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Essays on Business and Leadership Ethics

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A note from the writer

I was born in 1955 and am a professor of management and leadership at the University of Jyväskylä, with a solid academic track record. My main academic work has been research in the area of business ethics and corporate social responsibility (CSR). Based on my research I have written around a hundred publications, of which about fifty can be seen as scientifically significant, in one way or another. I started as a business leadership major at the University of Jyväskylä in 1977. General studies sparked my interest in philosophy, and in time I became more and more interested in it. I graduated as a Master of Economics in 1982, at which point I had already done Advanced studies in Philosophy. Nevertheless, I did my postgraduate studies in economics and began to study corporate societal responsibility in 1983. At the same time I continued my studies in philosophy and graduated as a M.Sc (Philosophy) in 1986, the same year when I finished my licentiate's work on societal responsibility for the Business Studies program in the University of Jyväskylä (Ph.D in Economics 1991). At that time, I was already also interested in the thematic of business ethics. These fields were not popular in economics at that time, nor in the academic philosophy in Jyväskylä, where Steinerism and Marxist-phenomenology trends prevailed. My own orientation has correlated with traditional Anglo-Saxon analytical philosophical ethics. In 2003, I was appointed as the Docent of Business Ethics in the University of Joensuu (now the University of Eastern Finland).

The world has changed a lot in the last 30 years, i.e. in the same period of time where my own research mission and philosophical orientation was formed, and became words and deeds. A huge change has occurred during these years; during the 21st century discussion on societal responsibility, programs and dialogues on business ethics, and other such programs have become a daily part of business studies and corporate practices. Nearly every day the media tells us what corporate responsibility should be, and what kind of ethics companies should adhere to. This was not so in the beginning of the 1980's. My ideas were considered strange and even reprehensible. Fortunately I have, as a tenured professor, for ten years been able to advance the idea of broad business responsibility and of the know-how and development of responsible business practices. I am also happy about the large number of researchers, colleagues and other co-writers whom I have inspired to take an interest in these matters. I have also been lucky enough to tutor a large number of the best dissertations on the fields of business ethics and societal responsibility. I am an interdisciplinarian and an interdisciplinary philosopher. Almost all of my most essential publications on

the science of leadership or business include an overt ethical position. This is the application of ethics into a business context: applied ethics, as it were.

Special thanks must be given to my instructor professor Eerik Lagerspetz, who has given me an opportunity to defend my doctoral thesis in a distinguished academic seat of learning; the Department of Philosophy at the University of Turku. During the last three years he has actively directed my work with patience and kindness, given me invaluable hints on improving my work and also pointed out the philosophical slips in it.

I would also like to sincerely thank all my co-writers and co-academics, who, during the last few decades, have pondered philosophical questions with me.

Abstract

As this is a dissertation, an academic thesis, it is important to define the *objectives of my research*, even if ex post facto, explicitly:

- To define, develop and study the concept of business and leadership ethics.
- To empirically study the phenomena associated with business and leadership from an ethical perspective.
- To create a new framework for the development of responsible business.
- To create an “acid test” for my body of works, i.e. a test and an evaluation on how well my research and ideas hold up under academic philosophical reflection.

The utilitarian reasoning had the most support when the actors justified their actions regarding economic benefit. (=instrumental good). Duty and benefit were often mixed up in people’s speech. Their meaning contents were blurred and the argumentation lines created by the actors were broken. This can be interpreted in a way that supports Frankena’s mixed deontological philosophy as a frame of reference. Deontological reasoning was used e.g. in describing the personnel management processes of a company.

Virtue ethics is a favourable starting point for studying management and leadership ethics. All the actors studied could name virtues for their operations, towards which to aspire to. They also named professional practices already in use that they considered to be virtuous.

Finally, I wish to state that normative ethics is an important branch of philosophical ethics, if also very important in applied ethics especially. From the normative standpoint, the results of this dissertation want to lead nations, communities and individuals towards the virtues of democratic leadership and sustainable economic development.

Contents

PART I: INTRODUCTION

1. What is this philosophical dissertation about?.....	9
1.1 Ethics and business ethics, and my own philosophical thinking	12
1.1.1 Why is it important to practice business ethics and reflect on business responsibility?	18
1.2 Through case studies towards a new synthetic outlook on the relationship between philosophy and human sciences.....	24
1.2.1 The relationship between ethical and empirical scrutiny – case studies research and conceptualism.....	27
1.2.2 The concept of responsibility, its types, and the conditions of assuming it (articles 1, 2 and 3.)	30
1.2.3 Responsible business and the responsibility of a company from the historical perspective	33
1.3 - Management and leadership - charisma and leadership.	36
1.3.1 Good and bad leadership – the ethics of leadership	36
1.3.2 Plato on good leadership	41
1.4 Case studies on tangible ethical problems	43
1.4.1 Lying and leadership	43
1.4.2 The ethical dilemmas of a retailer	46
1.4.3 The virtues of a manager – empirical research on the ethics of managers who perform personnel dismissals.....	47
1.4.4 From virtue to practice: one model for good leadership – dialogic management	49
1.4.5 Towards more ethical practices in relationship marketing.....	50
1.4.6 The ethical orientations of personnel in mergers in the electricity supply sector.....	52
1.5 Summary, discussion and conclusions	55
References.....	59

Part II : The original research articles

ORIGINAL RESEARCH ARTICLES

1. Takala, T: Ownership, Responsibility and Leadership - a historical perspective. *International Journal of Social Economics*. Vol. 26, No 5-6, pp. 742 -752, 1999 .
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PART I: INTRODUCTION

1. What is this philosophical dissertation about?

Is it right for someone to get advantages that in my opinion do not belong to him, or on what grounds should e.g. taxation be decided? These kinds of everyday musings include an ethical element. Ethics is a part of daily life. So are business ethics and leadership ethics. The times are favourable for ethical musings. Many poignant things have happened in the world. Terrorist threats, the EU coming apart at the seams, warlike attitudes becoming more and more common. There are also many things happening with economy that touch the moral consciousness of John Q. Public. How to relate to and resolve ethical conflicts, when they usually have two sides to them? This is often the case with business life as well. Even if a company knows something to be wrong, market pressures do not always afford it to implement the most ethical option. During the past decade, the study of business and leadership ethics has promptly become more academic; there have been new scientific journals that for their part offer new solutions to ethical and economical problems.

Neither my *dissertation* nor this introduction will focus on presenting the definitions of ethics, morality or philosophy through a massively large conceptual-historical presentation, but instead aims to introduce the basic background as much as it is practical for discussing the main topic: business ethical studies (presented in the form of articles). It is also not my intention in this introduction to create a new understanding of the role of ethics in the world; I aim to describe, in sufficient quantities, existent research and philosophising on this part. My own philosophising will occur with the progression of the text.

This work is an *article dissertation*, where the majority of the contribution is formed by the eleven business-ethical studies I have chosen from amongst the articles I have published in the course of my career; some written by myself, some together with other contributors. The main purpose of this introduction is to present and justify the factors that join these eleven articles into one dissertation on applied ethics. This task is not easy, however, as the articles do not form one self-evident whole. They are not comprised, for example, of the sub-results of one research project. Nor are they very

closely related temporally. These articles were published as relatively independent ensembles between the years 1995 and 2009.

My intent is to bring my scientific-philosophical body of works to be evaluated in the academic philosophical community. The purpose of the *Introduction* is to broadly present, discuss and explain the problems, phenomena and themes academically studied in the research articles. In comparison to the articles, this Introduction chapter has a more essayistic dialogic tone. In the dissertation articles questions are discussed, studied and solved in accordance with the academic research logic. All of the articles have been studied, edited and approved by international evaluators.

The *Introduction* is an important part of my dissertation. It gives background information on the articles, but also functions as a precursor for what is to come and is the end result of my own business ethical thinking. The structure of my presentation is as follows:

Part I: Introduction

- the concept of ethics, morality and philosophy: what do these mean
- research in business ethics, theory and tradition
- my own business ethical thinking
- ethics and empirical case studies: the relationship in-between and the special nature of them
- description of the contents of the research articles with background information
general reflection on research phenomena
- the results, conclusions and summary of the dissertation

Part II : The published articles

- research articles

As this is a dissertation, an academic thesis, it is important to define the *objectives of my research*, even if ex post facto, explicitly:

- To define, develop and study the concept of business and leadership ethics.
- To empirically study the phenomena associated with business and leadership from an ethical perspective.
- To create a new framework for the development of responsible business.

- To create an “acid test” for my body of works, i.e. a test and an evaluation on how well my research and ideas hold up under academic philosophical reflection.

I chose a selection of my articles for this dissertation to demonstrate my academic competence in philosophy. I have written, either by myself or with my colleagues, several dozens of philosophical or philosophically-orientated articles suitable for this dissertation. Choosing the appropriate dissertation articles was difficult. In my opinion, though, I have managed to select just those articles, which are of good quality scientifically, and appropriate considering the focus of this dissertation.

The following things were studied in the empirical case studies:

1. The societal level. A company is an economic unit of society – it must function as a corporate citizen in society (“good corporate citizen”). This is how a common man wants to think and this is also what both industry and commerce preach.
2. In discussing responsible business, a question occurs: how to allocate responsibility to a company as though it were a person. Individual responsibility vs. collective responsibility becomes the focus of scrutiny.
3. The ethical responsibility on an individual level – what are the individual’s possibilities for good leadership under the stress of economic system compulsions?
4. If we choose to think that a company is, and wants to be, a good corporate citizen, it would be natural to think that a company functions as a societal actor and raiser of the quality of life. To what do we base the demand that this is how it should be? Does a company have a duty to function in this way, or is it a virtue, which is not as binding a thing as duty?
5. The three ideologies of a company’s social responsibility. My research results on social responsibility culminate in the form of a scientific-philosophical framework in this research article.
6. A leader can lead his followers to good as well as evil. What are the building blocks of good and bad leadership? Can or should a manager lie? How does a discharging manager, as the agent of the efficiency measures demanded by the

organisation, see his role, and the moral pressures associated with that role?
What does Plato think of good leadership?

Charisma is a characteristic that is associated with efficient leadership. Charisma can also be dark charisma, which is disastrous for those being led. Why does bad and unsuitable leadership occur, and how could it be disposed of? What is the relationship between ethics and charisma?

7. Marketing is said to manipulate people and attempt to create new needs, the fulfilment of which allows companies to get even bigger profits. It is necessary to develop an ethically sustainable framework for companies, one that can be used to create an efficient and practical marketing strategy.
8. Seller's ethics are one traditional area of professional ethics. What are the moral dilemmas of a modern retailer?
9. Social responsibility – and business ethics themes affect especially personnel in corporate fusions. How does the personnel experience these challenges from the ethical perspective?

In the following sections I will present my ideas from an ethical standpoint. Afterwards I will go through research articles, and consider their relationships with each other. I hope that this will explain how my ideas have been applied and tested in empirical articles.

1.1 Ethics and business ethics, and my own philosophical thinking

We can easily find hundreds of recently written philosophically valuable articles and books that begin with the definition of the term “ethics”. The same is true about other areas; e.g. values and axiology is a separate branch of ethics, one that has its own resounding research tradition. I will not study these areas in depth, nor contribute to them, as the focus of this dissertation is different.

Simplistically put, my research mission is as follows:

The comprehensive idea of this dissertation is the combination of empirical and philosophical examination. The first main thesis (1) is that empirical studies (case studies) are important for business and leadership ethics. This study aims to prove their significance. This study does not use traditional philosophy with mere

conceptual speculation, but instead is a creative attempt at application, which combines philosophical analysis and real world empiria. The result I hope to be new philosophical and empirical knowledge, and normative ethical instructions that better the business life.

My other main thesis (2) is that ethical theories (virtue ethics, deontology and utilitarianism) have meaning, truth and explanatory power in understanding and explaining the actions of people and organisations.

