

Studying Moral Ethos Using an Adapted Kohlbergian Model

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Abstract

Alasdair MacIntyre's (1988) analysis of moral philosophy shows that liberal individualism, the dominant contemporary tradition, has failed to secure consensus on ethical principles. It follows that Kohlberg's stages model of socio-moral development, which proposes universal morality, lacks universal foundations. There are further pitfalls when applying the model to organizational moral ethos (OME). I argue that these problems can be circumvented, and I reformulate the Kohlberg model, building it into a framework for analyzing five interrelated sub-systems of organizational moral ethos. These are: approach to formal moral governance; basis of moral authority; deep implicit socialization; morality behind normative structure; and corporate outlook towards social responsibility. I present 19 propositions based on the core idea that in liberal individualist societies, postconventionally orientated OME would lead to a reduction in ethical dysfunctions such as bribery, discrimination, employee exploitation, dangerous products, and environmental damage. I conclude with six further questions to consider in OME research.

Descriptors: ethics, morality, moral atmosphere, climate, Kohlberg

Introduction

Moral ethos is a set of force-fields within organizations, comprising everyday norms, rules-in-use, social pressures, and quality of relationships, all of which impinge on members' understandings, judgements and decisions concerning good and bad, right and wrong (Jackall 1984; Snell 1993). As a 'hidden' curriculum (Jackson 1990) of morality in the workplace, moral ethos is synonymous with moral or ethical climate, i.e. shared member perceptions about how ethical dilemmas are to be viewed and resolved (Cohen 1993, 1995; Wimbush and Shepard 1994) — atmosphere (Lovell 1995), culture (Brigley 1995), and milieu.

By way of introduction, I argue that moral ethos is an important area in organization studies. I then go on to note that if we accept Alasdair MacIntyre's (1988) analysis of the state of contemporary moral philosophy, no model or perspective on moral ethos is in a position to gain universal acceptance.

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Why Study Moral Ethos?

I will mention four contemporary phenomena suggesting that moral ethos is an important area in organization studies.

Reason 1: Disturbing Images of Organizations

The popular media deliver regular reports of corruption, lack of integrity and private gain at public expense (Despande 1996; Sims 1992), and of corporate actions which have harmed or endangered the general public (Darley 1996). Morgan's (1997) metaphor of organizations as 'instruments of domination', and the 'greed is good' credos advanced by some prominent business people and business schools (Jones and Gautschi 1988; MacLellan and Dobson 1997; Walker 1992), represent ways of life that are morally disturbing to some people, but not to others. This divergence of strong opinion suggests a need for a deeper understanding of moral ethos as a controversial phenomenon, and of the various criteria that may be used to judge it.

Reason 2: 'Bad Barrel' Theory

Treviño and Youngblood (1990) identify two basic theories of the origin of unethical behaviour in organizations. The 'bad apples' theory blames corporate evil-doing on a minority of morally defective individuals; the 'bad barrel' theory attributes unethical behaviour to poor moral ethos. Darley (1996) subscribes to the bad barrel theory, citing cases when otherwise conscientious employees allowed dangerous practices to continue, refraining from whistle blowing for fear of retribution. Typical characteristics of organizations, he argues, such as the diffusion and fragmentation of responsibility, sunk costs, the stereotyping and depersonalization of out-groups, and chronic job insecurity, render all organizations prone to inflict harm and to cover up evil-doing rather than rectify it. Structural solutions, he notes, such as setting up special ombudsman-type roles and channels are no guarantee against corruption in its many forms (Darley 1996: 41). Accordingly, Treviño and Nelson (1995) recommend that 'organizations that are serious about ethics must proactively develop an ethical culture' (p. 196), beginning with an audit of ethical culture, drawing on questions such as 'are employees encouraged to challenge authority when asked to do something that they consider to be wrong?' (p. 216). If our wish is to improve moral ethos, we may thus need to study it first.

But might all barrels be irredeemably bad, owing to wider institutional forces? We may entertain a version of 'rotten shed' theory, and consider power hierarchy (Lippke 1995) and narrow, heartless, instrumental bureaucracy (MacIntyre 1984), both of which de-humanize and de-moralize, as coping mechanisms forced upon organizations under advanced industrial capitalism. Under this theory, there are no 'good barrels', for those set up to be so would immediately rot or otherwise be destroyed by inexorable legal and economic forces. To be reasonably sure that this is indeed the case, we would need to study moral ethos in a variety of organizations, as well as the wider workings of capitalism and its associated ideologies.

Reason 3: Controversial Ethnographies

At least two in-depth, interpretative accounts of managerial morality have highlighted differences between the standards of candour, justice, care and social responsibility expected of citizens, and moral ethos in business organizations.

Robert Jackall (1988) portrayed petty and under-the-surface dishonesty, plundering, injustice, psychological brutality and self-serving instrumentality in three large American companies in the early 1980s. He found that 'some of the fundamental requirements of managerial work clash with the normal ethics governing interpersonal behaviour, let alone friendship, in our society' (Jackall 1988: 195). For example, 'details are pushed down and credit is pulled up' and 'authority provides a license to steal ideas' (Jackall 1988: 20–21). A former company vice-president said 'What is right in the corporation is not what is right in a man's home or in his church. What is right in the corporation is what the guy above you wants from you. That's what morality is in the corporation' (Jackall 1988: 6). A middle manager declared, 'Every big organization is set up for the benefit of those who control it; the boss gets what he wants' (Jackall 1988: 36). An executive encapsulated the role-governed brutality of some powerful acolytes to the CEO people who 'never miss a chance to stomp on you when you are down':

'An [internal] auditor is someone who situates himself up on a hill overlooking a battle, far from the noise of the guns and the smoke of the explosions. And he watches the battle from afar, and when it is over and the smoke is cleared, he goes down onto the battlefield and walks among the wounded. And he shoots them.' (Jackall 1988: 29)

Jackall (1988: 198) observes that 'most managers realize ... that there are no intrinsic connections between the good of a particular corporation, the good of an individual manager, and the common weal'. He concludes (Jackall 1988: 204) that those who get to the top develop a system of moral rules-in-use which turns 'principles into guidelines, ethics into etiquette, values into tastes, personal responsibility into an adroitness at public relations and notions of truth into credibility'.

