

A Case in Point: Morality and Paternalism in the Asbestos Industry: A Functional Explanation

Geoffrey Tweedale and Richard C. Warren

"It is the creation of the paternalistic but secretive company which produces moral indifference towards its employees". This Turner & Newall case-study highlights the significance of how a corporate morality or a thought world can affect the ethical conduct of the individuals in the organization. Geoffrey Tweedale is Senior Research Fellow in the Centre for Business History, and Richard C. Warren is Principal Lecturer in the Department of Business Studies, at The Manchester Metropolitan University, Aytoun Building, Aytoun Street, Manchester. M1 3GH.

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Introduction

Corporate morality is an important issue in business ethics. Explanations of moral behaviour in business often ignore or stop short of looking at the effects of organizations or institutions on the individual's behaviour in business. Indeed, business ethics will not develop very far if it is hidebound by what some have called a preference for methodological individualism.¹ Institutional factors, too, are important determinants of moral behaviour in business. We cannot, therefore, and should not, ignore them. If business ethics is to be a source of real insight and understanding, then it must include an explanation of the institutional dimension of business conduct.

This contention will be illustrated and explored in the following case study. In recent years, and quite unexpectedly, the company records of the leading British asbestos producer, Turner & Newall,² have become available through litigation launched by Chase Manhattan Bank. In 1995 the latter sued T&N

for \$185 million in damages and costs in a claim for the removal of sprayed asbestos from its skyscraper headquarters. The claim was later dismissed, but the records and court proceedings give us a unique insight into the *mens rea* of this company as the asbestos health crisis emerged.³ Professor David Jeremy's recent study on Turner & Newall chronicles its corporate attitudes to the unfolding health hazards of processing asbestos in the UK, and characterizes them in the following terms: "... they adopted a stance of denial ... that asbestos was not toxic or its dangers should be minimized; that evidence to the contrary should be denied unless supported by medical unanimity; and that government regulations were to be negotiated, not unquestioningly obeyed".⁴ The denial was perpetuated by the Turner family, who operated the business until the Second World War. They were pillars of the United Methodist Free Church in Rochdale, the textile town where the business originated. The Turners' successors after 1945 were Walker Shepherd, reputedly one of

the highest paid business leaders of his day; Ronald Soothill, the son of a Methodist minister and Cambridge graduate who joined from Cadbury's in 1928; and Norton Morling, another Cambridge graduate and pupil of J. M. Keynes, who joined T&N in 1930. As Jeremy notes, "All were long-conditioned by Turner attitudes and assumptions. All practiced a degree of self-deception in defense of suppositions it would be increasingly costly, in personal, organizational, and economic terms to abandon".⁵

What remains a puzzle is why they chose to deny the facts about the dangers of asbestos. It is difficult to explain this state of affairs on the basis of their pernicious characters and an unprincipled approach towards the management of this company. The Turner family who dominated the board were upright, Christian gentlemen who were respected and esteemed members of their local community. Moreover, it was not only this family that had possession of the facts and chose to deny them. Other talented managers in Turner & Newall were also party to this deception. Several companies in the asbestos industry also behaved in exactly the same way, including many asbestos firms in the USA.⁶ Clearly, an explanation of events based upon the weakness of individual characters in these firms does not offer an adequate account of events. This was not a case of individual moral wickedness, but of institutionalized moral failure.

In what follows, a functional explanation for Turner & Newall's suppression and relative indifference to the facts about the dangers of asbestos will be offered. It is hoped that this case study will also help in the task of drawing the attention of business ethics researchers to the need to include the institutional dimension in their research and theorizing.