It is necessary to somewhat define ethics and morality, and posit my own ethical thinking. First I want to express a few general thoughts on the status of business ethics in economy and modern society. The majority of decisions made in companies do not clearly belong to a moral or immoral range. However, each decision does include the implementation of some value, even if it is hidden. With Sonera, something went wrong a decade ago. In the techno craze of the 1990's, the owners of Sonera – the Finnish state included – became infected with greed and short-term profit seeking, which wrecked Sonera's enterprise culture. The acceleration was fast, but the result was an ethical belly landing.

Such phenomena as mentioned above are just the thing to wake up our sometimes-slumbering sense of justice. On the other hand, business life should also be given some "ethical thanks". This is often overlooked. Half a decade ago, a large Nordic bank donated the most valuable art treasures from Nordea and the Bank of Helsinki to an art foundation it had started. This was a way to guarantee that the core of the art collections remained a part of Finnish national property. A Finnish-supranational forest giant decided to donate hundreds of hectares of valuable national landscape to the Finnish state for the establishment of a national park. In addition, the company agreed to preserve over a thousand hectares of forest around the national park without any compensation. But the unit shutdowns made by this paper group are felt to be non-responsible actions, and as such garner constant reproach from citizens. Each coin has two sides.

Ethical evaluation does not mean rebuke, but independent inspection based on a rational consideration and argumentation of our values. Business ethics is also trying to develop tools to help manage companies better. Thus it is often normative ethics. In the long run, an ethically operating company is more successful than an unethical company. This principle is an ideal, one that we already wish to be true today. Empiric evidence has been presented in support of this argument. Such evidence is sometimes supportive and sometimes not. The consumer of tomorrow will be even more

concerned with ethical factors when making purchase decisions. Several research results support this argument. One often-used argument is that economy belongs to a field that cannot even be evaluated from an ethical standpoint. According to these researchers, economy is a field with laws of its own, where the regularities of the market economy hold true. In this kind of thinking, the market has no morality. On the other hand, economic theory states that while a complete competition prevails, the mechanics of market forces correct any societal harm caused by the market. However, the real world does not behave in the way textbook models suppose. Moral evaluation will occur in the field of economy, too.

“Ethical” and “moral” are key words in the Finnish vocabulary. When outlining these terms, the advice of the philosopher Ludwig Wittgenstein comes in handy: “If you ask for the meaning of a thing, look for its use”. In the Finnish language, the terms “ethical” and “moral” are used as synonyms. It is also thought that ethics is the “theory” of morality, which is a real world phenomenon. Business ethics studies the phenomena of economy from an ethical standpoint. The ethical ideal of economics has traditionally been utilitarian. The utilitarian weighing of things is probably in a dominating position in practical business life as well. Utilitarianism is in trouble when the speculation is extended to involve an individual’s rights and responsibilities. These days the business life is concerned with questions of e.g. the use of child labour, fair trade principles and social responsibility. The ethical theory that complements utilitarianism and can answer such questions is deontology. This theory holds that people have unalienable rights and responsibilities that each of us is obligated to follow.

A frequent question is: what is good leadership? This question points to virtue ethics. What are the virtues that an excellent leader practices? Virtue ethics is about the person, the individual and his actions. These three theories form the basis of business ethics, although there are other relevant theories, too.

Whether the companies see ethical evaluation as ethics, striving towards good practices, or vinegar, a necessity to uphold a good public image, is determined by many things. The ethical balance of a company’s operations is affected by the corporate culture, the method and level of the systematisation of leadership systems, the economic situation and many other things. The ethical evaluation of companies is here to stay. It is done by many authorities. The customers vote with their feet, if the product’s ethical profile is not up to speed. Employees consider a company’s ethical calibre when choosing a place of employment. Financiers evaluate a company’s

ethical calibre when doing financing decisions. Interest groups weigh ethical factors when deciding on companies. This is not yet a standing practice today, but it might be the reality in a decade or two.

Ethics is the glue that binds communities, which makes it possible for people to live together. Societal, social and economic life would be impossible without ethics and morality. In order to function, societal life needs norms and rules that are not man-made laws, but more informal guidelines. These include disapproval (punishment) and thanking (acceptance) as mechanisms that guide actions. On the other hand, the law follows ethics; in time ethical codes become laws and written decrees.

Ethics as a phenomenon and as a theory is an ancient object of study and consideration. In ancient Greece, Socrates taught ethics verbally using dialogue. His student Plato, for his part, created a comprehensive written body of works, as did Aristotle, who was a student of Plato. As the history of philosophy teaches us, almost all of the important philosophers have had some kind of written ethics, even if the person in question worked in another field of philosophy, such as in e.g. epistemology. As the reader can no doubt see, in the scope of this work it is not sensible to put together a commentary or analysis of the ethical concepts of even the most influential philosophers. Thus I have chosen for the analysis only such philosophers and theoreticians who are relevant for the empirical case studies.

Through the ages, thousands upon thousands of books, studies and articles have been written about ethics, morality and philosophy. The purpose of this dissertation is not to create yet another history of philosophy, but to focus on a specific theme: economic ethics, business ethics and leadership ethics. My research is therefore a part of the field of applied ethics.

Ethics can be defined as a sector of philosophy, which studies the nature, origins and sphere of good and evil, right and wrong, justice and other concepts related to them. The concepts of morality and ethics are closely related. Generally it is thought that ethics is the study, analysis and classification of morality (an empirical phenomenon). But, as was mentioned before, these terms are often used as synonyms of each other. The ethics of a corporate manager can mean both an ethical investigation of the morality of a corporate manager, and an empirical phenomenon – how a corporate manager functions and practices moral judgement and choice in his own work.

It is generally proposed that ethics and philosophy arose in ancient Greece, where free white men practiced philosophy and contemplated profound questions such as:

- what is the meaning of life
- what does a good life for a person mean
- what is a good society like.

Ethics as a theory can be, for example, divided in half:

1. the first question ensemble discusses what a good life means to an individual i.e. a person, and what the requirements for such are;
2. secondly, the question is: what does a person have the right to do, what kinds of choices should he make and to what duties should he commit to.

The thematic of the first point is therefore linked to a man's aspiration towards an ideal, whereas the second point gives answers to a person faced with serious challenges.

The latter ensemble deals with norms that govern such behaviour that otherwise threatens to lead to conflicts and problems in interpersonal relationships.

The central question therefore is: how to live and choose correctly, if and when a person truly wants to receive all the relevant information, plan his actions in the long run and forget his own (short-sighted) interests. In short, ethics would mean searching for good foundations and respecting them on the action level (see Airaksinen, 1987, and Takala, 1993). What about business ethics? Based on the previous we can define this concept on the basis of my own ideas:

- *Preliminary definition.* Business ethics is, or at least it should be, the search for the foundations for good business life. Searching for what good business life as a whole is, from the standpoints of both business life and its interest groups. In this definition, business ethics is thus perceived to be a branch of applied ethics, one that studies the ethics practiced by or in companies – i.e. the morality, rightness or wrongness of business life practices and aims to develop rules that advance the use of ethical practices.
- Business ethics can be defined in several ways. *A broad* definition could state that business ethics is a part of economic ethics, one that studies the moral foundation of economic systems.

- *An analytical definition of business ethics* emphasises the meta-analysis of the concepts of good and bad, and right and wrong in the context of managerial and commercial practices.
- *A descriptive definition* emphasises the explanation and description of the moral values and attitudes dominant in business life and also influencing managerial decision-making.
- *A normative definition* highlights the “sollen”-nature of business ethics. Business ethics has to give normative moral directions on how business life should behave (and how one should behave in it), so that it is behaving in a morally correct way.

Extended definition: Business ethics can be seen as a branch of applied ethics, one that aims to study and analyse business life practices, and to develop them in a more ethical direction, i.e. in such a direction that while fulfilling its main task – satisfying people’s needs through profit seeking – business life would take human values more into consideration.

Business ethics is therefore a practical philosophy, which aims to combine ethical analysis and empirical scientific research. Such is also the case with this dissertation. Nearly all of the research articles include empirical material, which is considered against an ethical concept framework.

It should be noted that the terms “ethical” and “moral” have several different meanings depending on the language area in question. In the text I use these terms mostly as synonyms. With the terms “ethical” and “moral” I therefore mean something aspiring to good, e.g. for me, an ethical or moral life means much the same as Aristotle’s search for “a good life”. As a premise I presume that people have an innate moral consciousness, with which a person can separate good behaviour and thinking from bad behaviour and thinking. Furthermore, I presume that a person can understand “good” through his insights. Additionally, I presume that there are at least some objectively legitimate values that everyone can accept. More so I presume that there are hierarchies of values, e.g. a division to absolute and instrumental values.

One of the areas of my studies is a so-called *considering the status of the critique of instrumental reason*. “The triumph of instrumental reason” is typical for modernism and also for post-modernism. This is likely related to Max Weber’s “dis-enchantment of the world”. By instrumental reason the ethicist Charles Taylor means the kind of

rationality we use when we calculate the most economic use of tools to achieve a certain objective (Taylor 1995, 36). This is, in a way, a cost-benefit analysis, that well-known economics method. There is a danger that this thinking is applied to such areas of society where it is not meant to be used. Strong societal tendencies pressure people and groups, and different agents, to instrumentalism. Instrumentalism becomes the master, and thus it is no longer a servant. A corporate manager and a bureaucrat both function in an “iron cage of capitalism”, which robs them of their free will and even forces them to act in contradiction to their consciousness, and also into excess instrumentalism. For its part, business ethics can provide solution models for this problem. Utilitarianism, virtue ethics and deontology all have their own views on instrumentalism. These themes are recurring in my research articles.

1.1.1 Why is it important to practice business ethics and reflect on business responsibility?

The following section takes a brief look at some studies where the empirical approach is merged with ethical study. The study of business ethics is outlining the way towards a more responsible and just society.

It must be possible to guide companies' actions towards more responsible practices. Companies often express on their websites and on other announcements grandiose values, which are aimed at increasing commercial profits both through smoke screens and also sometimes for an altruistic ethical desire to do good deeds. People who regard responsible business cynically think that such business is only concerned with polishing its image and with PR. In such situation the vital tools are seen to be e.g. environment and responsibility reports (see Kuvaja, 2010). This would be manipulative action, of which e.g. “greenwash” is an example.

Business ethics offers a tool for conducting business more effectively and productively. Heiskanen (2011) states that the significance of responsibility and ethicality in society and economy has grown in the last decades. Progress has produced new vocabulary, indicators, reporting systems and a whole set of different frameworks. The roots of sustainable development can be found in the 18th century. The term was first used in forestry, in evaluating how many trees could be cut down and still guarantee the viability of the forest. World Commission on Environment and Development defined sustainable development to be “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Sustainable development became a more common topic of conversation

in the 1980's, whereas social responsibility has been discussed as early as in the 1950's. David Bowen defined social responsibility as a duty to look for practices and policies that are consistent with the objectives and values of society. Originally social responsibility was discussed in more general terms instead of the current focus on the social responsibility of companies in particular. States, municipalities, universities, churches and organisations have an equal stake in the responsibility. A new international standard, the ISO 26000 – Guidance on Social Responsibility, was published in November 2010. This standard is historical in many ways. It applies to all kinds of organisations, not just companies. In my opinion it is a rehabilitating approach. It is unrealistic to expect that companies alone, even though they do have a significant role, could change all for the better. The ISO 26000 standard was shaped and created in co-operation with representatives from 99 countries. According to Heiskanen, it is the largest project on social responsibility to date. (Heiskanen, 2011).

In my opinion, emphasising ethicality and values as factors that guide business activities can be seen to have a different weight depending on e.g. the ownership base or judicial company type. It is easier for the owner manager of a family business to incorporate his ethical values into the company strategy than it is for the CEO of a company listed in the stock exchange, who functions as the representative of the faceless investors and who must act in a way that maximises the profits of the shareholders.

It is right to practice business ethics as it helps to create a sustainable economy and production in the future. As Elo-Pärssinen (2007) states, even while social responsibility in family businesses is strongly present in everyday interest group relations, and family businesses are active lobbyists and benefactors, the strategic significance of this is not yet fully acknowledged or utilised. There is a value base present in family businesses on which it would be easy to develop more strategic socially responsible activity. Companies should figure out a suitable form and manner of socially responsible activity – one that agrees with its values and strategies. A successful strategy choice is one that is consistent with owners, managers and employees, as then there is more enthusiasm and motivation for carrying out the strategy. These kinds of self-fixed strategies could be used to increase a company's competitiveness and socially responsible activities.