The second study is Melville Dalton's (1959) classic portrait of morality in another American company, which has been critically reviewed by Feldman (1996). Dalton was initially disquieted by some of his own discoveries, such as the annual disappearance of 15 percent of all the firm's materials. Unlike Jackall, however, he came to advocate a more 'pragmatic' perspective. For example, he re-framed pure theft by employees as 'unofficial rewards', and came to regard it as a legitimate activity, so long as it was no costlier than an alternative incentive system (Dalton 1959: 214, 283; quoted in Feldman 1996: 284). Feldman (1996: 287), remains disturbed by Dalton's portrayal of American individualism, along with its expedient approach to human relationships and managerial effectiveness:

'Words such as evade, elude, tacit, resistance, illegal, falsify, conceal, manipulate, conspire, deceive, covert, subvert, distort, disregard, escape, devious, fiction, mask, secret, mislead, etc., dominate Dalton's ethnographic description. Interpersonal relations are clearly treacherous.' (Feldman, 1996: 294)

Feldman (1996: 295) criticizes Dalton's management 'ethics' as 'an attempt to justify this culture and the self-interested behaviour it encourages'. According to Feldman (1996: 286–287), Dalton 'raises organizational effectiveness above morality as an ultimate judge of managerial action', and justifies 'pervasive deception in American business bureaucracies'. He 'tries to justify self-interested behaviour by showing how it is inevitable and leads to "gains" for the organization' and argues that 'managers continuously have to break formal rules to accomplish their goals and satisfy their constituents', which may occasionally entail deliberately passing on inaccurate information (Feldman 1996: 288–289). On grounds of expediency, Dalton (1959: 184), it seems, even supports promotion policies that unfairly discriminate on grounds of race, nationality, faith and politics (Feldman 1996: 290).

The studies by Jackall and Dalton uncovered implicit moral norms of organizational role behaviour, which substantially differ from publicly espoused standards of conventional morality. Paralleling public reaction to media scandal stories, ethnographic accounts of the moral ethos of business disturb some commentators, but leave others unmoved. On one side, Carr (1993) defends the special 'game' of business, which permits 'bluffing'. On the other, Sims (1992: 506) objects to the narrow business norms, describing them as a 'cancer working on the fabric of society'. Can we develop a framework, which both analyses moral ethos and explains why there is divergence of opinion about moral ethos?

Reason 4: Concern about Requisite Variety

The fourth reason for studying moral ethos, briefly stated, is to identify any new and emerging norms and values which may serve organizational effectiveness at a time when natural resources are no longer infinite and 'the environment' is no longer a magic dustbin (trashcan). Commentators calling for restraint and social responsibility worry that the necessary implementation of ethical policies and initiatives will be blocked by prevailing organizational moralities, and will happen too slowly to prevent ecological catastrophe (Conn 1991; Moon 1989; Reilly and Kyj 1990; Schwartz 1990; Scott 1979).

Moral Fragmentation and Contention

As shown above, there is strong concern about moral ethos but, in the West at least, no convergence of critical opinion. MacIntyre (1988) attributes this state of affairs to the failure of the enlightenment project in modern, liberal individualist, moral philosophy to establish a solid foundation of absolute standards that can withstand critical scrutiny. In the wake of this failure, there remain a number of mutually antagonistic perspectives and traditions on ethics, each uncovering flaws in the others, but none sufficiently persuasive and robust to refute all objections. As confused individuals, our morality is a loose amalgam of contradictory fragments. MacIntyre (1988: 5) notes:

'We [Westerners]...inhabit a culture in which an inability to arrive at agreed, rationally justifiable conclusions on the nature of justice and practical rationality co-exists with appeals by contending social groups to sets of rival and conflicting convictions unsupported by rational justification. Neither ... academic philosophy, nor ... any other academic discipline, nor ... the partisan subcultures, have been able to provide for ordinary citizens a way of uniting conviction on such matters with rational justification.'

An Illustration

As an illustration of the mutual antagonism between the various moral perspectives, I will, briefly, contrast Aristotelian with genealogical perspectives. MacIntyre notes that justice and virtue are, for Aristotelians, not matters of abstract principle. Rather, they are 'dispositions to act in specific ways for specific reasons' (MacIntyre 1988:109), while carrying out one's assigned roles within the structures of a particular community. Virtuous action, desired by the virtuous for its own sake, is something midway between self-aggrandizement and self-abnegation. (Duska 1993: 237) observes that in Aristotelian thought, what is noble, just, or good defies precise prescription and measurement, and is relative to the way of life of a particular community of human beings. 'Practical wisdom involves knowing the right values and being able to put them into practice in concrete situations' (Tsoukas and Cummings 1997: 666). Moral argumentation and instruction is based on example, through 'the use of stories, fables, analogies, paradigms and pictures of good and bad persons' (Duska 1993: 239). While the Aristotelian seeks to build up local moral identity and tradition, the genealogist sloughs off and dismantles all truth claims, delusions and assumptions, and unmasks as manifestations of ulterior will to power, others' pretences to be in search of virtue. For the genealogist, there is 'no truth-as-such, an empty notion, about the world, an equally empty notion. There are no rules of rationality as such to be appealed to' (MacIntyre 1990: 42). 'There is ... only truth-from-one-or-other-point of view' (MacIntyre 1990: 36). What appear as projects aimed at the possession of truth are always willful in their exercise of power' (MacIntyre 1990: 52-53). If genealogists themselves appear to make truth claims, it is because the act of communicating requires thought to be packaged or masked at the instant of transmission.

For genealogists, Aristotelian tradition-builders are, like other moralizers, self-deluding pontificators on a power trip. Genealogists would not become trapped in argument with Aristotelians; they would instead parody and satirize their stories. For Aristotelians, genealogists suffer from anomie, social pathology or deprivation, loss of moral bearings (MacIntyre 1988: 368).

Liberal Individualism and Its Shortcomings

According to MacIntyre (1988), liberal individualism is still the dominant contemporary moral tradition, despite antagonism from Aristotelians, genealogists and other moral traditions and perspectives. He mentions at least four unresolved problems within liberal individualism. First, it embraces two contradictory sub-traditions, deontology and utilitarianism.

Deontology appeals to absolute rules, principles and human rights, which are purportedly fundamental, dictated by pure reason. Utilitarianism entails judging actions according to the balance of good and harm arising as consequences. The crux of the incompatibility of deontology and utilitarianism is that whereas the former holds actions to be right or wrong, regardless of the consequences, the latter claims that consequences are all-important. Second, neither deontology nor utilitarianism satisfies sceptical scrutiny. Deontologists appeal to 'human rights' and principles dictated by pure reason, but provide no evidence of their ontological existence, and cannot explain why we should be ethical. Utilitarians have not established a standard unit for measuring the miscellaneous and evidently incommensurable needs of stakeholders, and neither they nor anyone else can predict the consequences of social action. Third, the principles of liberal individualism are abstract, and do not provide clear guidance for everyday moral dilemmas. Fourth, the failure of liberal individualists to agree on anything other than the need to talk, allows emotivists to claim that ethics is merely some people talking, and lets amoral agendas such as profit-maximization, bureaucratic 'neutrality' and 'greed is good' hold sway in the world of business.

Kohlberg's Developmental Stages Model

Having noted the background of unsuccessful attempts to establish ontological foundations, I will now introduce the Kohlberg model of cognitive socio-moral development (see also Table 1). While it has, of course, faced criticism within the liberal individualist tradition (Fraedrich et al. 1994), it remains a popular reference point in business ethics teaching and research (French and Granrose 1995). Exhaustive descriptions are given elsewhere (Kohlberg 1969, 1981, 1984; Kohlberg and Ryncarz 1990).