A Functional Theory of Institutional Ethics

The inspiration for this approach to uncovering the organizational determinants of business ethics derives from anthropologist Mary Douglas's book, *How Institutions Think*.⁷ She makes the important point that moral standards and knowledge are shared in an organization, and that individuals facing a crisis do not make life and death decisions on their own: these are settled by institutions. This is because classifications, logical operations, and guiding metaphors are given to the individual in the organization by the organization. Consequently, there is a 'thought world' in the corporation which

defines the categories of perception and the actions of the individual within it. Instead of using the beliefs of the individual to explain the cohesion of the organization, Douglas urges that we should use the thought world of the organization to explain the beliefs of its members. As she writes, "In most forms of society hidden sequences catch individuals in unforeseen traps and hurl them down paths they never chose".⁸

The 'Thought World' of Turner & Newall

What was the thought world in Turner & Newall in the twentieth century? How can the denial of the dangers of asbestos and apparent moral indifference of the company towards the asbestos victims be explained? The Turner & Newall documents revealed by Chase Manhattan Bank lawyers are unusually voluminous and detailed. The Bank was able to mount a powerful case by using Turner & Newall directors' minute books, medical records and compensation files to show how the company's knowledge of the dangers of asbestos dated from the 1920s. So too did its attempts to minimise the problem. Widely dispersed to the media and academics, the records also allow us to present a coherent picture of the thought world of Turner & Newall during the asbestos health crisis.

Asbestos can cause three potentially fatal diseases. These include asbestosis, a degenerative fibrosis of the lungs; lung cancer; and mesothelioma, a virulent cancer of the lining of the lungs or abdomen.⁹ The public have become aware of these health hazards only since the 1960s. However, the medical community and industry have known from the beginning of the twentieth century that asbestos could kill workers. By the late 1920s asbestos disease was documented in the medical press. In the dusty workshops where the 'magic mineral' was woven into fireproof products, workers began to develop asbestosis. Turner & Newall's directors knew no later than 1924 that asbestos was killing its workers. In that year, an inquest was held in Rochdale on Nellie Kershaw, a rover in the spinning room, which showed that she had died of 'asbestos poisoning' [asbestosis].¹⁰

The company's response to the Kershaw case highlights the thought world that determined the attitudes and policies of its management towards asbestos victims. This approach was characterized by unreasonable inquisitiveness, denial of liability, a legalistic view of compensation and a Nelsonian approach to dust in the workshops. Turner &

Newall's directors demanded to know from Kershaw's physician what he had told his patient about 'asbestos poisoning' (thereby inviting him to break his confidential relationship with his patient). They then aggressively denied liability, writing to Mrs Kershaw's Friendly Society:

"We repudiate the term 'Asbestos Poisoning'. Asbestos is not poisonous and no definition or knowledge of such a disease exists. Such a description is not to be found amongst the list of industrial diseases in the schedule published with the Workmen's Compensation Act. This case was not due to an accident."

It might be wondered how this apparent ignorance of the hazards of asbestos squares with the remark of Nellie Kershaw's physician that he saw nearly a dozen cases a year of lung conditions in asbestos workers; or with the growing number of asbestos deaths that were occurring at Turner & Newall's Leeds subsidiary, J W. Roberts.

Certainly, Turner & Newall were correct in stating that asbestos disease was not compensatable. Nellie Kershaw applied for benefits to her local Friendly Society, but, as her certificate diagnosed 'asbestos poisoning', the Society naturally assumed that her employer would pay compensation. But the company refused to accept liability and took refuge behind the fact that asbestos was not yet scheduled under the Workmen's Compensation Act. A destitute Mrs Kershaw received only seven shillings a week in National Health Insurance for about seven months in the last year of her life. Turner & Newall never paid her anything. When she died the company's medical men and lawyers contested the pathologist's findings, suggested that Kershaw's disease had begun before she worked for the company and denied that there was excessive dust in the mill (to counter the dead woman's reported statement that she worked in a room 'full of dust'). Finally, the company rebuffed her widower's claim for compensation, and even a request for help with funeral costs. One of the firm's managers advised that no payment should be made, "as it would create a precedent, and admit responsibility which has hitherto been repudiated, and furthermore if a payment be made there would no doubt be further applications by Kershaw later". These events took place in the same year that Samuel Turner, the owner of the business, died and left a personal fortune of nearly £½ million.