According to Siltaoja (2010), the responsibilities and immaterial social resources of businesses can be seen as political-moral phenomena. Thus they are not neutral or interest free phenomena, but something that people use to advance their own

well-being through presenting specific viewpoints. On the other hand, the important questions about who defines the conditions and contents of responsibilities can become blurred. Companies should better acknowledge the demands of time in justifying organisational practices and events. Moral reflection, for example, has not traditionally been a part of business communications. Justifying the making of contradictory decisions in organisations requires several kinds of moral reflections, and the contents of messages should be drafted with different arenas in mind. Siltaoja additionally states that the organisation's members and groups should better understand the existence of a multi-voiced organisation in questions of responsibility.

Genuine business ethics is not about "greenwash", instead it is a sometimes critical activity that does not favour companies, but acts without interests. Companies' relationship with the natural environment has changed dramatically in the last 50 years. They want to control their business activities with this non-represented interest group as well. Onkila (2009) finds that the study of corporate environmental management has been dominated by technical and strategic orientation. Is there room for humanism and ecologism in this model of corporate environmental management? I feel that in wanting to manage the environment, it is seen merely as a resource and a tool for raising the standard of living in societies. Can environment be managed in the first place? Probably not. How could it be possible to manage an interest group that is not a real actor even as a group. In economy, a good life is seen as materialistic well-being, regardless of spiritual elements. The use of natural resources is guided by the instrumental value theory. Nature is thus reduced to a subordinate position, and it is seen to have only an instrumental value. Environmentally oriented business ethics can lead the way towards a more sustainable development and ecological worldview. It has to be possible to apply this ethics on an individual company level as well.

Relating to the previous thematic, Järvenpää [and Länsiluoto] (2011) has studied the development of the environmental performance measurement in a large company. According to him, the strategic adaptation to pressures of organisations has been studied by e.g. Oliver (1991). Oliver states that there are different adaptation tactics from complete resistance all the way to complete conformity. One key strategy is compromising between external pressures and actual activity. In the target company studied by Järvenpää, the search for such compromises seems to have been at issue. In this company, environmental issues were seen as important and there was an effort to advance them, but it was done in a way that most benefited the company by linking the environmental issues directly into economic profitability. Nevertheless, considering the values prevailing in the company, it was really the only possibility of

getting something done. This matter has gotten credibility because of the economic benefits coming to the company, and the values of protecting the environment and sustainable development were not framed as associated objectives. Järvenpää's study showed that in order to advance the important issues of environmental responsibility, compromises have to be made. For many reasons, high ideals are often impossible to implement in practice. They cannot be implemented unless it is really necessary – and it rarely is, unfortunately. Generally it is thought that unless responsibility brings concrete gains – often money – to the implementer, it is not worth doing. Järvenpää feels that often organisations and the people working in them have to be skilfully persuaded, in order to actually implement new ideas, such as corporate environmental management that focuses on environmental objectives and sustainable development. His study showed that one mechanism of such persuasion is to link the new issue to economic values and institutions already prevailing in the organisation. One must either be able to circumvent or work in the companies' power structures. He states that in regards to research, this process is associated with the *pragmatic truth concept*, which is used in the constructive research: that which is true, works in practice. Järvenpää continues that the world is, of course, not that simple, but that this may help to consider, as an ethical question, how it is wisest and best to advance environmental issues in companies. Is persuasion acceptable? How to widen a narrow concept of corporate environmental management into a broader idea of responsibility? Should it be done in as ideal and theoretically orthodox manner as possible, or in baby steps and practical ways that also benefit the companies? Most likely the ideal solution can be found somewhere in the middle. Nevertheless, the greatest global change can probably be accomplished, when as many companies as possible can be persuaded to do at least something, often with the help of compromises and persuasion. According to Järvenpää the answer to this depends on what kind of ethical viewpoint each applies. Should one apply utilitarianism, which bids to choose the most profitable alternative? Who all should be considered when looking at the benefits? Should other than economic benefits be evaluated? Should one apply virtue ethics that directs to act in a way that can be seen as noble in the prevailing circumstances, as Aristotle professed? Or should one use Kant's deontology, which prompts to act as correctly and truthfully as possible?

Practicing business ethics can bring about a possibility for personal growth. Kooskora (2008) has studied the moral development of Estonia's companies with the Reidenbach and Robin model. In her study she discovered two new stages of moral development: the double standard and the ethical vacuum, which the previously mentioned model did not recognise. The RB-model emphasises the organisational

culture as the central factor in a company's moral development, and the role of the uppermost management in the shaping of that culture. Kooskora points out that even though internal factors cannot be underestimated, her study shows that the role of the company's external operational environment was quite central in the development process in Estonia.

In her definition of ethical personnel management, Lämsä (2010) states its fundamental object to be the advancement of the best possible work community. More cautiously, though, it can be said that ethical leadership is needed so that people can work together in a constructive way in order to fulfil the organisation's main function. At the bottom of it, it is a question of promoting humanly sustainable and good activity in the work community. The tasks in ethical leadership can be seen as follows: to keep the work community together, to lessen human suffering and problems, to advance the well-being of the work community and to attempt to solve conflicts of interest between people in a just and constructive way. Improving the trust of the work community can be divided into the following stages of ethical development:

- 1) from unfamiliarity to pursuit of profit,
- 2) from pursuit of profit to acquaintance,
- 3) from acquaintance to moral acquaintance and
- 4) from moral acquaintance to partnership.

According to Lämsä, the first stage requires justness, honesty, consistency and trustworthiness form the leadership values. In this case the objective is for the members of the work community to be able to know and predict the common rules of the community, such as the reasons and consequences of rewards and punishments. The development from the pursuit of profit to acquaintance is achieved with organising that makes co-operation possible, and with communication and interaction. The values of leadership are openness and collaboration. These help in the exchange and distribution of knowledge, and the discussion of new ideas and issues from new viewpoints. In this stage specifically, people learn to understand and interpret each other's realities, structures of meaning and perceptions. In the acquaintance stage the emotional trust also begins to strengthen; the members of the work community are acquainted with each other and exchange thoughts on more than just work related issues. The acquaintance deepens into a moral acquaintance through an involving

and empowering leadership. In this stage, the leadership values are involving people, empowering and shared learning. In this stage at the latest, the members of the work community become responsible objects – involved in the framing and decision making of possibilities and conditions concerning their work and work community. They will have room to act. Lämsä finds that moral acquaintance can lead to partnership, which requires the deepening of involvement and empowering towards dialogic and critical reflection. Shared and pluralistic leadership is the value base from which these spring. This means continuous negotiation, challenge and reflection on the objectives and methods of the work community. (Lämsä, 2010).

In my opinion, the mental growth and ethicality of a leader is manifested as honesty and equity in leadership behaviour. The research and normative development of leadership ethics strives towards better leadership. Auvinen (2010) has studied manipulation in leadership. He found that in trying to get employees to work in a specific way, some of the managers in the study admitted to using manipulation. Manipulation is not always conscious, and the manager himself can also be the target of it. Some managers admitted using conscious manipulation in challenging situations particularly. Nevertheless, it was difficult to differentiate manipulation from other kind of influencing and persuasion, not to mention define the level of consciousness. Thus manipulation cannot be approached solely as the dark side of the exercise of power. It is impossible to completely define the incurred good or bad, but manipulation is clearly destructive if the target suffers from it. Auvinen further states that a manager can, in fact, attempt to convince people of matters that differ from reality. In the stories he tells, a manager can, for example, link the current state of the organisation into different ideal states – or even into future horror scenarios. This way a subordinate can be persuaded into working for a low salary or in poor working conditions. It can even mean fraud, where the subordinate does not know that the story is meant to support the manager's intentions. Auvinen further ponders if, at the end of it, every organisation does not in fact attempt to persuade people into supporting its values and objectives, regardless of whether all intentions have been communicated or not. A manager can seemingly commit subordinates to organisational change by including them in the building of common meanings. This also exposes the manager to the possibility of manipulation, as the subordinates can embed their own ideas about the manager and the organisation into the common story. It would probably be naïve to presume that the exercise of power is always done transparently and one way. However, it can also be seen that in principle, storytelling is an action that aims to influence with a narrative – not manipulate. The material studied by Auvinen reveals that storytelling can have several different objectives,

and that it can involve both softer and manipulative leadership at the same time. According to Auvinen, the research results brought about interesting questions. The material concerning operative managers raises the question whether manipulation is more acceptable if the manager feels that he has to fool his subordinate in order to do his job? And how should one react to manipulation, if the manager embellishes the workplace reality by telling stories; portraying the workplace to be better than it is? A question for the whole managerial work concerns one manager's attempt to create a notion of a leader who appreciates his subordinates and empowers them: How much is the feeling of empowerment the same as real empowerment? Can a subordinate's notion of working for a democratic and appreciative manager become real in the storytelling of the organisation? (Auvinen, 2010).

1.2 Through case studies towards a new synthetic outlook on the relationship between philosophy and human sciences

“Critical-synthetic business economy and business philosophy combines and borrows tools from other sciences in building a wider-ranging than earlier general impression of the questions in its field. From this standpoint it is possible to analyse e.g. market ethics, corporate social responsibility and leadership ethics in a relevant manner.” (Takala, 1995) [Tiedepolitiikka no 3/95]

Business ethics is its own research branch, with its own research and publication forums. The research methodologies in use are also varied. The most respected publication channels are the Business Ethics Quarterly, the Journal of Business Ethics and the Business Ethics – A European Review.

The journals contain an almost balanced amount of studies done with the following methods:

- 1) survey studies
- 2) studies that test hypotheses
- 3) conceptual studies
- 4) qualitative case studies

The articles in this article dissertation include several case studies. The traditional philosophical approach is conceptual or concept analytical. This kind of research or

philosophising does not contain references to outside the text or to the real world. In this dissertation the approach to reality is different from the traditional philosophical approach. I call this kind of approach *the synthetic approach*. With this approach I mean the manner of “philosophising” that connects the conceptual philosophical analysis and real world research, so that the empirical reality is also considered. This synthetic approach requires that the applied ethics must better consider the real world and the ethical choices and problems that actors face in it. The synthetic approach is interdisciplinary. In the studies discussed in my dissertation, psychology, business economics, sociology and philosophy come together to form a creative combination.

In addition to the interdisciplinary element, I wish to emphasise *the critical aspect*. Critical approach in leadership and business ethics means not only the use of a descriptive approach but also a critical approach to the practices of business and leadership activity. Matters should be questioned and contemplated from several different standpoints. I feel that the meaning of philosophy is to also change the world, not just describe it. The critical business economics-synthetic approach can be defined to include the following principles or methods. So what would be the core features that characterise this kind of science? What would the business economics philosophy of a critical company be like? We can define the critical scientific attitude and also the business economics of a critical company as activity that aims to question previously accepted and non-reflected opinions of science and its societal function. It also questions the reigning technical knowledge interest.

It allows both a critical and ethical perspectives.

It studies the so-called “objective questions”, i.e. the relationship between means and objectives that prevails in the actions of

- a) business research and
- b) corporate life itself.

Kaleidoscope is a good metaphor for information gathering and perception. The use of this metaphor helps us to, at least partially, resign ourselves from the correspondence type concept. We can then move towards a post-modern, relativist consensus theory of truth. Truth is not the “undistorted mirror image of reality” as in the young Wittgenstein’s “reflection of truth theory”, but instead the truth is in the “practices” (cf. Wittgenstein; “If you want to know the real meaning of a term, look for its everyday use”). A powerful meaning-theoretical hint can also be seen in this quotation. Being critical is an action akin to shaking. The truth, with a lower case t, would be reflected from each of the kaleidoscope’s glass octahedra always

different, but unique after each critical inspection, i.e. shaking. Analogically this could mean the same kind of interpretation process as when watching a “picture” meant as an art object. In the language of the post-modern, this would be a “truth (picture) viewer’s revolution”. Since the picture (truth) does not have a previously agreed upon “common” structure independent from the viewer, the viewer revises the meaning of the picture (truth). The horizon of the viewer’s expectations has thus at least as much extent in directing the meaning as the “facts” that are present in the picture.