The model assumes that moral reasoning capacity progresses through an invariant sequence of stages. Stage zero individuals cannot engage in ethical reasoning. They act out, unchecked, impulsively and amorally, 'gut' emotions such as rage. The remaining seven stages represent degrees of attempted 'goodness'. Stages one and two entail a pre-conventional level of morality, where individuals respond to outside threats and opportunities in narrowly self-centred fashion. Stage one entails fearful, unquestioning deference to authority; the banality of 'just following orders' (Arendt 1964). A calculative hedonism emerges at stage two, in which transaction pay-offs are evaluated, and others are also assumed to make decisions based on self-interest.

Stages three and four express conventional-level morality, based on conformity to socially-defined standards, considered legitimate because they are valued by significant others or by governing institutions. Stage three individuals strive to preserve interpersonal harmony: pleasing, impressing and living up to the ideals of those within their circle. Transitional stage three/four morality is epitomized by the loyal professional or 'organization man/woman', who serves the principal, plays by company rules and keeps

Table 1
Stages of
Individual Moral
Development

Stages	Social Perspective
<i>Postconventional Level</i>	
7	Natural or eternal law. Respecting the cosmos as an integrated whole, and all systems within it.
6	Universal principles of justice and welfare. Respecting the rights of all people as ends in themselves. Having empathy for the various perspectives of all affected parties.
5	Justice, welfare, social contracts and prior rights. Promoting the 'greater good' of the wider community, while also honouring socially-contracted responsibilities and rights.
<i>Conventional Level</i>	
4	Social system and conscience maintenance. Preserving consistency and law and order within wider social systems. Following rule utilitarianism.
3/4	Conformity. Protecting the rules and interests of specific institutions, such as employing companies and professional bodies.
3	Orientation to interpersonal approval and expectations. Being loyal and helpful to significant others, seeking to please them and meet their expectations.
<i>Preconventional Level</i>	
2	Instrumental purpose and exchange. Pursuing calculated self-interest, assuming also that others will seek gains and avoid losses.
1	Obedience and punishment avoidance. Irrationally dreading punishment, fearing authority, and rigidly adhering to the literal content of rules or instructions.
0	Impulsive amorality. Gratifying or acting out immediate urges regardless of any consequences.

within the letter of the law (Friedman 1962), but neglects the need for pro-environmental change (Fineman and Clarke 1996). Stage four is characterized by commitment to law and order, and by 'rule utilitarianism': the view that people should 'fulfil their assigned role and not violate a role obligation — even if more good could be achieved in particular instances by doing so' (Boatright 1993: 41–42).

Stages five, six and seven express postconventional-level morality. At stage five, rights such as freedom of expression are valued because, as products of a 'social contract' among members of society, they contribute to general well being. Individuals at stage six respect each person's unconditional human rights and are able to play 'moral musical chairs', arriving at just, compassionate decisions through actual or imagined empathic dialogue with affected parties. At stage seven, universal rights extend to *all* systems, such as plant, animal and alien gene pools.

Criticisms and Responses

The crisis of modern liberal individualist morality is reflected in four main objections to the Kohlberg stages model. First, there are doubts about its

hierarchical structure, which considers some types of moral reasoning to be more developed and, by implication, superior to other types. Second, there is concern that the model subordinates the values of care to those of justice. Third, some interpretations of the postconventional stages have been shown to rest on unfounded philosophical assumptions. Fourth, there are doubts about the model's applicability outside Anglo-Saxon cultures. I will briefly explain the problems and appropriate responses to them.

Response 1: Defending Moral Hierarchy in Tradition-constituted Enquiry

While MacIntyre (1988) shows that no system of moral assessment can claim absolute, universal validity, he criticizes relativism and perspectivism, and advocates tradition-constituted- and tradition-constitutive enquiry. Within all four moral traditions that he surveys, there is a commonly held belief that some things are better than others. In liberal individualism, some actions are better or some reasons more just and reasonable than others; in other traditions, some personal attributes and ways of living are regarded as more noble or virtuous than others are. For example, within an Aristotelian framework, Nielsen (1996) suggests that we draw lessons from comparing the lives of Eichmann, Richard III, and Faust, with those of Proteus, anti-slaver Woolman (Nielsen 1993), and anti-Nazi Oskar Schindler. The hierarchical form of Kohlberg's model thus reflects the subject matter of tradition-constituted- and tradition-constitutive moral enquiry. There are legitimate doubts about Kohlberg's (1981: 136–137) claim that once a stage is reached, a person prefers to reason at that stage until s/he reaches the next stage (Fraedrich et al. 1994). Nonetheless, within the sub-tradition of empirical psychological measurement by means of standardized instruments and interpretative procedures, the claim that moral reasoning *capacity* progresses developmentally through a hierarchy of stages has considerable support up to and including stage five (Elm and Weber 1994; Treviño 1992; Weber 1996).

Response 2: Removing the Bias against Care

The model, originally developed from studies of males only, locates care-based morality at stage three and the formal moralities of justice and rights at stages five or six. Gilligan (1982) showed, however, that there is no ontological basis for regarding caring for particular individuals as less virtuous than applying abstract and principles of justice impartially to everyone in general and no one in particular. The moralities of care and of justice may simply reflect the different circumstances of people embedded, on the one hand, in family, kinship and friendship networks, or, on the other, in formal bureaucratic roles. Kohlberg's reformulation, in response to Gilligan and other critics, affords some role to the heart in higher-stage morality, as shown in Table 1. Still the model, as Blum (1988) points out, undervalues compassion and, while working towards an integration of justice and care at the highest moral stages, privileges the former over the latter. Kohlbergians should acknowledge that their response to Gilligan has been incomplete.

Response 3: Widening Definitions of 'Postconventional' Morality

MacIntyre's criticisms of liberal individualist morality imply some other weaknesses in how postconventional morality has been conceived. Kohlberg's stage five is understood by some to embrace Utilitarian approaches, with decision makers determining the 'greater good' by calculating precisely the optimum balance of benefits, burdens, entitlements and obligations. This approach, however, falls to MacIntyre's (1988) argument that differing stakeholder claims are incommensurable. Reducing moral claims to a single calculus entails ideological assumptions tacitly favouring some groups over others, and so is no improvement on stage three/four moral reasoning. Kohlberg's most widely quoted formulation of stage six is Kantian, assuming absolute, universal rights, and the duty to respect those rights, supposedly grounded in pure reason. MacIntyre (1988) defeats this claim also, showing that 'categorical' rights and imperatives are historical assertions arising for the first time in the 18th century.

Circumventing these objections requires moral integrity to be maintained while abandoning the pretence of absolute correctness. MacLagan (1998: 35–38) outlines a non-utilitarian approach based on the philosophies of Ross (1930) and Dancy (1993). This approach, which would match stage five, recognizes moral actors' various *prima facie* duties to those affected by their actions, but would allow some of these claims not to be met, were the ethical shape of the situation to favour stronger, incompatible claims. Defeated claims would be handled sympathetically, with sincere regret. That would require moral actors to face up to their own moral reasoning, rather than trotting out ideological rationalizations.