Despite Turner & Newall's denial of the problem, however, such was the mortality in

the asbestos industry that in 1928 the government commissioned a report on workers' health. The resulting survey revealed a disastrous situation in the asbestos factories (including Turner & Newall) – at least a quarter of the workers in the survey had asbestosis.¹¹ The government reacted swiftly: after discussions with the asbestos manufacturers, regulations were introduced in 1931 to control dust in the mills, medically monitor workers and introduce a system of compensation (the Asbestosis Scheme). Thus Britain became the first country in the world officially to recognise asbestosis as a compensatable illness.

However, Turner & Newall and the other asbestos firms, faced with medical and compensation costs (in addition to capital expenditure on dust prevention), lobbied hard to restrict the scope of the regulations. The result was that the Asbestosis Scheme contained some serious weaknesses from the viewpoint of the workers. For example, the Scheme came into force in June 1931 and applied to workers employed on or after 1 May 1931. Workers who had left the industry before then and who then developed asbestosis were not covered. Even those within the scheme had to claim within three years of leaving the industry – a harsh ruling, given the already known extended latency of asbestos disease (which could range from a few months to, more usually, many decades). Even worse, the legislative framework applied to only a restricted number of asbestos jobs. These were in the so-called 'scheduled areas' of the factories where the main manufacturing processes – crushing, carding, spinning, weaving and mattress-making – were conducted. Workers outside these areas were excluded from the Asbestosis Scheme. In particular, ladders and other insulation workers were excluded from the legislation – a tragic omission, as future events were to show.

An examination of the 140 or so Turner & Newall workers who subsequently claimed under the Asbestosis Scheme between 1931 and the 1950s has shown that the company continued its hard-nosed and tight-fisted attitudes from the Kershaw era. The company were reluctant to accept coroners' asbestosis verdicts; frequently contested workers' and their dependants' claims; and denied that its workshops were dusty. Thus, in the period between 1931 and 1948, while the company paid generous dividends to its shareholders (over £9 million from £14 million profits), it dispensed a mere £57,000 in compensation to its officially recognised asbestosis cases.

The company's antagonistic attitude to claimants was still evident in the 1990s, when

environmental exposure to asbestos became an issue. In 1994 a terminally-ill mesothelioma sufferer, June Hancock, and an 'asbestos widow' (Evelyn Margereson) took T&N to court over alleged exposure to asbestos dust from the Roberts' factory in Leeds. As a child, June Hancock had played in asbestos dust which was exhausted in dangerous quantities from the old Turner & Newall factory. The judgment, totalling £115,000 against T&N, was the first by a British court to an asbestos victim living *outside* the factory. According to the judge, the actions of T&N during the trial reflected a wish to contest the claimants "by any means possible, legitimate or otherwise, so as to wear them down by attrition".¹²

Signs of Moral Indifference

The Turner & Newall records are highly revealing about its moral attitude to asbestosis sufferers. It would perhaps be unfair to expect formal and routine company documents to reflect personal emotions and philosophies. Yet even allowing for this, the Turner & Newall files are remarkable for their relative indifference to workers' sufferings. Hardly ever do they express (except in the most formal way) emotions such as sympathy for physical suffering, regret over a death or anxiety over conditions within the factory.