Therefore a study done using a post-modern approach would not be focused on objects or truth as such, but *standpoints* instead. The essential thing is to create different standpoints that are just as real or true according to which side of the object one wishes to thematise. In critical research, some pursued absolute, such as a concept of a good life, is not nailed down, but it is instead seen as if running away, when one tries to reach and define it. In this case the “real” definition of a “good life” will escape after each shake. This is why the definition of both criticality and also of good life can be done through *procedurality*; these terms must always be redefined again and again before beginning the research process and also in the course of it. (See Takala, 2010).

The case study approach is usually associated as a subtype of qualitative research. This is part of the philosophical *erklären-verstehen*-problems. The motto of the understanding and interpreting philosophers’ is “We explain nature, but society and humans we understand”. The traditions of phenomenological and hermeneutical philosophy are relevant for qualitative research. The methodology of the articles in my dissertation is not only conceptual, but mostly also utilises qualitative empirical study methods. Interviews, participating observation, etc. have been used. Through the case studies it is possible to showcase the accentuated professional context and those (social-psychological processes) that are behind the ethical-philosophical decision, reflections and actions of the actors. The subjects under study are different kinds of actors: managers, subordinates, companies, fields of business, etc.

This approach does have its problems. It is not very common to combine ethical examinations and empirical research (although some parts of social ethics do use it). Traditional philosophy may therefore regard the *synthetism* under this kind development in a pessimistic and negative manner. A traditional philosopher with a negative attitude towards synthetism could say that philosophical ethics should remain as a devout servant of Minerva’s owl, and not to stray into “dirty empiria”.

I, however, think that we must “get our hands dirty” and approach those who do not believe, instead of continuing to preach amongst the flock of “believers”. By this I mean that the business sciences and corporate actors were not the first ones to try to heal the world and grow anxious over the ethical problems. I think that they should also face the challenges and demands of ethics. This is one of the reasons why these bound studies were made.

In his new book (2010), philosopher Timo Airaksinen proposes that ethical theories (utilitarianism, deontology, virtue ethics) have only the same kind of meaning as “games” to people’s lives. Therefore one could not take them at all seriously when applying these theories to real life. I do not agree with this, and I believe that this dissertation supports my claim that ethical theories do have meaning. I think that philosophical analysis, synthesis and reflection can all be realised with these theories. It is this position I wish to argue and support with and through *empirical case studies*.

Ethical concepts are specifically needed to understand how people – in business also – function. These actors perceive their own position and behaviour also from an ethical perspective. Ethics theories aim to systematise and, if needed, to mend these perspectives.

I admit that the relationship between case studies and ethical theories can be seen as problematic. However, I think that *the purpose of applied ethics* is to at least attempt to apply ethical concepts in the real world. If this is not so, or it is felt to be unnecessary, then the whole idea of applied ethics collapses and this branch of philosophy becomes meaningless.

1.2.1 The relationship between ethical and empirical scrutiny – case studies research and conceptualism

The case study method has been used in almost all of the research articles discussed in this dissertation. This research method does not attempt to look for causal connections, but instead aims to understand and qualitatively explain the phenomenon under study. It is also often called the hermeneutical or understanding approach. The study aims to give a rich description/explanation for the phenomenon under study instead of trying to generalise from the sample onto the fundamental set, or other such. The case study methodology is well discussed in literature, so it should not be necessary to explain this method on the general level. It is, however, necessary to link the thematic of my research into a specific branch of

the case study methodology, i.e. conceptual research, which uses also real world phenomena as research material.

Applied ethics is in part *conceptual research*. The methodological choices, problems and relationships in this dissertation can be partly considered in relation to my writings on “interpreting conceptual research”. It is a method that allows for partial use of empirical material (texts, pictures, other real world phenomena).

The objective of interpreting conceptual research: to interpret the meanings included in concepts and their definitions.

Research material: E.g. texts on concepts and their definitions or interview material in written form.

Forming an interpretation: Contextual, bound to the chosen theoretical standpoint.

Research process: Hermeneutic circle.

The interpreting conceptual research is a method belonging to the interpreting research paradigm in the organisation and leadership research. It is interested in interpreting concepts and their definitions in written, textual form. The concepts and their definitions are contextual, and the interpretation of them is bound more or less closely to the theoretical perspectives chosen by the researcher. Interpreting conceptual research aims to describe and interpret the whole formed by the meanings of the concepts. In the interpreting conceptual research concepts and their meanings are therefore the objects of knowledge, and interpreting their meaning is linked to contextual matters. Thus the given meanings linked to a concept alternate and change in association with different situations and uses. The interpretation is also affected by what theoretical standpoint the researcher chooses to thematise the concept. As interpreting conceptual research is interested in texts, language has a strategic position in it. In my opinion, a mere language-theoretical perspective as the basis of interpretation is not enough, and must be supplemented with context understanding. This contextuality and thematising from a theoretical standpoint are precisely the things that differentiate interpreting conceptual research from the traditional analytical conceptual research, and which justify the necessity of the interpreting conceptual research defined in this dissertation as a research methodological alternative in organisational and leadership research. An interesting question regarding contextuality is what meaning non-linguistic thinking has in the formation and interpretation of meanings. For example, the creative, intuitive and

reflective thinking we exhibit in conjunction with the formation of new concepts, is evidently partly based on man's non-linguistic activity. Combining this perspective into the hermeneutic interpretation perspective is going to be important in the future. (Takala and Lämsä, 2001)

The idea of interpreting conceptual research leads to seeing the concepts and the meaning-givings associated with them as continually changing, dynamic processes. The concepts are thus equivocal, changing, and socially and culturally constructive. However, paraphrasing philosopher Ricoeur's thoughts, this does not mean a lack of clarity and specificity in the research, but rather an opportunity to produce opposite and rich interpretations (Kusch 1985). Interpreting conceptual research helps to decipher the diversity of the concept, and the researcher must accept that the meanings of the concepts change and that their interpretation is always in a sense "unfinished". The research potential and literacy of the interpreting researcher grow to be an important factor in interpreting conceptual research. In other words, not only do the meanings change, but the interpreter's ability to interpret these meanings is also a variable and essential part of the process and creativity of the interpreting conceptual research. While interpreting, the researcher always puts, in some way, at risk both himself and the competency of the interpretation at different times and places. Therefore both openness and readiness for constant learning and discussion are expected of the researcher using interpreting conceptual research. In other words, even though new concepts are continually forming, agreeing on a shared meaning-giving is ultimately a micro-political process. Establishing concepts into common language use is usually a slow process, and also tied to the possibilities of a use of power. For example, Hardy and Phillips (1999: 20) observe that the field of organisational and leadership research has not yet succeeded in finding out what causes changes in the definitions of concepts and creates new concepts. (Takala and Lämsä, 2001)

This dissertation also faces the challenge of conceptualisation. Several phenomena have been studied in my research articles, from many different perspectives and using many different frameworks. It could, of course, be said that empiric reality and philosophical conceptual analysis are incompatible with each other, and that philosophy as a whole has no place in this kind of "mixed methodology". On the other hand I believe I have successfully brought e.g. ethical theories into investigating the empirical world's ethical problems and also to produce normative instructions, so that better professional and corporate practices can be created.

1.2.2 The concept of responsibility, its types, and the conditions of assuming it¹ (articles 1, 2 and 3.)

Am I responsible for all the evil in the world? Existentialism states that people are thrown into the world, are totally responsible, and are born to that responsibility. This kind of responsibility may easily seem too demanding to everyday thinking. Would it not be fair, if the responsibility of each person was limited to those acts and duties that he can personally influence? What does the law say and what does morality demand? An irresponsible person can be a good, but at the same time weak, human being. Is responsibility a virtue or perhaps something more demanding?

When we talk about responsibility, it is important to note that feeling responsible and assuming responsibility cannot be reduced to just the level of obeying passed laws. Obeying the law can be said to be a minimum requirement in rational interaction between people. On the other hand, obeying the law can go against the actor's own personal moral consciousness.

One must also be aware of the dilemma between egotistical and altruistic activity. In my opinion, feeling responsible, assuming responsibility and being responsible in practice has to include more than just egoistical activity and motivation – it has to include a communal element, a desire to do the right thing without putting personal gain first. What then is moral responsibility and when and in which circumstances can it be discussed, assumed and felt? The question related to this context is as follows: “Can a human action be deemed right or wrong on the basis of its consequences, or is the nature and justification of the action judged on its motive or intention?” The teleological theories of ethics have a different answer to this question than deontological theories. Some answers are between these two, e.g. William Frankena represents the so-called mixed deontology, and states that when evaluating actions one has to consider principles from both schools of thought.

Another important question is when a person is morally good, and when his actions are morally acceptable. To this some philosophers answer that a person and his actions are good when, and only when, they are done out of duty or from a desire to do the right thing. This position is represented by e.g. the Stoics and Immanuel Kant. The teleological position in this question is represented by utilitarianism, which judges the rightness of the action on the basis of the good coming from the consequences. The right action maximises the utilitarian good (sometimes happiness) of the society.

¹ This presentation concerns dissertation article number 1 Takala & Pallab (2000)

Happiness is therefore a utilitarian good. The previous comment is something that utilitarians have often disagreed on. For the earlier utilitarians, such as Bentham, good was pleasure. For the contemporary utilitarians, and economists especially, good is the fulfilment of preferences and desires. For J.S. Mill and some others, good also has an ideal element.

A third group of philosophers, mainly the traditional Oxford school (i.e. Ross and other intuitionists), considers human behaviour and action to be good, if it is done primarily out of a sense of duty, even if other motives are also present.

According to utilitarianism, and consequentialist theories generally, the goodness of a person depends on the consequences of his actions, of their worth (however that is measured). I feel that if we look at ethical theories from the perspective of how benefits and burdens should be divided in society, the deontological theories mainly cannot answer how it should be done. Instead deontology contemplates and presents how an individual should fulfil his ethical duty. Teleology studies and presents normatively e.g. how a calculus should work, so as to have the largest possible gain for the largest amount of people (e.g. utilitarianism).

Let us define the circumstances in which assuming responsibility can be seen as possible and justified. When talking about allocating responsibility to a moral actor, a person, at least three different situations can be differentiated.

- 1) We say that person X is a responsible person and, at the same time, we profess something positive about his character.
- 2) We say that person X is responsible for the consequence, situation or action (e.g. a crime) he has caused.
- 3) We say that person X is responsible for doing thing Y, etc.

Aristotle posits an important division between voluntary and involuntary action. Firstly, he states that a certain action is thought to be involuntary, if the person is acting out of ignorance. The external force is therefore physical and caused by ignorance, although the ignorance has to be something the actor himself is not responsible for.

The responsibility argumentation is closely related to the question of adaptability of determinism to moral responsibility. With determinism I mean a perspective that holds that each event, including human-made choices and expressions of will, is caused

by a causality chain due to a necessary cause. Conversely, indeterminism denies the previous position and holds that phenomena can happen without a necessary cause.

Is a company a real person able to feel responsibility although it is a collective actor? Can it feel/assume moral responsibility? In this inspection, the concept of action is at focus. I feel that a responsible action has to be intentional in nature. A company can have societal responsibility. At least this is assumed in everyday life and conversation. We say that Nokia is responsible for this or that, we do not reduce Nokia's responsibility to just its CEO. Stephen Elop, or whoever is running Nokia, does not define the company's social responsibility alone, nor does he feel personal responsibility for it. On the other hand, a CEO does carry a large part of the responsibility, and he can be rewarded or criticised for fulfilling it. Nevertheless, we can, at least figuratively, talk about the responsibility of a collective.

An action and acting can, in the philosophical sense, be separated from the concept of activity or process. An action means something already meant, the condition for its possibility is the action's intentional subject.