A Kantian approach to stage six, moral reasoning, can be augmented with what Kohlberg (1985: 36) termed "ideal role-taking" or "moral musical chairs", i.e. a second-order Golden Rule'. This adopts the perspective of each affected person in turn, as it would be if honouring the Golden Rule ['do (not do) to others as you would (not) have them do to you'], a principle common to Confucian, Taoist, Buddhist, Hindu, Islamic, and Judaeo-Christian traditions (Allinson 1995: 30; Morris 1997: 146–147).

Response 4: Abandoning Claims to Universality and Comprehensiveness

Cross-tradition support for the Golden Rule does not extend to its second-order application. Cross-cultural, comparative studies using Kohlberg's model have found less postconventional reasoning in developing countries than in advanced Western industrial settings (Bond and Hwang 1987: 132; Kohlberg 1984: 123; Snarey 1985: 226). Roetz (1993) found only hints of postconventional reasoning in Confucian philosophy. Kohlberg's (1984: 128–129) universalist explanation was that cultures are in different stages of moral evolution.

An alternative explanation is that all moral traditions are partial, lop-sided representations of how conduct or character may be judged. MacIntyre (1988) accordingly advocates the concurrent development of alternative moral traditions, each grounded in particular history and teleology, each open and willing to learn from one another. He advises scholars to begin

by identifying their home moral tradition (or, if suffering anomie, finding one), and then seek to improve it. For those wishing to engage with the morality of other traditions, MacIntyre recommends learning a 'second first language', i.e. developing an emic perspective on a rival moral tradition, before making comparisons with one's home tradition. It follows especially that when analyzing morality in societies where liberal individualism is not the dominant moral tradition, Kohlbergians should consider emic models of morality alongside the Kohlberg model. Otherwise, they may continue to find that something (i.e. postconventional morality) is lacking, while missing important local ethical considerations.

Applying the Model to Organizational Morality

There have been several attempts to translate the Kohlberg model from an individual to an organizational level of analysis (Higgins and Gordon 1985; Lavoie and Culbert 1978; Kohlberg 1985; Logsdon and Yuthas 1997; Petrick and Wagley 1992; Snell 1993). The simplest formulations overlook key differences between individual and organizational levels of analysis, and assume that 'organizational moral development' (OMD) is located at a single stage, or between two stages. For example, Logsdon and Yuthas's (1997: 1214) model is anthropomorphic, reifying the company, so that at stage one, 'the company complies with rules in order to avoid sanctions', and so on. The implied assumption of this model is that OMD progresses through a fairly stable and orderly sequence of stages, corresponding to moral development at the level of the individual. This assumption is, however, inappropriate.

Moral ethos is a complex mixture of embedded assumptions, implied norms, perceived pressures and expectations and expressed values impinging upon members' everyday moral reasoning in use, and may seethe with competing and conflicting forces and perceptions. Organizations do *not* engage in moral reasoning, have no corresponding 'capacity', and only metaphorically reach a particular developmental stage, for individual agents who express organizational morality come and go, and while in post may not use their full ethical reasoning capacity to resolve ethical problems (Treviño 1986: 608).

A *profile* showing the relative strength of the various moral stages would better represent organizational moral ethos (OME) than would a single stage. The peak of this profile, representing the most prevalent and powerful stage, would not necessarily move towards the postconventional end over time; rather, it would go 'up' or 'down', along with the comings and goings of people, policies, issues, pressures and crises.

A Framework For Studying Organizational Moral Ethos

Table 2 applies a reformulated Kohlberg stages model to five aspects of OME: approach to formal moral governance; basis of moral authority; deep,

implicit socialization; morality behind normative structure; and corporate outlook towards stakeholders. Figure 1 summarizes a non value-neutral theory of how, in liberal individualist societies, these elements of OME affect one another and lead to outcomes that in ethical terms may be desirable or undesirable. The latter include corruption, bribery, fraud, deception, and theft (Fritzsche 1997: 10–13), unfair discrimination (Fritzsche 1997: 13–14; MacLagan 1998: 90–94), employee exploitation (Newton and Ford 1998: 276–277), unduly dangerous products, processes or services (Boatright 1993: 317–380; Buchholz 1993), and environmental damage (Newton and Ford 1998: 288–289). To save space, I shall consider the role of pre-conventional, conventional and postconventional levels of moral reasoning, denoted PrMR, CMR and PoMR, respectively, rather than discussing each moral stage separately.

Antecedents of Organizational Moral Ethos

I follow Logsdon and Yuthas (1997) in predicting that outside norms and expectations and organizational leaders' moral reasoning capacity will have a direct impact on OME. The effect of government legislation may be indirect, since whether the organization leads or follows the law, whether and how the organization lobbies legislators, and how the organization goes about ensuring legal compliance by its members, is likely to depend on the leadership.

Anomie, cynicism and disillusionment regarding how business is done across a particular industry, even an entire society, may depress moral standards within constituent organizations (Baumhart 1961: 19; Brenner and Molander 1977: 64–66). More optimistic expectations, not necessarily uncritical ones, about the moral integrity of social institutions may have opposite effects. Two propositions follow:

Proposition 1: Moral pessimism across an industry will tend to shift all aspects of OME toward PrMR.

Proposition 2: Moral optimism across an industry will tend to shift all aspects of OME toward PoMR.

Lichtenstein et al. (1995: 102–103) note that leaders who have only reached the early stages of moral development (i.e. PrMR) are likely to create an atmosphere of intimidation, revenge and back-stabbing in their organization. Some leaders capable of CMR may also revert to PrMR in day-to-day operations (Treviño 1986: 610), and thus have similar impact.

Proposition 3: Leaders capable only of PrMR, or capable of CMR but driven mainly by PrMR, will tend to shift OME towards PrMR.