A classic example of the company's policies is illustrated by the case of a Glasgow insulation worker, Charles Coyle. Employed as an asbestos sprayer between about 1945 and 1954, Coyle contracted asbestosis in his late forties and began to deteriorate rapidly. His solicitors made a claim against Turner & Newall in 1955 on the grounds of negligence. The company, replying through their Manchester solicitors, greeted this claim with scepticism ("it is clear that every precaution was provided for your client"). Medical reports confirming Coyle's illness and stating that he would survive no longer than a few months also received little sympathy. Turner & Newall's solicitor recommended delaying tactics: "The man has a very poor expectation of life, and if he does succumb the claim will not be any more expensive, and without his evidence the solicitors will be in greater difficulties. In short, I do not think tactically we have anything to lose by leaving the matter in abeyance . . .".¹³ Coyle duly died in 1956, which allowed the company to settle the case with his widow and dependent children for the modest sum of £500, without any admission of liability on Turner & Newall's part. The company felt it had "turned out very satisfactorily".¹⁴

This indifference has been confirmed by the company's own medical men. In the mid-1960s, Dr William Kerns joined the company as chief medical officer. He observed that, after a meeting had reported a workers' death from asbestosis, the company was congratulating itself on the fact that the mortality statistics for disease appeared to show some improvement. Kerns later commented "I was concerned that here the people were congratulating themselves that the survival time had increased, and surely there was an improvement I agree, but nevertheless here was a fellow who died of asbestosis. I think that every death was regrettable, but regret wasn't being expressed". Kerns felt that the management "had been dealing with these things for a long time. It was new to me and the attitude was new to me".¹⁵ Shortly afterwards Kerns resigned.

This moral indifference had at its roots a certain lack of concern for the individuals who were enduring real physical suffering and whose families faced hardship and deprivation then and in the future. Asbestos victims were essentially being considered as necessary costs or as simply statistics by management rather than as precious human assets. How can this pattern of moral indifference, which constituted the thought world of T&N and its managers and employees, be explained? Explanations based upon the moral weakness of individual characters are not credible. An institutional explanation showing how individuals were socialized to give this kind of response is clearly needed.

A Functional Explanation of Turner & Newall's Moral Indifference

Mary Douglas provides the theoretical framework for a functional explanation of this pattern of moral indifference in which individuals trapped themselves and became its perpetrators. It will be shown that the culture of denial in Turner & Newall was functional for the maintenance of the business as a paternalistic enterprise. The behaviour of the company's management, and its moral indifference, can be explained by a functional theory of organizational ethics, which includes a role for human intentions and the role of self-sustaining processes, and unintended consequences which work to keep this situation in being.

Douglas, using Elster's model of an adequate functional explanation, claims that a behavioural pattern X, is explained by its function Y, for an organization Z, if and only if

1. Y is an effect of X;
2. Y is beneficial for Z;
3. Y is unintended by actions producing X;
4. Y or the causal relation between X and Y is unrecognized by actors in Z; and
5. Y maintains X by a causal feedback loop passing through Z.

Using this formulation, which gets down to the bare bones of the argument, the moral indifference at T&N can be explained to be a function of its own denial of the facts about asbestos as follows:

1. Moral indifference to the asbestos victims (Y) is an effect of denial about the dangers of asbestos (X);
2. Moral indifference (Y) is useful for T&N (Z) in enabling it to remain profitable and serve the shareholders and its local community;
3. Moral indifference (Y) is unintended (and later deplored) by those maintaining the denial;
4. Moral indifference (Y) is unrecognized as an effect of the denial (X);
5. By an unseen causal loop (paternalism), moral indifference to the asbestos victims (Y) helps to maintain the denial (X) because it prevents the management from recognizing the injustice they are perpetrating and that other stakeholders' interests should be recognized.

Let us examine the components of this theory in turn using the documentary evidence of the T&N company archive to substantiate each proposition:

1. Moral Indifference an Effect of Denial

The Turner & Newall documents contain evidence to show that denial and secrecy were practiced regarding the dangers of asbestos and that company officials sometimes misled their employees about the risks involved in working with asbestos.

Turner & Newall had hoped that the dust-control measures it introduced after 1931, combined with the medical monitoring of workers, would cause health problems amongst the workforce to disappear. However, it was soon apparent that asbestosis was not disappearing; moreover, new diseases, such as lung cancer and mesothelioma, were also beginning to occur. Through its medical monitoring and compensation records, aside from inquest reports on dead workers, the company were fully aware of these trends. The Turner & Newall archive bulges with mortality statistics on its workforce, which the directors and the company medical men regularly reviewed.