Ollila (2010) posits that in addition to the traditional definitions of responsibility, we should also consider a so-called "responsibility as calling" concept. *"A company's actions become moral actions when they are done not for fear of retribution, but for a desire to do good deeds beyond the pursuit of profit. A responsibility can be morally sustainable only when it is done for the right motivation, duty to do good deeds that include a genuine sacrifice. A company can even lose profits when fulfilling their societal responsibility.* I can easily agree with this definition.

The obligation of assuming moral responsibility is allocated to all of us, if we accept the following two principles:

- even though we are partly determined due to previous events, we can break this determination by becoming aware of the significance of previous phenomena to the nature of our actions (=moderate weak determinism).
- since man is a thinking and reflecting being, his moral duty is to be conscious of these things and thus become a responsible actor.

Ethical responsibility is not reduced to legal responsibility. Ethical responsibility is primary compared to legal responsibility. The primary source of ethical responsibility is the person's "me", self.

The conditions for a responsible action are voluntariness, intentionality and accountability. When talking about responsibility, the essential things are the concepts of obligation, motive and consequence.

1.2.3 Responsible business and the responsibility of a company from the historical perspective²

The concept of responsibility traces back to classical times and has a clear ancestry. The church fathers in the middle ages explained that God was the creator of all things and that his creation was given for the communal use of man. Thus people had essentially only usufruct rights to their property. On the other hand, people had to create ownership relations in order to effectively use the resources given to their control.

Let us next look at one variety of responsibility, the responsibility for what an actor owns or controls. God had given all the resources for common use and they were meant to assist in the gaining of common good. Thus a person who owned something had a duty to use his "property" to serve the good of the whole community. This communal perspective is also apparent in the two-part ownership concept of Thomas Aquinas. On one hand, man has a right based on natural law to own his own immaterial and material resources, and on the other hand he has a duty to use his property in way that benefits the whole community. Additionally, the social obligation is primary. Ownership is thus seen as a kind of stewardship. Another noteworthy thing is that Aquinas considers the human individual to be the almost exclusive subject of the natural obligations and rights. Thus the natural laws belong more to the field of ethics than politics. A system of natural laws, the subject of which is the people, i.e. the whole society, is just at its infancy in his thinking. A proper collectivist natural law theory is not seen until in the works of Aquinas' later students, at the beginning of the new age. From this is then formed a revolutionary system of a society's collective objectives. But the beginnings of the collectivist natural law theory lie with Aquinas. First he pronounces that "from the nature of things" governmental or legislative power belongs to the people, but then he adds that in the prevailing circumstances

² This chapter deals with the research article no 1, Ownership, Responsibility and Leadership – a historical perspective.

monarchy is the best form of government. Then he states in passing that “from the nature of things” all property is shared, but in the circumstances after the Fall of mankind private property is the best form of ownership. (see Wilenius 1976, and Takala 1993).

Let us shortly look at the grounds on which the demand for larger social responsibility for companies is based on. One important argument is that since a company has a lot of power compared to its environment, it has to also accept social responsibility. Since a company’s actions and their consequences have a clear influence on society, the decision making in companies should not be done merely on the basis of the company’s own financial interests. The company’s management should use the interests of the whole social system as a basis for decision making. A company exists for the society; a society does not exist for the company. Society exists to ensure the well-being of people, not for the industry to prosper.

This “responsibility–power”-argument has also been justified by invoking the so-called iron law of responsibility. “In the long run, those who do not use power in a manner which society considers responsible will tend to lose it.” The implication of this for companies is that unless a company begins to assume a larger societal responsibility, it will lose both its power in the social system and its ability to influence its environment. The basic assumption behind this thinking is that the society has given shared resources for the company to use, which the company administers as a kind of “vassal”. As this kind of actor it is obligated to consider all interest groups, not just its owners, in its business. Thus the management, as the administrator of general well-being, is obligated to striving to manage the quality of life of the whole society.

In the 20th century, a modern business ideology began to arise. The old assumptions of classic economics theory on the nature of economic activity began to get pushed aside by the appearance of a new professional manager type in the company management. At this time, the idea of a company as a multi-purpose institution was developed. The status of companies in society changed, and a wider social responsibility was demanded of them. There was a desire to allocate this duty to the company and its management, on the basis that it had an obligation to it. Thus the management, as a public steward, was obligated to uphold and develop social objectives. It is further relevant that companies themselves began to understand the necessity of assuming responsibility. The short-term maximising of profit was replaced with an ideology more relevant for the long-term interests of the company. On the other hand, a

problem arose on how and on what grounds could companies be obligated to assume social responsibility. Since a company has a lot of power, it must also have societal responsibility. This demand was also defended by saying that a company “in the role of a citizen” is obligated to use its influence as widely as possible for the good of the whole society.

These days a company’s social responsibility means that a company should assume responsibility for its environment and at least its immediate society. Different interest groups and their needs are then seen to make the demand. Interest groups are groups linked to the organisation, with their own contribution and their own demands. These groups expect the company to act even in such areas that have traditionally not been part of the actual business. The societal responsibility of a company is therefore largely dependent on the expectations directed at it by different interest groups.

The consequences and responsibilities of business can involve the whole immediate community, the surrounding nature and the whole society. The most central standpoints, and the differences apparent in them, have been used to create three ideologies on companies’ societal responsibility. This classification uses a principle according to which the social responsibility of a company can be taken to mean anything from a very narrow manner of responsibility all the way to an extremely broad one that compasses the whole universe. The social responsibility of a company can be a positive thing for companies in the modern supranational world of the 21st century. By assuming and recognising social responsibility, a company can justify its operations in the eyes of the surrounding society. It also obtains a competitive advantage compared to such companies that, for one reason or another, do not want to practice socially responsible methods. A company may wish to act as a “citizen” in the society. In that case, it practices enlightened selfish activity, produces profits, but at the same time also actively participates in the development of the society. Therefore the principles of “*enlightened selfishness*” and “*company in the role of a citizen*” are based on the supposition that a company can act in a socially responsible way, if the company’s activity is primarily based on self-interest.

When a company aims to advance its own interests, while simultaneously taking into account the public good, its actions are socially responsible. Enlightened selfishness

offers a realistic operating principle for companies acting in the current market economy system.

A completely unselfish motive base for business is, in my opinion, unrealistic. The principles of enlightened selfishness and a company in the role of a citizen already offer and represent a higher evolutionary stage in recognising a company's societal responsibility than a mere maximisation of profit ideology. A still broader, modern ideology on a company's social responsibility includes a concept of the company's management in the roles of "trusteeship and balancer". In this case, the management of a company is considered to act as if in the role of a trustee, who balances out the claims of owners and other interest groups. The management does not only look out for the interests of the owners, but also takes into account the needs of the personnel, customers, producers and even the environment, like a responsible caretaker (trusted man) should.

1.3 - Management and leadership - charisma and leadership.³

1.3.1 Good and bad leadership – the ethics of leadership

Most people have a clear picture of what good leadership is like. The decades have done little to change this picture. It is an entirely different matter that this idea of good leadership does by no means come always true in the real world.

Shortly put, ethical leadership is good leadership: fair, just and effective. An ethical manager has to succeed on two fronts; he has to have good results and at the same time be a good personnel leader. Economical success (to make a profit) by any means necessary is not enough, but on the other hand, general well-being and a good feeling is not enough either, if the financial results are poor. An ethical manager wants to do his part in doing good, building a better world. A good manager simply wants to do the right thing. There are many things that make it hard to hold on to these good intentions. The ever-increasing speed of modern work life narrows the field of vision. The decision-making concerns ever-larger numbers of interest groups and other parties, whose viewpoints need to be taken into account. The world gets more complicated. Is it too difficult to be ethical? (See Heiskanen & Salo, 2007, p.17).

³ This chapter deals with the dissertation articles no 5, Takala (2009), Dark-side of Charisma: Elements of Irresponsible Leadership, and no 6, Aaltio & Takala (2001), Charismatic Leadership and Ethics from Gender Perspective.

Evil as well as good resides deep in the biology of man, even in the so-called ordinary man. It most likely would not be possible to reduce the amount of violence with e.g. genetic screening, since the abilities that make it possible are such an integral part of being human. (See Lauerma, 2009). Certain forms of pathological violence, such as violence based on psychotic intoxication, can be influenced with proper treatment. Then again, a hard as nails psychopath is a “tough nut to crack” for medical treatments. A psychopath considers himself to be a superior person, and cannot see himself as a sick individual. Other people are just tools to fulfil his narcissistic needs. A narcissistic manager is harmful, even dangerous, to his work community. In his quest for power he destroys the positive corporate culture, well-being at work and through this also the company’s keys to success.

Even though there have been many attempts to systematically develop leadership, it does not easily march in the wanted direction. In the 1970’s there was an attempt to replace authoritarian task management with management by objectives. Management by objectives emphasised the jointly agreed upon objectives of the manager and the subordinate, and the supervision and reporting to the manager of the responsible party himself. The work culture has changed from the dutiful following of rules into individual customer-responsible activity. The change in values has been towards more commercial and individual values. This also has its flip-side, which appears in the form of e.g. greed and indifference. The flip-side of the one-sided emphasis on individuality has often cast its shadow on the organisations and leadership as well. Management has too often become narcissistic and the extreme individuality has infected people with excessive competition, greed and jealousy. (Juuti & Rovio, 2010, p.11). One can even talk of actual bad leadership, incompetent leadership and the subjugation of people. (See dissertation article no 5.)

What does bad or incompetent mean? There are factors in big hierarchical organisations that contribute to the subjugation and exploitation of people. We can just as well talk about the psychopathy of organisations. A big organisation protects itself from any interference. It demands silence of its employees and its resources are nearly limitless compared to private citizen. A regular person does not even know how far its tentacles reach. As a part of an organisation, a regular person can behave rudely, even unscrupulously. People who are privately moral can act in immoral ways in the domain of organisations. For example, supranational companies are often immoral, as they are so big that one part of the corporation does not know what the other part does. The product may be worthless, but the salespeople keep selling it without asking any questions. No-one will acknowledge the mistake, because it cannot be

identified as made by some particular individual. Even cover-ups are started to hide mistakes. Child labour is used, and even obvious work slavery. Often evil is born from the concealment and criminal cover-ups. Mining operations (or oil drilling) can cause great destruction, but the consequences of them are not discussed unless a major catastrophe occurs (such as that of the Gulf of Mexico). The marketing logic demands success, and can easily lead to overkills and even crimes. In the name of aid to developing countries, a company can sell obsolete or over-priced products that can no longer be sold in developed countries. The evil in an individual can be caused by genes or traumas. Or a combination of those. The evil in the economic system and in its parts (companies) is the result of the imperfection of the system and of the organisational pressures that force people into evil. The voice of the individual's conscience is silenced by the propaganda of huge corporations. The manager has the greatest responsibility in resisting evil and recognising evil in the system. To what extent is the individual's evil a conscious choice? This is hard to answer comprehensively. Nazism was legitimised by the rules of the parliamentary system; the evil and evil leaders were born according to the "banality of evil-logic" (Arendt), and also because the leaders made a conscious choice to be a self-serving criminals. (See Ojanen, 2010). The purpose of ethics is to act as a guide towards a better and happier world. Through the analysis of bad management and evil leadership something positive can be achieved: better practices through trial and error. These can be called e.g. virtues.

Ollila (2010) states that *talking about virtues means talking about the characteristics of people. Charisma is one of the characteristics a manager is hoped to have. Is charisma a feature that creates a better life for the manager? Does it advance the communal good?* (p. 207).

The charisma concept, originally presented by sociologist Max Weber at the beginning of the 20th century, was included into organisation-scientific research during the 1980's, and it has reached an essential status in the leadership and organisational research. Great political figures and e.g. successful business managers are often said to be charismatic, without concern as to what it means. The media is full of interviews of exemplary, charismatic managers, where charisma can mean anything from leadership ability to shining energy or magical attributes. However, one factor connects the concepts of charisma: it is seen to somehow influence the people around the charismatic person. Charisma can be said to have power over people.

