* (2013). One chapter of that book was devoted entirely to how I thought *Business Ethics: A Kantian Perspective* should be revised and included some of my reaction to scholars who were taking Kantian business ethics in new directions. I had thought that *Business Ethics in the 21st Century* would be my last book, but Cambridge

University Press offered me the opportunity to revise and expand on the first edition. I was delighted to take up the task. So here are my latest thoughts on Kantian business ethics in a context where there is much more enthusiasm about Kantian capitalism than there was when the first edition was published.

I remain indebted to those individuals and institutions who contributed so much to my being able to successfully complete the first edition. As for the second edition, I wish to thank the two anonymous reviewers for Cambridge University Press for their many helpful criticisms and comments. Several of the additions to this edition are the result of their critical analysis. I owe special thanks to Kendy Hess and Amy MacArthur who critically reviewed my account of corporate moral agency and allowed me to quote from their work, some of it unpublished.

I wish to thank several colleagues and friends who reviewed sections of the manuscript and made many helpful comments. Jeffery Smith and Marc Cohen were invaluable in that regard. I also benefited from questions and comments from a presentation based on Chapter 4 that I made at York University in Toronto. Mark Schwartz was especially helpful at that time.

I was marvelously served by three editors at Cambridge University Press. Paula Parish guided me through the initial contract and review process while Valerie Appleby and Joshua Penney guided me through the production process. Also thanks to the entire production team of Siva Prakash Chandrasekaran, Fred Goykhman, and Jim Diggins.

I am thankful to Blackwell Publishers, now a part of Wiley, for allowing the rights to revert to me and thus enable publication of the second edition. The discussion of corporate ethics programs in Chapter 2 is based on a portion of an article that Scott Reynolds and I published in *Business Ethics Quarterly*. See "A Kantian Perspective on the Characteristics of Ethics Programs," *Business Ethics Quarterly*, 14 (2004), 275–92.

Chapter 2 also contains my discussion of two critics of my analysis of meaningful work by Joanne Ciulla and Joseph Desjardins, which is heavily based on my article "A Reply to my Critics" in *Kantian Business Ethics: Critical Perspectives*, D.G. Arnold and J.D. Harris (eds.) (Cheltenham, UK: Edward Elgar, 2012), 175–89. Permission granted by Edward Elgar, the editors Denis Arnold and Jared Harris, and by my critics Joanne Ciulla and Joseph Desjardins whom I generously quoted.

Chapter 3 contains material on a Kantian theory of leadership from a much more extended discussion of that topic. See “A Kantian Theory of Leadership,” *Leadership & Organization Development Journal* 21 (2000), 185–93, reprinted by permission of Emerald Group Publishing.

The central argument of Chapter 4 is that one can both be a Kantian and believe that good ethics is good business. Having profit as a reason for action does not violate Kant’s insistence that for an action to be morally worthy it must be done from the proper motive – because it is right. I also claim that managers have a duty to be beneficent, that is, to practice corporate social responsibility, and that doing so is also consistent with their obligation to seek profit. All this was argued in “Why Kant’s Insistence on Purity of Will does not Preclude Application of Kant’s Ethics to For-Profit Businesses,” in *Wealth, Commerce, and Philosophy: Foundational Thinkers and Business Ethics*, E. Heath and B. Kaldis (eds.) (University of Chicago Press, 2017, used by permission of University of Chicago Press.

Chapter 4 also includes the image of Professor Archie Carroll’s “Pyramid of Corporate Social Responsibility,” used by permission of Archie B. Carroll. Archie B. Carroll, “Managing Ethically with Global Stakeholders: Present and Future Challenges,” *Academy of Management Executive* 18.2 (2004), p. 116, adapted from Archie B. Carroll, “The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders,” *Business Horizons*, 34 (1991), 39–48.





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## Introduction

The first edition of *Business Ethics: A Kantian Perspective* was followed by several papers in scholarly journals such as *Business Ethics Quarterly* and *Journal of Business Ethics* on specific topics such as “A Kantian Theory of Meaningful Work.” For a few years after publication of *Business Ethics: A Kantian Perspective*, it seemed as if I were the only person working on a Kantian theory of business ethics. More recently, however, a number of scholars have become active in the project to apply Kantian ethics to issues in business ethics. Among these scholars are Wim Dubbink, Jeffery Smith, and Amy MacArthur. *Kantian Business Ethics: Critical Perspectives*, the festschrift on my work in business ethics, presented a number of innovative ideas for expanding the Kantian business ethics project into such areas as business obligations to the environment and business obligations in the financial service sector that was stimulated by the financial crisis of 2008–09. In addition, other scholars began to show how various claims made by Kantians could be tested empirically. A more detailed discussion of how Kantian capitalism dovetails with empirical research follows later in this introduction.

The new group of scholars mentioned in the preceding paragraph have made much use of Kant’s *Metaphysics of Morals* to move the Kantian project forward. In the first edition, I ignored the *Metaphysics of Morals*, an oversight that I have tried to correct in the second edition. The second edition weaves insights from *Metaphysics of Morals* and Kant’s later moral and political philosophy throughout the chapters as the subjects under discussion warrant.

One of the areas in which the *Metaphysics of Morals* has been most helpful is in the discussion around the debate about corporate agency. That debate is one of the few areas of business ethics that I have virtually ignored throughout my career. The debate about corporate agency is the debate around the notion of whether corporations are sufficiently like people to be held morally accountable. Historically



Peter French has defended the notion of corporate agency while a host of critics have been allied against it. In this second edition, I have a lengthy discussion of this debate and my own defense of a somewhat limited notion of corporate agency. Since I want a theory of Kantian capitalism that applies to all three levels of analysis – the individual, the organizational, and the societal – I felt it necessary to provide an account of corporate agency that would allow me to speak of holding a corporate entity – as distinct from an individual or individuals in the corporation – responsible.

Philosophers and social scientists have often been in conflict about the value that each brings to the table of business ethics. Some social scientists have thought that if ethical analysis is not based on scientific facts about how organizations and businesspeople behave, then philosophical ethics and by implication Kant's ethics have little practical relevance. Some philosophers, on the other hand, have thought that their social science colleagues have missed the point, since the job of ethical theory is to ask whether the corporate conduct can be justified, and if so on what grounds. The fact that people behave in a certain way does not mean that they ought to behave in this way. As social scientists and philosophers have attended each others' conferences, especially in meetings of the Society for Business Ethics and the Social Issues in Management Division of the Academy, and have published in the same journals – *Business Ethics Quarterly* contains both empirical and philosophical research – I had thought that much of the old animosity between the two had disappeared. Unfortunately, a recent development has rekindled the animosity, especially by those called behavioral ethicists who have questioned the utility and legitimacy of philosophical ethics. Some of the leading spokespeople in that group have been quite aggressive in arguing that in light of what we know about human behavior, philosophical ethics is useless as a tool for changing corporate behavior.

In the first edition, I said the following about empirical research in business ethics: I believe that empirical knowledge does have an important role to play within Kant's theory. I then quoted Kant.

Practical philosophy (that is, the science of how man ought to behave) and anthropology (that is, the science of man's actual behavior) are closely connected and the former cannot subsist without the latter; for we cannot tell whether the subject to which our considerations applies is capable of what is