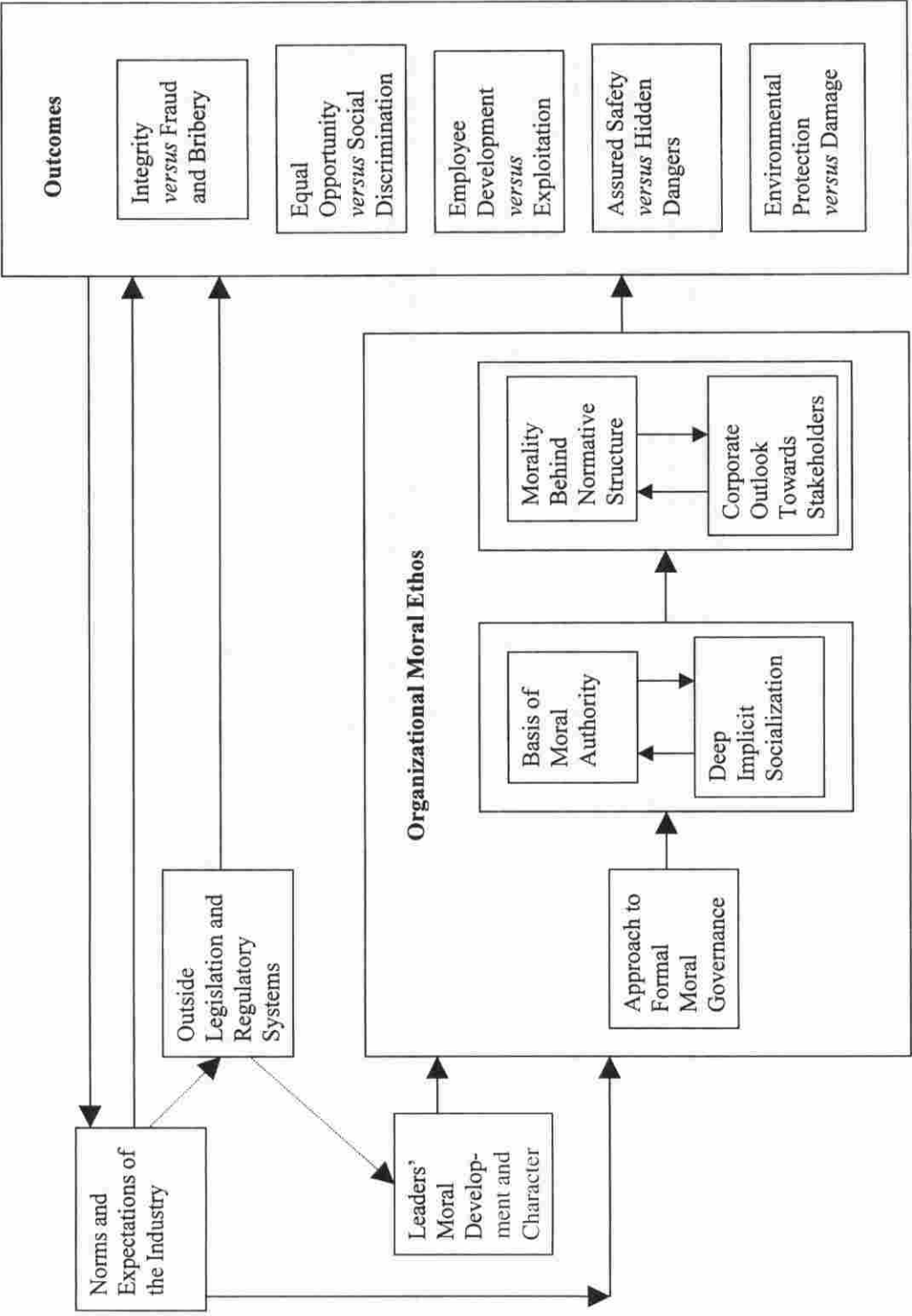
Lichtenstein et al. (1995: 112) argue that leaders at later developmental stages (i.e. PoMR) would tend to manifest and inspire ethical behaviour

Table 2 Moral Stages Applied to Moral Ethos

Level	Stage	Criteria of Moral Reasoning	Formal Moral Governance	Basis of Moral Authority	Deep, Implicit Socialization	Morality Behind Normative Structure	Corporate Outlook Toward Stakeholders
<i>Post-conventional Morality</i>	6	Meta-empathy, community of moral enquiry, improving traditions.	Management facilitates open, critical discussion of moral assumptions. New moral policies emerge, consistent with basic justice and compassion.	Moral authority derives from enhancing insights into and sensitivity to various moral issues and perspectives.	Members exercise moral imagination while keeping to the best moral principles that they can defend.	Members develop empathy for all moral points of view and seek to improve the organization's moral traditions.	The management seeks to strengthen and honour the moral claims of all stakeholder groups through a critical discussion of organizational policies and practices.
	5	Stewardship social responsibility and concern for well-being and just treatment.	Management facilitates open discussion on how to advance the wider 'good'. Rules and codes represent emerging consensus.	Moral authority derives from strengthening policies enhancing the organization's social and environmental impact.	Members clarify meanings of wider social 'good' and develop firm commitment to the overall approach.	Members respect the moral rights of other groups and communities and strive to have a beneficial impact on them.	Management seeks to understand the needs and moral claims of all stakeholder groups and to ensure that these are generally honoured.
<i>Conventional Morality</i>	4	Social system and conscience maintenance.	Management reviews rules and codes so as to maintain consistency and integrity in changing circumstances.	Moral authority derives from improving the niches in which the organization thrives.	Members value and defend the systems and moral traditions which sustain the organization.	Members aim to enhance the systems in and through which the organization thrives.	Management anticipates and addresses the needs and expectations of those stakeholder groups with formal rights and entitlements.

<i>Conventional Morality</i> (cont)	3/4	Institutional conformity.	Management's rules and codes derive from tradition and appeal to members' duty.	Moral authority derives from respecting members' sense of occupational pride.	Members come to see the organization as worth protecting for its own sake.	Members put the immediate interests of the organization first.	Management seeks to ensure the organization is trusted to respect stakeholders' legal rights.
	3	Inter-personal approval.	Management's rules, codes and implied expectations appeal to members' loyalty and desire for approval.	Moral authority derives from being kind, showing goodwill and benevolence.	Members learn how to appear especially helpful and trustworthy to their superiors.	Members help and are loyal to the groups to which they belong, or to individuals whom they respect.	Management projects a pleasant self-image by maintaining good relations with key gatekeepers.
<i>Pre-conventional Morality</i>	2	Instrumentality.	Imposed rules, codes and commands serving narrow interests are backed by clear penalties.	Moral authority derives from the prerogative to impose rules, targets, sanctions and incentives.	Members learn how to follow, bend or break the rules, according to self-interest.	Members expect one another to pursue calculated self-interest.	Management negotiates with or buys off particular stakeholder groups when it sees this as being in its own best interest.
	1	Coercion, obedience and punishment.	Imposed rules, codes and commands are backed by threats and arbitrary sanctions.	Moral authority derives from the power to threaten punishment.	Members learn to be seen to obey the wishes of authorities.	Members do as they are told, or else.	'Force or be forced' power struggles govern management's policy decisions.

Figure 1. Relationship Among Antecedents, Aspects, and Outcomes of Organizational Moral Ethos



because of greater open-mindedness about right and wrong and because they would 'generate conversational and organizational processes that transcend and integrate different parties' initial views of "the good"'. They also point out, however, that each developmental stage has lighter and darker sides (Lichtenstein 1995: 102). They warn that leaders attaining later developmental stages (i.e. PoMR) risk losing touch with immediate concerns and needs, and may provoke confusion, disorientation and mindless dogmatism among followers, if they are not careful about their organizational impact (Lichtenstein 1995: 108–111). Sensitivity and strength of character are also required.

Proposition 4: Leaders capable of PoMR, who use PoMR consistently, day-to-day, who reassure and develop subordinates and who manage their wider personal impact on the organization, will tend to shift OME towards PoMR.