Leadership has been defined in many ways throughout the ages. Sometimes it was seen as the trait of certain great men, sometimes as a regular skill that could be learned and taught. One type of leadership: charismatic leadership has continued to be a subject of interest for both researchers as real world leaders alike. The Finnish translation of charisma means *a gift of mercy*. From the leadership perspective, charisma means appeal and potency, which are based on the leader's personal characteristics. Radiance and personal power prepare the followers for submission and obedience. Charisma is often associated with religious movements. The Church will have to comment on the acceptability of charisma in the 21st century Finland. The charismatic movement in the city of Nokia in the last few years has required the Church to take special action and to draw lines on what is right and acceptable for a Christian church. It is a question of irrational faith. In fact, the charisma scholar Max Weber holds charisma to be a matter of emotion that cannot be explained with reason. A charismatic leader functions as a kind of warm figure head, with which the members of the organisation can identify. The leader offers common values to which others can agree to. Commitment and trust are thus born from an emotional place, and the leader's followers reflect, as it were, the leader's vision of the final objectives of the movement. Charismatic leaders are not rule-following bureaucrats, but instead rulers who make up the rules. According to Max Weber, this emotional commitment is at the same time hoped-for, but also negative, in the sense that it does not offer as stable a base for activity as a bureaucratic organisation would.

A charismatic person has certain powers and traits that are considered to be extraordinary for a normal person, or even supernatural. These powers and traits make it possible to consider, and treat, him as a leader. The most important part of this process is the "proof" and acceptance witnessed by the subordinates, which is the foundation of a charismatic leader. This proof, often a miracle according to Weber, is based on the fact that the subordinates are committed to this phenomenon, to hero worship or to adamantly trust in the leader. The individual dedication can be the product of enthusiasm, despair or hope. As Weber states, the concept of charisma has many meanings – to some a charismatic leader can appear as a potent great man, and to others as a non-person on the brink of madness. If the leader does not continuously succeed or exhibit his powers, if the magic powers or god(s) appear to have abandoned him, or if his leadership no longer profits the subordinates, it is likely that the charismatic authority wears off. In comparison with other types of authority, Weber calls the charismatic authority irrational and a stranger to all rules. Charisma

can also function as a great revolutionary power, one that can influence subjective notions and redirections that are the products of suffering, conflicts or enthusiasm. In this way charisma can be used to radically change attitudes and redirect the actions of individuals and communities. (Weber, 1978). However, Weber did not completely explain whether a leader's charisma was a characteristic separate from society, or solely dependent on the recognition of the subordinates (see Natunen and Takala, 2006).

Charisma can also be so-called dark charisma (dark side of leadership). (See article no 5.) If he so chooses, a charismatic leader has the power and ability to manipulate his followers. He is then said to have dark charisma. This kind of activity and characteristic causes havoc to individuals and societies. Adolph Hitler and Josef Stalin are often used as examples of destructive charismatic leaders. Different kinds of cults are also known to form around leaders using dark charisma. All too often, the leader of such cults holds onto his power and vision until the last possible moment, which has dramatic results: mass suicides, vandalism and genocide.

The charismatic leaders of small communities are often abnormal personalities. On the other hand, actual mixtures of mental illness and charisma are extremely rare. Organised and constructive practice of faith is limited to cults; and cults and criminal gangs have certain common features. In order to become a member of the latter, a person is often required to commit himself to questionable actions. Many communities have a clear ranking method and a novice system. A community offers protection from a mental, imagined or real threat. They exhibit a longing for community and waiting for a Messiah. (See Lauerma, 2006). Such destructive movements have been e.g. Aum Shinrikyo, Japan 1995; Heaven's Gate, USA 1997; Movement for the Restoration of the Ten Commandments of God, Uganda 2000.

Gendered charisma (see article no 6) is one subject of charisma research. Aaltio and Takala have also linked the study of ethical orientation to it. Do charismatic men and charismatic women have a different perception of charisma? This is what research article no 6 aims to answer.

An example of cults led by a woman was Kartanoism – which was led by the dark charisma of cult leader Alma Kartano. (Lauerma, 2006). The 16th century Queen of England known as Bloody Mary, is an example of a destructive force in her part as a powerful woman. On the other hand, women are more often associated with the white charisma of a good mother, who protects and does good (the Holy Mother). Mother Theresa is the epitome of self-sacrifice and compassion.

1.3.2 Plato on good leadership⁴

Plato was also a leadership philosopher. Until the rise of Alexander the Great, the Greek lived in small city-states (Athens, Sparta, Thebes). An individual could not even imagine life outside the community of the city-state. Due to this, morality and politics merged inseparably together, i.e. the participation in the tending of common interests of the state (polis). The main task of the state was to raise its citizens into good people. The governing of a state should be based on the knowledge of good, not on hunger for power or on the pursuit of pleasure. (Tenkku 1981,73).

Plato compared the state to the human body, in which the different parts complete each other functionally and work in unison. Thus Plato's opinions on administrative science correspond to early functionalism. In his dialogue, *The Republic*, Plato posits that in ideal states philosophers should rule, because they understand the idea of "good" and the objectives of a state, and also because they have the ability to rule according to those objectives. In the later dialogue, *Statesman*, Plato no longer talks about ideas that model the creation of an ideal state, but instead believes that there is a specific skill of ruling and leading (c.f. leadership), which he compares to the skill of sailing. According to him, this kind of skill of ruling can be based on scientific principles. The political science, which is above all other knowledge and skills, is responsible for laws and the affairs of state, and links them together. But according to Plato, a just ruler with a thorough knowledge of the political science and also with a moral character, is a rarity. Therefore it is better that the law is above the ruler, and the ruler must adhere to it. (Tenkku, 1981; Takala, 1994).

Plato applies the dialectic method in attempting to define the "concept of a statesman". The first attempt at definition – that the skill of statesmanship is as if wrangling of hornless biped herd animals – is unsatisfactory, because it does not differentiate true statesmanship from mere affectation, nor from other societal roles. A later attempt begins with a myth referring to the periodics of the universe (c.f. *Timaeus*) and tells of the time of Cronus, when gods and daemons directly controlled the actions of men.....later on, a visitor from Elea rules out competitors and pretenders from the definition of a statesman, and proves in detail how the skill of a statesman or a king must be based on knowledge about the real interests of the people being ruled and the ability to connect all the different character types into one harmonically functioning whole. The discussion of the tension between sensible ruling and lawfulness is later continued in the dialogue *Laws*. (Thessleff & Sihvola 1994, 150).

⁴ This chapter deals with the dissertation article no 4, Takala (1998), Plato on Leadership.

Aspelin (1977) states that in *Laws*, the ideal society led by philosophers is replaced by a community ruled by law, in which the officials are servants of that law. (p.84). The idea is to find a feasible compromise, which is combined with the “mixed” polity of reconciling the interests of different social interest groups, to be implemented in the recently established Cretan city-state.

Thesleff (2011, p.221) clarifies Plato’s idea of “leading people” by bringing up the weaver example in the *Statesman* dialogue. He says that according to Plato, a real statesman has to be able to “weave together” (symplekein 306, c.f. Sophist) different personalities into a harmonic, functioning whole. Certain people, “the daemonic kin”, have a rigid correct opinion, or they develop one through upbringing (c.f. *Menon*, *Theaitetos*), which is directed towards the highest level of Plato’s model. A true statesman has to attempt to fit such individuals in the right way into the tapestry (310b). A statesman is not described as a philosopher, but apparently he is obligated to advance the good tendencies of others according to the principles in the dialogue *The Republic*. The result is achieved when the king’s skill has woven together the personalities of energetic and reasonable people in peace and friendship, and when this tapestry surrounds all members of the state, freemen as well as slaves, “taking care of everything a state needs in order to stay happy”. Thesleff continues on by saying that it is a shame that this optimistic image of the task of a true statesman remained such an obscure sketch that posterity has mainly ignored it.

Plato does not explicitly discuss charisma in his works, so this phenomenon must be opened and found through interpretation of his writings. Presumably a philosopher-king must have individual personal influence in order to rule effectively and justly. The emphasis on charismatic attraction is stronger in the “Statesman” as compared to the “Laws”, in which ruling and leadership are more emphatically based on the lawfulness principle instead of situation-specific consideration. Statesmanship is a practical skill earned through experience, which for leadership means that leaders grow into their skill, without it involving any mystical gifts or abilities endowed at birth. As a good sailor has learned the skill of sailing, so too, has a good leader learned the skill of leading.

1.4 Case studies on tangible ethical problems

1.4.1 Lying and leadership⁵

Why do we lie?

Each of us sometimes relies on lying to escape a difficult situation, to save face or to avoid hurting someone's feelings. Other people use lying in a much more conscious way in order to benefit or to gain influence. This causes suffering for those who have been betrayed. Bok (1981) defines as a lie each deliberately deceitful message that can be verbally expressed. Deceit is a larger concept, of which lying is a part of. The same way as knowledge is power, so is a lie. Lies can relay false information, to mislead people. Lies can also eliminate or obscure appropriate alternatives. The degree of uncertainty that is expressed by the way we react to our choices can be deceitfully exploited. This is manipulation on the degrees of certainty. The principle of truthfulness should be observed: in every situation where a lie is a possible solution, truthful alternatives must first be looked for. The simplest answer to the problem of lying is its complete rejection (Augustine). Kant defines a lie simply as deliberate untrue information. (Bok, 62). For him adhering to the truth is a duty, which no circumstances can overturn. Unconditionality causes problems; we also have an obligation to bear part of the responsibility for an accident that could have been prevented by lying. Consequences, innocent lying, white lies; all of these are situation-specific things. Does the situation dictate why, where, how much and to whom you can lie to?

A few years ago the prime minister of Hungary was caught in a lie. "We have been lying morning, noon, and night," said Prime Minister Gyurcsany. He encourages the party elite and explains that the economic situation demands sugar-coating. This recorded speech became public and the people were enraged. The people's derision led to protests that escalated into riots in Budapest. In leadership trust is an important thing. You can only lose it once. All people lie, even the most honest ones. There is not a person who does not sometimes let slip a white lie. Lying is a necessary part of our everyday life. However, sooner or later a liar will get his due. It is realistic to admit the existence, and even the effectiveness, of small lies in certain situations, whereas continuous lying destroys and corrupts.

⁵ This presentation deals with the dissertation article no 7, Takala, T & Urpilainen, J. Managerial Work and Lying: A conceptual framework and an explorative case –study.

A leader has to be even more vigilant; he must act as an example for his subordinates, and a lying leader sends the message that lying is accepted in the organisation or in society in general. Might we find: “Always act in such a way that lying will not become a general rule of behaviour”. This is Immanuel Kant’s “test” for those who favour lying. What would be the result, chaos? We cannot hope for lying to become a common normative directive. If anything, avoiding it guarantees a good life for us all. “Fair play” is a much better directive than employing illegal and unethical business promotion practices.

“Bribery and lying are often the custom, for without them you cannot succeed even if corruption is illegal.” This is what businessmen say when they want to successfully do business in foreign countries. However, corruption is like a cancer that destroys the healthy cell structure of an organisation. Corruption shrivels healthy business and competition. If I am a part of corruption, I contribute to negative progress in the community in which I do business. But “everything is relative” says the relativist.” I can do this, because everybody else is also doing it. So, if someone jumps into a well, I should also do that. Even if wells are now dry, jumping in is not good idea, as you can easily e.g. break a leg. Bribery in a foreign country can cost you your health and you money, even your life.

Do business managers lie – what, where, when, why?

In our study of lying, or not lying, by business managers (2002, 1999 Takala & Urpilainen) we found that the managers under review wanted to uphold a strict morality. All of them considered honesty, fairness and equality as their fundamental leadership principles. However, the interviewees admitted that sometimes managers face situations, where telling the truth is not the best solution for all parties. According to them, sometimes it is necessary to hide the negative aspects of things, and accentuate the positive ones. When discussing their own leadership, the interviewees generally did not talk about lying, but instead used the term “withholding information” when talking about situations where they had been forced to make a decision not to disclose the true nature of things. One of the two interviewed female managers was the only one to directly admit to lying to outside instances, such as training firms. Her opinion was that such firms did not need to hear the whole truth. All in all, the interviewees gave the impression that they wanted to uphold their ethical principles and avoid dishonest management methods to the last. They did, however, think that

it is sometimes necessary to compromise their own opinions for the public good. It can sometimes be more harmful to disclose things at the wrong time than to omit telling about them.