Yet the company's public pronouncements rarely admitted to a health problem at the company. In 1937 chairman Samuel Turner made his only public statement to shareholders about asbestosis, telling them that "our efforts [at dust control] have been so completely successful that I can with confidence state that new cases of asbestosis in your companies' factories are extremely unlikely, the cases with which we have to deal with at present being simply the inheritance of the days when unfortunately this danger was not realized".¹⁶

These claims were echoed in the company's celebratory house history, published in 1970:

"After it was realised in 1930 that asbestos dust could be injurious to health if inhaled in substantial amounts over a long period of time, [Turner & Newall] took prompt measures for dust suppression and personal protection wherever the risk called for them in its plants. Indeed, the unceasing efforts of Turner & Newall and of other asbestos companies in this country to eliminate such risks, however small, have made Britain the world's leader in the field of industrial hygiene".¹⁷

Workers were given a similarly reassuring picture, especially when the true extent of the asbestos crisis began to emerge after the 1960s. In 1967, Turner & Newall staff, customers and the public were to be told 'authoritatively', *inter alia*, that the dust generated in spraying asbestos was 'insignificant'; that the rise in asbestosis cases was due to the inclusion of insulation workers in the statistics (whom no one had known were at risk); that lung cancer occurred only as a result of asbestosis; and that *if* mesothelioma was connected with asbestos, it would probably be related only to blue asbestos. More reassurances emanated from the Asbestos Information Committee – an organisation financed by the industry – which published articles minimising the cancer risk and dismissing concerns about casual and environmental exposure. Workers were told that new regulations would ensure that the risk of asbestosis in long-serving employees would be *only* one in a hundred. No mention was made of the long-term cancer risk. Workers already ill would be helped by 'good' medical care and 'fair' compensation. "This responsibility the asbestos industry has willingly undertaken and many millions of pounds have been paid both in direct compensation and in maintaining the earnings of employees transferred to lighter less exposed work".¹⁸

Even the landmark study by (Sir) Richard Doll in 1955, which firmly established the link

between lung cancer and asbestos, and was based on the medical statistics of Turner & Newall's Rochdale factory, was very nearly suppressed by the company. Turner & Newall initially refused permission for Doll to publish his research, which showed that workers at the company had an increased risk of lung cancer. When Doll refused to comply and made known his intention to publish an article in the *British Journal of Industrial Medicine*, the directors considered taking legal action against him. They eventually did not carry out this threat, but they did send a company man to see the journal's editor in a vain attempt to have the article shelved.¹⁹ After the publication of the article, asbestosis and lung cancer deaths amongst Turner & Newall's workers continued, and it was soon apparent that neither disease had been eliminated. Chase Manhattan Bank's recent review of Turner & Newall's medical files discovered that by 1959 at least 50 of its employees had died of lung cancer, a number that was certainly excessive compared to normal trends. The company's attitude to such cases had not changed either. Even in the 1960s they were still unhappy with inquests where lung cancer and asbestosis were blamed. To deny the facts about asbestos and its effects upon the workforce is an act of moral indifference.

2. Moral Indifference was Useful to Turner & Newall

The minimisation and denial of the dangers enabled T&N to remain a profitable company and maintain a large workforce in its factories. In 1925, when Turner & Newall became a public company, its issued capital was £2.5 million and its workforce was 5,000. Henceforth its development was spectacular as it pursued a policy of expansion and vertical integration. By the end of the inter-war period – when it was amongst the top 100 UK firms – the company's profits had reached about £1 million a year and its issued capital had tripled. This was all the more remarkable in view of the slump and depression experienced by other businesses at this time. While many companies – especially those in the Lancashire textile trade – struggled to pay dividends, Turner & Newall's shareholders were kept smiling by consistently good returns on their holdings. The company had hit upon a product that was almost recession proof. Asbestos became so fundamental to the operation of so many of the country's engineering and construction industries that, even if one sector of the economy fell on hard times, other business could be found else-

where. Thus, when the insulation trade was hit by the decline in shipbuilding orders other products made by Turner & Newall – such as brake linings and asbestos cement – took up the slack.