Formal Moral Governance

By formal moral governance (FMG), I refer to systems for determining and enforcing official ethical standards within an organization. Many FMG systems emphasize control, with the more coercive of these forms reflecting PrMR, and those based more on ideology or identification reflecting CMR, although various approaches may be blurred and blended. For example, FMG through written codes of conduct, which are statements of organizational expectations regarding members' ethical behaviour, is often coercive, with the codes being imposed top-down, without consultation (Gavin et al. 1990; Snell et al. 1999; Weaver 1993), and in that respect would tend to express PrMR. However, the language of the codes themselves may appeal more to CMR, invoking 'shoulds' of doctrine or loyalty (Snell et al. 1999). Code-based moral governance would thus mostly express a blend of moral stages across PrMR and CMR.

Proposition 5: The more FMG is based on coercion, the greater the tendency for OME to shift towards PrMR.

Proposition 6: The more FMG appeals to ideology or identification with the organization or the leadership, the greater the tendency for OME to gravitate towards CMR.

Less often, FMG may be based on open enquiry and dialogue. In experiments with 'just community' moral governance in prisons and schools, intended as a developmental process, members engaged in legislating their own formal moral norms through open, democratic discussion (one person, one vote), and participated in their enforcement. While discussion at such meetings tended to reflect CMR and sometimes PrCM, the facilitators envisaged a gradual progression in the direction of PoMR (Higgins 1991; Kohlberg 1985; Kohlberg and Higgins 1987). Collins and O'Rourke (1993)

suggest an analogous approach for use in industry, with a procedure for work groups to develop codes of conduct bottom-up. A British company evolved its code of conduct through similar procedures (Traidcraft 1991).

Proposition 7: Organizations that embrace a developmental process of FMG involving moral enquiry and dialogue over several years will tend to shift their OME towards PoMR.

Basis of Moral Authority

Authorities inside organizations may draw on various social power bases, including coercion, expertise, positional legitimacy, charisma, connections, information and rewards (French and Raven 1960; Mechanic 1962). Moral authority (MA) stems from being trusted not to abuse power (i.e. to act with integrity), to seek consent when necessary (i.e. to act with care), to take relevant perspectives into account (i.e. to act wisely), and to reveal the grounds on which decisions are made (i.e. to act transparently). These criteria would be fully satisfied in few, if any, organizations. Instead, within OME, MA would be based on a mixture of domination, deferential trust, and critical trust.

MA based on domination would entail Jackson and Carter's (1985) 'ergonomics of desire', where employees sign away the right to independent moral judgement, in exchange for salary and other benefits, through a Faustian psychological contract. Coopey (1995), Flam (1993), and Winn (1989) describe similar one-sided psychological contracts. Under domination, hierarchical rank could become a lever for imposing unethical demands (Bassman and London 1993; Sankowsky 1995), with subordinates having little faith in the authorities' integrity, care, wisdom or transparency, but following instructions out of instrumentality or fear. MA based on domination would express PrMR. Jackall (1988: 19) illustrates:

'A subordinate must ... never contradict his boss's judgement in public. To violate (this) admonition is thought to constitute a kind of death wish in business, and one who does so should practice what one executive calls "flexibility drills" an exercise "where you put your head between your legs and kiss your ass goodbye".'

Proposition 8: The more MA entails domination, the greater the tendency for OME to shift towards PrMR and for ethical dysfunctional outcomes to go unchallenged.

MA based on deferential trust would rest on employees' assumption that those in stronger positions will be helpful to them and respect their needs, while furthering the interests of the organization as a whole. This has been termed a norm of beneficence (Gouldner 1975, quoted in MacLagan 1998: 63-64). Employees in high 'power distance' societies (Hofstede 1980; Jacobs et al. 1995; Redding 1990) may be inclined to give authorities the benefit of the doubt in this regard, whereas employees in liberal individualist societies

may expect more tangible signs of goodwill, respect, and accountability. Since employees would have little or no trust in authorities who were seen to be concerned merely with their own needs, it follows that MA based on deferential trust would stem from CMR. Such moral reasoning would focus on maintaining the stability and integrity of organizational systems and cordiality in interpersonal relationships.

Proposition 9: The more MA entails deferential trust, the more OME will gravitate towards CMR, which, in turn, will reduce those ethically dysfunctional outcomes thought to harm the respectability, public image or legality of the organization.

In order for MA to be based on critical trust, authorities would need to use 'participation', not as a manipulative tool for mobilizing bias in their favour, but as an open, transparent and supportive context for sharing information and exchanging viewpoints (MacLagan 1998: 83). Authorities would explain moral reasoning and value stances behind policies and decisions. This would also apply to 'non-decisions' (Hardy 1994: 223), within their power to pass by default. They would encourage ethical questions and objections, thereby obliging themselves to consider the greater good from various angles. They would also respond openly to criticism, acknowledging their own doubts, mistakes or omissions as these became evident. Such open dialogue would give rise to fresh insights into moral dilemmas facing the organization, thus encouraging PoMR in policy decisions and revealing the ethical ramifications of organizational policies and operations.

Proposition 10: The more MA entails critical trust, the more OME will shift towards PoMR, with a corresponding general tendency to reduce ethically dysfunctional outcomes.

Deep, Implicit Socialization

Deep, implicit socialization (DIS) teaches members of an organization about what organizational systems require in terms of balance between performativity (i.e. Utilitarian measurement), cloning or groupthink (i.e. reproducing the styles and ideologies of governing cliques), and critical self-reflection. DIS proceeds day to day through a hidden curriculum of controls, rewards, mentoring, implicit role modelling, and informal storytelling. Official pronouncements, policies and mission statements may espouse one set of values for the OME, but the hidden curriculum may teach another set of actual OME values. Examples of DIS not aligning with FMG include letting known violations of written codes of ethics go unpunished (Warren 1993) and confining ethics consultants to token contributions (Jackall 1988; MacLagan 1996).

DIS may be based on performativity (Boje and Winsor 1993). Systems of control and reward designed to focus performance on organizational goals reduce the acceptable or praiseworthy to a few output dimensions, and can

lead to anomie and ethical ambivalence (Cohen 1993: 347; Jansen and Von Glinow 1985). They may also encourage gamesmanship, possibly glamorized in underground stories of clever tricks, cheating, cutting corners, and beating the system (Wesley 1990).

Proposition 11: Emphasis on the DIS of performativity will shift OME towards PrMR and lead to an increase in ethically dysfunctional outcomes.

Where DIS is based on cloning, organizational values are filtered and shaped through interpersonal channels and by selection and promotion decisions. Upward accountability to superiors and mentoring relationships between established managers and their protégés are sources of affective bonding and normative convergence (Coopey 1995: 65–67). Over more than a decade, mentoring quietly became an important vehicle for shaping managerial values in the Big Six accounting firms, producing ‘corporate clones’ (Covaeski et al. 1998: 323). A longitudinal field study by Ponemon (1992), also in an accounting firm, and using instrumentation to assess ethical reasoning, revealed that ethical reasoning was a factor in promotion decisions. When judging career potential, individual top managers (who tended to engage in CMR) favoured individual junior staff members whose ethical reasoning capacity happened to match theirs. Over a two-year period, juniors who actually got promoted to manager and senior manager positions had lower ethical reasoning capacity than those not getting promoted or leaving the company. The process appeared to screen out PoMR.