The researchers first supposed that different interest groups place different demands on telling the truth, and that telling the truth differs from situation to another. Both suppositions were confirmed. On one hand, one of the interviewees stressed how important it is to share information about the company openly and evenly with all parties. On the other hand they admitted that in some situations it is necessary to withhold information from interest groups. Such situations are, for example, corporate acquisitions, during which it is not possible e.g. to give all information to all interest groups. Another interviewee admitted that when his organisation applies for project funding from the Ministry of Education, he emphasises the positive aspects of his organisation, and omits the negative ones. Additionally, customer announcements include information on only positive things through the year, and what objectives have been successfully met. Failures or internal conflicts are left out. A third interviewee mentioned that he has to function as a kind of filter, because he has to consider what information can be told to what party. In a manner of speaking, withholding information is both the right and the duty of management. Consequently there is nothing wrong with it. The supposition that there is a difference between male and female managers in their notions about lying proved to be false. All interviewees thought lying to be deceitful verbal communication.

According to them, truth is:

- telling the truth
- basing decision-making on as thorough and right information as possible
- complete truth is unattainable
- being honest is telling the truth
- the opposite of lying
- lying is the telling of modified truth
- white lies are sometimes acceptable.

How to be truthful:

- thinking beforehand carefully about matters and situations
- business life requires an ability to make quick decisions, intuition helps adhering to the truth
- follow the voice of your conscience as much as possible

- developing tolerance for resisting organisational pressures.

1.4.2 The ethical dilemmas of a retailer⁶

The profession of a retailer can be defined to be a certain total of skills and knowledge. It also includes an individual's situation in society, politics, and economy. Professional virtues are justified because they serve the objectives defined within the profession (producing financial profit, continuing the enterprise, etc.). We can ask what the justification and objective of the retailer profession in society is. In the production and distribution system retailers represent the elimination of the differences between production and consumption. It does not seem practical to question this function, as it facilitates the actions of both producers and consumers alike. Also the internal appreciation and objectives of the profession can on their part influence attaining the justification and autonomy of the profession.

What is a good retailer like, what kind of character profile is acceptable to and admired by others? Who defines the character profile? The principle in quality control of professions is often seen to be that the authority of the professional can decide what is a successful performance and what is not. Thus a retailer's ideal character profile can be defined by anyone with formal qualifications working as a retailer.

Previously there appeared a question of what kind of value and authority the retailers themselves look for. Do they look for a strong authority and status, where they can perhaps dictate what kind of a product selection a consumer needs, and with what price and when is it sold? Or is perhaps the ideal retailer one who sells efficiently, gets bigger margins, even though he does not care for e.g. customer satisfaction or loyalty?

People in commerce professions are often exposed to different interest groups, and these interaction situations are possibly problematic also when analysing ethical methods. Charting of business managers' experiences with ethical questions has disclosed the problem areas to be in the relationships with employees, at the same level or above, customers, suppliers, and other concerned parties, such as shareholders, authorities, and media.

⁶ This chapter deals with the dissertation article no 8, Takala & Uusitalo (1995), Retailers' professional and professio-ethical dilemmas – the case of Finnish retailing business.

The results of empirical study give reason to presume that e.g. the following dimensions of a retailer's ethical actions can be found:

- rules vs. freedom
- principles vs. moralising
- boundaries vs. transition
- economy and morality vs. subjective deliberation.

This study analyses at a general level the themes and professio-ethical questions related to the profession of the business professional, the retailer. In a thorough study of the professio-ethical problems of business life it would be useful to analyse the decision making and the reasons for decisions separately with teleological and deontological theory. The reasoning behind achieving favourable consequences (bigger profits, employee advantage) or avoiding unfavourable ones (preventing any kind of harm to an individual or to society) is teleological in nature. Invoking a teleological explanation or reason means that an act or practice is seen as morally justifiable due to some matter outside the act itself. Deontological reasoning, on the other hand, is focused on the act itself, with an attempt to prove it either right or wrong. Many moral questions that come up in business life and have a right-wrong juxtaposition have no absolute solution. Perhaps in further studies it would be fruitful to take a closer look at rules based on individual observation and experience, and their applicability to business life.

1.4.3 The virtues of a manager – empirical research on the ethics of managers who perform personnel dismissals⁷

Lämsä (1998, 189) states that in the descriptions by managers interviewed in the study, the following virtues come up in the personnel dismissal management: assertiveness, fairness, courage and caring.

Assertiveness as a virtue is linked to the following thought. It can enable such preventive action in a company that downsizing and dismissals become unnecessary. This is the first and most important of the virtues. Assertiveness is about the ability to say NO and the desire to influence situations and people rather than to please them. When looking at the reasons behind dismissals, managers often describe internal reasons as the kind where unpleasant or difficult issues in the company have not

⁷ This chapter deals with the dissertation article no 10, Lämsä, A-M & Takala, T: Downsizing and Ethics of Personnel Dismissals – the case of Finnish managers.

been addressed early enough. Assertiveness is a characteristic that helps to confront difficult issues and attempt to address them. (The other virtues, fairness, courage and caring, come up when the company has to perform dismissals, and all of the virtues are needed together.) *Fairness* concerns the actions of the manager in dealing with the dismissal process, when the manager is expected to abide by the publicly agreed upon consistent grounds for dismissal and selection, in regards to all personnel, and treat the situation in a way that advances legal, fair, and open interaction. *Courage* as a virtue that comes up specifically in the discussion situations with dismissed personnel. According to the managers, a personal meeting is their duty. On the other hand, such meetings are considered demanding and even frightening. Courage is the ability to recognise fears and to meet the dismissed employee “face to face”. According to the managers, it also includes the ability to assume responsibility for the dismissals, regardless of whether the manager has had a role in the company’s economical problems. *Caring* is linked to the ability to take care of people, both the survivors and the dismissed, and the ability to honestly listen to them. There is more to caring than just relationships with other people, it also includes the manager’s relationship with himself. (Lämsä, 1998)

Virtues offer a possibility to attempt to outline some such principles in dismissal management that could be important in considering what is essential and important for practical management in this difficult and conflicting management task. Virtues do not directly give any concrete instructions on how managers should act in these situations. Instead of detailed instructions, virtues leave the judgement to the manager himself, without attempting to offer a simple guide or formula that applies to every situation. On the other hand, virtues demand that managers have the ability and desire to develop their moral understanding, and also the desire to act upon that understanding. In this regard, virtues are acquired characteristics, the having and using of which enables the appropriateness of the management assignment in an ethically acceptable manner. (Lämsä, 1998)

The relationship between ethics and *emotions* is also seen in the virtue context. Lämsä states that the manager gives the dismissal a morally evaluating meaning. From this the evaluative comparison to a believed human reality concept causes emotions. Emotions also have a gender aspect. Although, in this study (Lämsä, 1998) there were no apparent differences between the sexes in experiencing emotions, such as e.g. Gilligan (1982) claimed to exist in her noted study on the ethics of caring. However, the significance of gender comes up as a cultural construction. Here and there female managers explain emotions as part of their femininity. Men, on the

other hand, can often mask their feelings with humour or rough talk, which is often seen as a masculine way to handle difficult things. Additionally, managers attempted to partly transfer emotions on a general level to outside “reasonable” administration, and thus control the situation as a “competent, reasonable” professional manager. Nevertheless, dismissals clearly bring about emotions in the managers’ experiences. Although they are explained away, experiencing them is also described. In that case the manager grows more and more apart from the company and a professional manager, and views the experiences as an individual person. Control and attempting management points to the organisation and the world of the business manager. Experiencing feelings and resolving the conflicts associated with them for ourselves is private. (Lämsä, 1998).

In our article based on Lämsä’s licentiate work (research article no 10), it is further found that in the ethics of managers performing personnel dismissals, interpreted through their own comments, it becomes clear that the bulk of the moral reasons given in a dismissal situation is utilitarian ethics talk.

1.4.4 From virtue to practice: one model for good leadership – dialogic management

Dialogic management can be considered ethical action that is manifested in encounters with others. According to Juuti and Rovio (2010), dialogic management is empowering activity, the purpose of which is to get the other person to thrive. Behind this purpose is an ancient idea of ethicality. The concept of dialogic management can be summarised as an idea of an attempt to help another person to achieve a good life, and to make choices related to it. It could also be summarised to activity according to Kant’s imperative, in which a manager functions in such a way that the rule behind his will could also always be the basis of common law. In dialogic management the other person is put first. This means that the manager recognises his own responsibility while facing the other person. When the manager adopts the “face perspective”, he will also incidentally teach this principle to others while he interacts with them. Thus the whole work community can be rid of the self-centeredness plaguing modern communities. This orientation helps to move away from self-absorption, and towards a desire to work for others and the community. Dialogic management is an ethical activity also in the post-modern sense, in which good behaviour is considered to

come from looking at things from as many perspectives as possible. Thus a manager has to consider several perspectives before making a decision. Additionally, he must strive towards good, even knowing that it will always elude his attempts. This means that the manager cannot primarily lean on the rules that first come to mind, instead he has to match each case with separately adopted rules. In practice, dialogic management is carried out as preparative management, supervision, coaching and mentoring. Common to all these is the aim towards empowering dialogic speech, supporting and advancing others, and improving their performance. They also have in common the foundation of trust and open conversation. They aim to discover the potential in each individual. (See Juuti & Rovio, 2010).

1.4.5 Towards more ethical practices in relationship marketing⁸

Marketing as advancement of trade is an ancient method; already the ancient Egyptian traders marketed their products by yelling and appealing to gods and to people's vanity, especially when selling luxury items. Marketing as a branch of science was born in the 1950's. The objective of marketing is usually considered to be the advancement of commerce by offering the customer a service producing added value, fulfilment of need and securing a profit through the former. Marketing science is therefore a branch of business studies. Relationship marketing is a "theory structure" created by marketing science, one that attempts to create a useful normative method range for handling long term customer relations in a good and effective way.

Marketing practices are often criticised as being damaging and unethical. It has been said that marketing is a part of an exploitative capitalistic market economy system that creates new needs, and thus brings about non-sustainable consumption. New needs are a part of the false consciousness, which is the product of capitalism. Marketing as a science has attempted to renew itself and explain away this old stigma of "evil". In this article we wish to develop a new framework for more ethical building blocks of good relationship marketing. We approach relationship marketing from a new perspective; we use ethical theories to create a framework that helps to develop sustainable relationship marketing. This way marketing management can be planned and realised from the basis of ethical theories.

The developed strategy covers e.g. the following wholes:

⁸ This chapter deals with the dissertation article no 9, Takala & Uusitalo: Alternative view on Relationship Marketing.

- (1) Keeping promises and adhering to the truth.
- (2) Equal treatment of customers.
- (3) Commitment to the customer's interests.
- (4) The ethics of customer communication.

So-called codices have often been used in putting business ethics to practice. Companies produce principles that, on one hand, recommend things and lines of action, and, on the other hand, forbid or criticise some actions or things. These codices have often been criticised of e.g. “greenwash” and legitimising actions and plans that maximise shareholder profits without an honest, world healing approach. The codices are also often so vague that implementing them still permits almost all kinds of shady practices. It is these rocks we attempt to steer clear off in developing a framework for ethical relationship marketing.

Codex or frame can include the following wholes:

- *Creating common, sustainable lines of action*

Economic objectives hold a dominant position in business. An economic rationality can steamroll an ethical rationality. A market leader with emphasis on ethics can try to strenuously highlight its position and “hold fast” in regards of presenting an ethical agenda.

- *Efficient and comprehensive listing of ethical proclamations and value proclamations, and supervising the realising of them*

Value proclamations by companies have often been seen as “noise from empty barrels”. They have been blamed for being too general, covering up companies’ shady dealings, and proclaiming only economic values. I largely agree with this argument. What we need now are honest, ethical value proclamations.

- *Product and quality development that is based on ethical grounds*

Quality is ethicality, too. Of course, quality is too strong a competitive tool. On the other hand, an ethically made quality product is also an ethical sales object for marketing. Marketing attempts to sell the product; also the product itself has to be produced, marketed and sold according to ethical standards.

- *Ethical communications*

Manipulative marketing communication and persuasive marketing techniques on the whole are condemned.

- *Strong condemnation of illegal methods*

Bribery destroys social systems and cripples the economy. However, bribery is often justified as a “local custom”. Companies feel that they cannot succeed with honest methods, if their competitors use bribery. This claim must immediately be discussed and strongly condemned. If marketing practices show even the slightest sign of slipping into a grey area, it is time for a situation analysis and actions to prevent such a thing.

1.4.6 The ethical orientations of personnel in mergers in the electricity supply sector⁹

The idea of a career-long, safe and secure employment in the same job in the electricity supply sector has lost its meaning in Finland as well. The situation was assisted by the Finnish electricity market act of 1995 (386/1995), which freed production and sales from the network monopoly into free competition. In this case Finland followed England and the other Nordic Countries. The release of production and sales also influenced the fact that big corporations started vying for stronger positions. Time became favourable for purchases, and power plant sales expanded across Finnish borders. With the release of the electricity markets, the Swedish energy company Vattenfall also bought many Finnish electricity companies. Soon after the last purchases there was a decision to take advantage of the size of Vattenfall’s Finnish group by e.g. outsourcing operations. In August of 2001, the company sold its network contract operations – with 229 employees – to Suomen Voimatekniikka. With this acquisition the company became a contract company of 459 employees, owned by Vattenfall, Powest (subsidiary of Pohjolan Voima) and a few smaller stakeholders, and, at the same time, also a subsidiary of Empower.

The integration of an acquisition is always a supremely challenging and demanding task. In addition to economic issues, its success is influenced by people’s feelings and their contribution to the new entity. Changes are usually done to improve profitability, and the needs of the employees often receive less attention. The aim of this article is to present the ethical observations on the changes in business made during this study.

⁹ This presentation deals with the dissertation research article no 11, Syrjälä & Takala: Ethical aspects in Nordic Mergers.

The actual research target of the study was the meanings associated with the different ethical perspectives arising in the interviews. The ethical observation was done in connection with the rest of the interview, without it being specifically mentioned. The study group included altogether 35 persons from the branch of distribution lines that transferred from Vattenfall or already previously employed by Suomen Voimatekniikka. The interviews were made in 2001 and 2005. This article includes the ethical meanings from the organisation's management, higher office workers, supervisors and installers, and the way they have changed during the integration process, considered from the perspectives of deontology, utilitarianism, and virtue ethics.

Our research brought to light a moralistic transformation related to the moral decision making of managers who lost their position in the change. This scope includes even judgemental assertions that harshly criticise the new operations model and management, and also indifference of and lack of commitment to the new organisation. Additionally, the study showed how the good life of the personnel and the happy work community slowly break down, and are replaced by a longing for the old work community. This is why the personnel begins to look for the good life elsewhere. The table includes the most important ethical objectives/expectations of different personnel groups, and the corresponding ethical feelings following the change.

Table 1. Ethical orientations and occupational groups

Ethical perspective	Deontology (objective/ expectation)	Deontology (after the change)
Management	Right kind of organisation	Criticism of the operations model and new management
Experts	Right kind of organisation Clear rules Worry for the installer's employment situation	Criticism of the operations model and new management Lack of perseverance in operations Worry for own employment situation and that of the installers
Supervisors	Right kind of organisation Right work methods Worry about temporary layoffs	Acceptance of the operations model Work is done the same as before Amount of work has increased
Installers	Right kind of organisation Worry about temporary layoffs	Poor circumstances and a lack of respect for the management Feeling of losing the job

Ethical perspective	Utilitarianism (objective/ expectation)	Utilitarianism (after the change)
Management	Profitable operations Happy personnel	Indifference Lack of commitment
Experts	Old methods to be scrapped Operations model of a contract company useful	Criticising of costs and benefits
Supervisors	Old methods good Operations model of a contract company useful	Worry for finding new markets Organisation only interested in money Respect needed for the expertise of installers
Installers	Increase in how demanding the work is Worry for future travel jobs	Awareness of the importance of the management of finances Travel jobs and the continuance of employment, and the procurement of money needed to live
Ethical perspective	Virtue ethics (objective/ expectation)	Virtue ethics (after the change)
Management	Good life for the personnel Happy work community	Worry for the motivation of the personnel Negative feelings towards the organisation
Experts	Happy work community	Satisfaction with work and joy of life have disappeared Different camps with their own cultures No feeling of community
Supervisors	Far from the decision makers Worry for the coping of installers	Atmosphere amongst personnel good, but critical towards the organisation No common culture can ever develop No feeling of community
Installers	Fear of losing the feeling of community Fear of disappearing happiness Management becoming estranged from the common people	Satisfaction with work and joy of life have disappeared No common culture can ever develop Loneliness without the safety of the work community No feeling of community

It is interesting that also in the study done by Kujala and Kuvaja (2002), the scopes of decision making differed from each other in situations with moral problems; for example, the decision making of managers contained different moral scopes in different situations. This was the case also with this study. This supports the idea that in practice, moral decisions and feelings are largely conditional on the situations. Although ethics looks for universal moral instructions that fit all people in all situations, thinking and action in practice, especially in issues related to organisations and business, are far away from a consensus on the principles of moral decision making. Moral principles are known and thought to be important, but the influences

and demands of different situations are also taken into account. Each situation focuses attention also to the people present and the relationships between them. Thus we approach an idea of ethics in which dialogue between different people becomes significant, and the meaning of interaction in developing moral understanding is emphasised. (See Kujala & Kuvaja, 2002).

1.5 Summary, discussion and conclusions

It is not practical in this summary to further analyse the original research articles case by case, instead I will discuss the most important themes with a synoptic approach.

The study of applied ethics can help in many ways in shifting the practices of business life in the direction of more sustainable and not only utilitarian (instrumental) values. Nevertheless, this task is a difficult one. There have been many different kinds of morality guides, recipe books, written for managers to help them develop their leadership and organisation. It is possible to write this kind of a “training guide” emphasising ethicality without the kinds of research done in this dissertation. However, these training guides are not philosophical in the traditional sense, but are closer to opinion literature. These books have their place as products that managers, for several different reasons, wish to buy and use. This dissertation could not be labelled as traditional philosophy either, but neither is it opinion literature, relying instead on the power of *synthetism*. This concept that I have developed myself, is, of course, not set in stone, but instead a continually changing and evolving model on understanding, thinking and studying the world.

In this dissertation I have aimed to prove my two suppositions:

The comprehensive idea of this dissertation is the combination of empirical and philosophical examination. The first main thesis (1) is that empirical studies (case studies) are important for business and leadership ethics. This dissertation aims to prove their significance. This dissertation does not use traditional philosophy with mere conceptual speculation, but instead is a creative attempt at application, which combines philosophical analysis and real world empirical reality. The result I hope to be new philosophical and empirical knowledge, and normative ethical instructions that improve the business life.

My other main thesis (2) is that ethical theories (virtue ethics, deontology and utilitarianism) have meaning, truth and explanatory power in understanding and qualitatively explaining the actions of people and organisations.

How well I have succeeded in this research will remain to be determined by experts of philosophy and future generations of researchers in the field of business ethics.

The inclusion of the empirical world into philosophical developments causes many problems from the perspective of traditional philosophy. Many of the objections are probably such which are impossible to answer comprehensively, and to which a traditional philosopher can argue successfully. However, philosophy is, or in my opinion it should be, more normative influence of practices, than chess-like argumentation, in which the best move or endgame determines the winner. Philosophy should change the world, not merely describe it, as Marx commented in his time. This task is helped by:

- synthetism and
- testing ethical theories through and with empirical case studies.

In nearly all of my case studies, I have used a framework of ethical theories – utilitarianism, deontology and virtue ethics (the UDE framework in short). My studies have also included an empirical section, in order to study how the above mentioned theories present themselves, and do they even work in the real world at all – an in management and business in general. My framework comes very close to the premise that von Wright developed in his work “The Varieties of Goodness”. This includes the following terms, concepts, and phenomena:

- instrumental good – absolute value good
- technical good
- virtuous good.

Even though von Wright uses the term conceptual approach about his philosophy, i.e. deontic logic, he often uses examples, real world observations, to argue for his reasoning. Thus the empirical world enters philosophy as if by through a backdoor.

In his new dissertation, Nojonen (2011) states that the position of the virtue philosopher MacIntyre is that no theory of morals philosophy can be neutral in relation to empirical research, and that specifically the Aristotelian “science of politics” has, since the research done by its founder, attempted to be empirical or dependent on the

results of empirical research. The Aristotelian conceptualisation makes it possible to have a discussion with philosophical research, empirical scientific research and the research, planning, and decision-making related to political institutions. The Aristotelian concept of man is, of course, essentialistic and teleological. But due to its functionalism, the Aristotelian concept of man is compatible with the naturalistic approach, maybe even requiring and supporting it. MacIntyre has later on, in developing an essentialistic concept of man and ethics, relied on the tomistic tradition. Though it should be noted that the Augustinian psychological concept of man that is fundamentally connected to his tomistic concept of man, is valid regardless of the Christian essentialism: there is plenty of empirical support for man's fallibility and susceptibility for corruption. (Noponen, p.58).

As a result of this dissertation, I can state that I found a relevant use and explanatory power for the framework (UDE) I used in my empirical case studies.

Trust is a virtue often linked to business. Functioning business relationships are impossible without trust. On the relationship between trust and virtues, Noponen (2011, p.14) states that a man who is trusted can be considered to act according to virtues. Since he is considered to have virtues, he is trusted to act as expected, often in a predictable and regular manner, in such a way that the things commonly held important or good are realised and thus secured. It would therefore appear that a lack of virtues causes mistrust and is thus an obstacle for good communal life. This does not mean that any such human characteristics or traits, as virtues are considered to be, actually exist. Analysing the concept of trust between humans brings forth the fact that we often think something like that about other people, and that our regular vocabulary is sufficient to naturally discuss these kinds of thoughts, even though the words "virtue" and "vice" are archaic and rare in everyday language.

The organisatory system compulsions are felt to restrict ethical behaviour, e.g. bribery must be used. Corruption can be justified with "local custom", and thus the speaker relies on relativistic value and norm ethics. From interpreting the results, it appears that evil, or pathological, leadership is seen more as learned phenomenon than as an innate characteristic. It is therefore a vice, an acquired trait.

For many decades, marketing has been considered a suspicious activity that renews commercial values. One of the articles in my dissertation attempts to create more ethical marketing tools. In fact, this has been a very successful study, as the article in question has often been quoted and used internationally to help in marketing development. That is good. This article also uses the UDE framework, which is

currently presumably tested in companies around the world. Additionally, the UDE framework was proven a practical and valid framework in studying and possessing empirical realities from an ethical perspective in the other articles as well.

Summa summarum:

The utilitarian reasoning had the most support when the actors justified their actions regarding economic benefit. (=instrumental good). Duty and benefit were often mixed up in people's speech. Their meaning contents were blurred and the argumentation lines created by the actors were broken. This can be interpreted in a way that supports Frankena's (see Frankena, 1972) mixed deontological philosophy as a frame of reference. Deontological reasoning was used e.g. in describing the personnel management processes of a company.

Virtue ethics is a favourable starting point for studying management and leadership ethics. All the actors studied could name virtues for their operations, towards which to aspire to. They also named professional practices already in use that they considered to be virtuous.

Finally, I wish to state that normative ethics is an important branch of philosophical ethics, if also very important in applied ethics especially. From the normative standpoint, the results of this dissertation want to lead nations, communities and individuals towards the virtues of democratic leadership and sustainable economic development.

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