Höpfl and Linstead (1993: 90–91) observed how DIS based on a form of groupthink protected organizational values against criticism. Two of three popular senior management speakers on an in-company training course were coincidentally sacked the day before the course. This provoked cognitive dissonance among course members, one of whom gave a speech expressing doubt about corporate ‘hype’ and lack of care. Other course members responded by treating him as if he were an actor ‘corpsing’ on stage, and recovered the performance.

Proposition 12: Emphasis on the DIS of cloning and/or groupthink will focus OME on CMR, and will overlook some ethically dysfunctional outcomes.

I envisage DIS based on critical self-reflection to entail a particular type of ‘strong culture’, one which, perhaps unusually, requires members to question and challenge organizational values while also aiming to work for the wider social good. It would differ from the *laissez-faire* ‘independent moral climate’ envisaged by Victor and Cullen (1987, 1988), which leaves individuals alone to follow their own conscience or impulse. It would, instead, be a moral community whose members self-consciously engaged in tradition constituted and tradition constitutive enquiry (MacIntyre 1988). In Nielsen’s (1996) terms, it would entail ‘triple-loop’ dialogues of various forms in which individual behaviour, organizational values, and wider

embedded moral traditions all remained open to question, with no delusion that any would provide a final set of moral criteria.

Proposition 13: Emphasis on the DIS of critical self-reflection will shift OME towards PoMR and, over time, generally reduce ethically dysfunctional outcomes.

Morality Behind Normative Structure

Normative structure is the nexus of official and unofficial values, assumptions and expectations about day to day moral conduct that may range from the hegemonic to those that are concentrated in particular pockets of an organization. If, during a qualitative research interview, members were asked to identify what the norms were ['what values do people generally follow in this (part of the) organization?'], and then to explain the moral reasoning behind each of these norms, they would begin to articulate the morality behind normative structure (MBNS). While most managers individually reach stage four ethical reasoning capacity (Elm and Nichols 1993; Snell 1995; Trevino 1992; Weber 1991, 1993), Snell (1993: 124) estimated that MBNS typically emphasizes moral stages two and three.

In a study of an American custody youth prison, Hickey and Scharf (1980); Kohlberg et al. (1972); and Scharf (1973) found that while many prisoners were individually capable of stage three reasoning, MBNS was largely stage two. The prisoners had adjusted their moral expectations in the light of the 'war of all against all' on the cellblock. The researchers were concerned that the moral atmosphere of the prison provided no encouragement to abandon ethically dysfunctional conduct such as homosexual rape. Westley's (1990) study of a North American car assembly plant identified a strong nexus of organizational values held in common by managers and blue collar workers: 'macho' displays of aggression; rivalry and competition; excuse making and avoiding responsibility; cheating, stealing, and lying; and gamesmanship and subterfuge. That members were embarrassed to describe these norms to outsiders, suggests that had Westley adopted a Kohlbergian approach by probing MBNS, an emphasis on stage two would have been identified.

Proposition 14: The more MBNS emphasizes PrMR, the greater the tendency for ethically dysfunctional outcomes.

Higgins and Gordon (1985) examined MBNS at two worker-owned companies. One company emphasized stage three/four or stage four moral reasoning to support norms of hard work, productivity, helping and co-operation, high-quality, professional standards, and responsibility to complete work. The other emphasized stage three reasoning to support the norm of helping and co-operation.

Proposition 15: The more MBNS emphasizes CMR, the greater the tendency to reduce those ethically dysfunctional outcomes thought to harm the company and those immediately affected by it.

MBNS emphasizing PoCR may be very uncommon, even given our widened definition of postconventional morality. Derry (1990: 41) concluded from her interview study that 'the voice of care, responding to others in their terms, maintaining relationships for the sake of interdependence, and alleviating the burdens or suffering of another, does not have a big role in corporate culture'. Were MBNS to emphasize PoCR, even the most popular and strongly embedded organizational practices would be open to challenge, on the grounds that some groups might be unfairly harmed or disadvantaged.

Proposition 16: The more MBNS emphasizes PoMR, the greater the tendency to reduce all ethically dysfunctional outcomes.

Corporate Outlook Towards Stakeholders

An organization's corporate outlook towards stakeholders (COTS) expresses how the needs and moral claims of various stakeholder groups are cared for, and is manifest in the moral reasoning behind major policy decisions. A non-exhaustive list of stakeholders might include customers, suppliers, various employee groups, investors, trade associations, affected communities, governments, infrastructure agencies, and environmental groups (Burgoyne 1994).

Logsdon and Yuthas's (1997: 1214) concept of 'organizational moral development' broadly corresponds to COTS, but oversimplifies this by locating organizations at a single moral stage, whereas COTS, like the other aspects of OME, entails a force field of competing values. Stakeholders vary from issue to issue, and particular stakeholders can evoke different stages of moral reasoning. Top management might, for example, appear to apply CMR in relation to investors and shareholders, ensuring their trust by meeting all legal, contractual and professional obligations, while applying PrCM to the treatment of employees, 'dwarfing' them into becoming utility-seekers, manipulated and controlled by financial incentives (Lovell 1995). A fair assessment of an organization's profile of moral stages in relation to COTS would therefore require detailed analysis of moral reasoning-in-use across a wide spectrum of issues facing the organization, and from the point of view of various stakeholders.

A well-publicized court case demonstrated this complexity. It concerned one company's COTS that appeared, to some commentators, to be a paradigm example of PrCM, because of cruelty to animals, exploitation of child labour, and the use of legal force against weaker parties (McSpotlight 1999). From another angle it is possible, however, to see the company as standing up for legitimate rights and, through the test case, defending other companies against unjust attack, thus expressing at least some CMR in relation to COTS.

Where COTS is primarily based on PrMR, corporate decision-making would tend to reflect narrow vested interests only, with legal loopholes or levers being used to defend these interests against the moral claims of other stakeholders. For example, some European companies may quietly lobby

to resist proposals by home governments to embrace legislation similar to the USA's Foreign Corrupt Practices Act, which prohibits the bribing of foreign politicians or government officials in order to get business contracts (Greanias and Windsor 1982).

Proposition 17: The more COTS emphasizes PrMR, the greater the tendency to perpetuate ethically dysfunctional practices.

Where COTS is primarily based on CMR, management would aim to uphold the spirit of legal requirements and contractual duties in relation to all stakeholders, and would not seek to undercut the moral standards of partners and peers across the international community. When COTS is based on PoMR, top managers seek to meet social responsibilities beyond legal and contractual duties. All *prima facie* moral claims cannot be met in a pluralist world, but in embracing stewardship and social responsibility (Anthony 1988; Davis et al. 1997), management would atone for failing to meet defeated *prima facie* moral claims, and would account for decisions honestly and transparently. While the ethical shape of the situation may require longstanding stakeholder relationships to be prioritized, the least advantaged members of the moral community would not be harmed (Burton and Dunn 1996: 143–144).

Proposition 18: The more COTS emphasizes CMR and PoMR, the lesser the tendency to perpetuate ethically dysfunctional practices.

Proposition 19: The more COTS emphasizes PoMR, the greater the tendency actively to reduce ethically dysfunctional outcomes.

Figure 2 summarizes the 19 propositions introduced above.

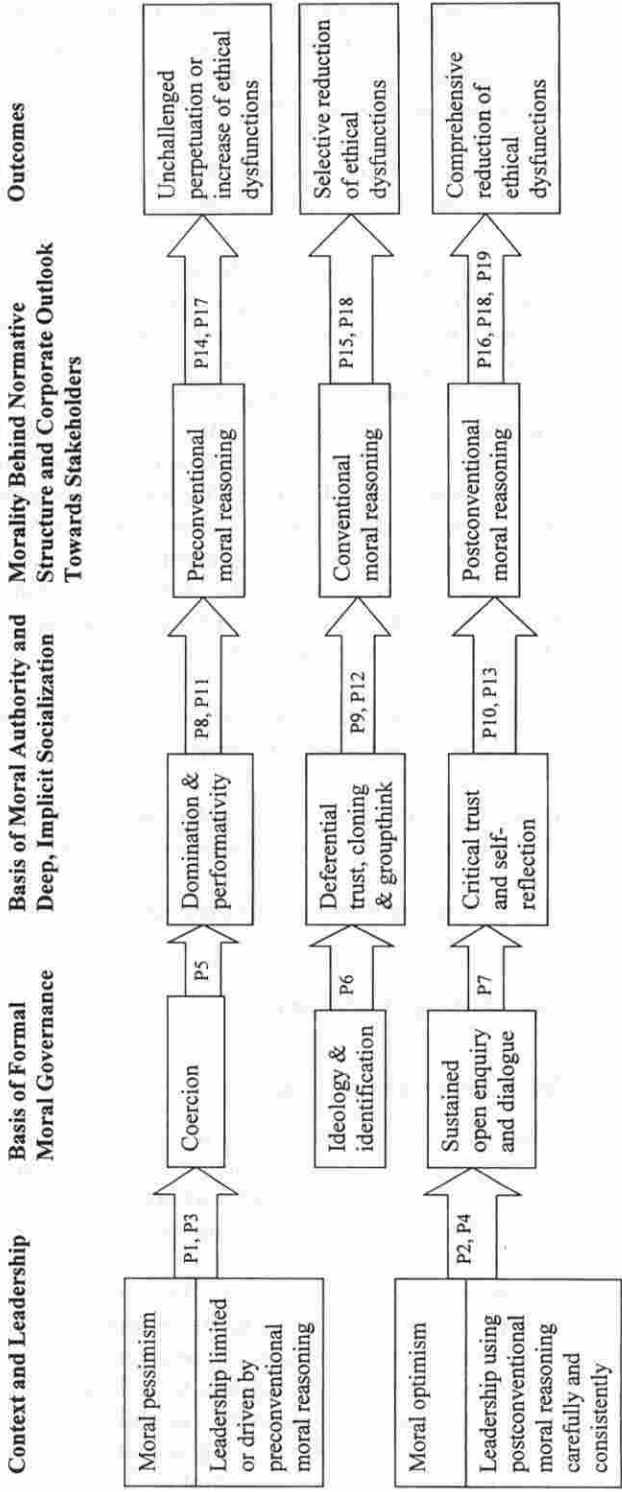
Concluding Questions

More Doubt, Less Certainty

MacIntyre (1988) reminds us that tradition constituted and tradition constitutive enquiry requires ongoing critical engagement with its subject matter, rather than dogmatic assertion or claims of scientific proof. In addition to the 19 propositions, my discussion of OME leaves six questions open for consideration.

1. *Quantitative or qualitative?* The assumptions of cause and effect and generalization inherent in the 19 propositions may give the impression of a preference for quantitatively orientated research, but, on the contrary, I would be sceptical of attempts to reduce OME and ethical dysfunctions entirely to a set of measurable variables. Three properties of morality and moral ethos as phenomena suggest that qualitative approaches are required (Creswell 1994). First, the ontology of morality is inter-subjective, with

Figure 2. Summary of Propositions Regarding Antecedents, Aspects, and Outcomes of Organizational Moral Ethos



multiple meanings. Second, the theory is value-laden, not value-free. Third, the researcher would need to get close to moral ethos and interact with it, in order to understand it in depth. Therefore I envisage both qualitative and quantitative enquiry. For example, research that made use of a moral ethos questionnaire or other instruments would need to be triangulated with qualitative data (Snell et al. 1996, 1997). Alternatively, a series of qualitative case studies, serving to modify and refine the 19 propositions, may be followed by wider survey work.

2. *Are postconventional organizations viable?* Can organizations that emphasize open-minded moral enquiry, critical dialogue, critical trust, self-reflection, and PoMR remain viable long enough to enable the full set of 19 propositions to be thoroughly investigated? Some commentators (Graham 1995; Kjonstad and Willmott 1995; Penn 1985; Snell 1993) follow Kohlberg in regarding such processes as workable ideals. Others (Dobson 1997; Fraedrich et al. 1994) suggest that 'virtuous' organizations or those based on PoMR may be unsustainable in our present epoch. By analogy with the finding that some individuals capable of PoMR do not enact their full moral capacity in everyday life (Kutnick 1986), some companies with moral ethos oriented toward PoMR may face an invidious choice of abandoning their principles or going out of business. It would be interesting to investigate whether such dilemmas exist and how they are resolved.

3. *Is it really possible to reduce ethical dysfunctions?* Reducing one set of ethical dysfunctions may simply give rise to other dysfunctions of equivalent magnitude, *ad nauseam*. Foucauldian perspectives (e.g. Townley 1998), which envisage power as a capillary system, suggest this possibility. Again, this is a matter for investigation.

4. *What are the blockages to the flow of PoMR causality?* The suggested causal flow within moral ethos oriented to PoMR is from moral governance by open enquiry and dialogue, via the basic assumption of critical trust and self-reflection, to an underpinning of normative structure and outlook towards stakeholders by PoMR, thence to a reduction in ethical dysfunctions. There may, however, be blocks and wrong-turnings (Carroll 1993). These would be revealed by in-depth case research.

5. *What happens where liberal individualism is not a major tradition?* The liberal individualist morality assumed by the Kohlberg model is but one tradition among many encountering one another in global political and business activity. Kohlbergian research, while not entirely irrelevant in non-liberal individualist societies, may have less explanatory power than frameworks derived from emic meaning structures within those other societies.

6. *How to overcome access barriers?* MacLagan's (1996) discussion of the access difficulties of ethics consultants suggests that ethics researchers may encounter barriers because of the sensitivity of the topic, especially where OME is strongly oriented toward PrCM. If formal access is denied or not sought, respondents may still emerge through informal channels such as interpersonal networks, part-time courses or voluntary associations. Those

concerned to change OME, former employees, or dissident members, may volunteer candid interviews (Snell 1993: 128–145). While such cases may not offer fair tests of research propositions, they may nonetheless serve to enrich underlying theory.

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