As the country emerged from the depression in the late 1930s and began to rearm, asbestos really hit its stride. During the Second World War and the 1950s the asbestos industry, and Turner & Newall especially, enjoyed its greatest era of growth. By 1970 the firm which had been virtually a one-man business a century or so before now had an issued capital of £65 million, a workforce of 36,000 (25,000 in the UK) and profits of over £7 million a year. Despite the health problem the company had emerged as the 'Asbestos Giant'. Indeed, T&N remained a profitable company until the 1980s, when it restructured itself with the help of the Bank of England, and began to diversify its activities away from asbestos-related industries.

3. Moral indifference was Unintended by Turner & Newall

Turner & Newall was probably no worse in its attitudes than other Lancashire textile firms. Moreover, in the asbestos industry itself the company may have been amongst the more paternalist and safety-conscious employers. Under the 1931 Regulations the company did not entirely shirk its responsibilities. A dust-suppression programme was launched at the company which by the standards of the time looked impressive. Processes were relocated and enclosed; new dust extraction plant was installed; better sacks were ordered; new respirators and overalls issued; and warning notices pinned up around the works. Samuel Turner pressed home the safety policy when he asked the firm's directors "to redouble their efforts to safeguard the workers." He also suggested that Robert H Turner should pressurize other manufacturers "to do everything possible whatever the cost, to bring about the desired result, the issue involved being a moral issue, the health of workers"²⁰ Looking through the company archive, it is difficult to conclude that the moral indifference shown to employees was personally intended from what were often committed Christians and managers who otherwise were respected by the workforce. Even when responding to the Chase court case in 1993, the company's press statement gives no credence to allegations of unethical conduct:

"Asbestos related disease claims against T&N and its subsidiaries have always been

handled with sympathy. T&N has paid tens of millions of pounds in respect of such claims. Future claims will continue to be dealt with on their merits. The documents selectively quoted from items selectively distributed by Chase Manhattan Bank convey a totally misleading picture of T&N's approach to asbestos and health. T&N has successfully presented the true picture to a number of courts and juries and remains prepared to rebut the misleading impression which plaintiffs, lawyers and others seek to create by the selective use of T&N's documents."

At the level of managerial intentions, then, it would appear that Turner & Newall did not set out to show moral indifference towards its workers, and it seems there was no avowed company policy to do so. The company seems to have prided itself on looking after its employees as best it could.

4. *Moral Indifference is Unrecognized as an Effect of Denial*

Within the limited parameters of government legislation (parameters which the company itself had helped define), Turner & Newall did find ways of helping workers who became ill with asbestos-related diseases. Once officially diagnosed, the wheels began turning to compensate the disabled worker usually (though not always) without dispute. It was standard practice at Turner & Newall to find disabled workers (or at least, those who were not totally disabled) another job at the factory. Obviously, this had to be in a non-scheduled area. Between 1931 and the 1960s dozens of workers were transferred to areas such as rubber-proofed goods or the warehouse. Here, at least, Turner & Newall acted creditably towards its workers and it does not appear to have been company policy to fire sick workers, as some American asbestos companies are said to have done. One disabled worker, Harry Clegg, suspended in 1941, was even briefly found a job as Sir Samuel Turner's gardener.

The company also made some effort to keep wages and other benefits up to former levels for suspended workers, even though the government scheme usually left a shortfall. Turner & Newall instituted an enduring *ex gratia* policy. This was a small sum which was given either as a weekly pension, or a small lump sum settlement, or merely as a contribution to funeral expenses. Often it was made on sympathetic grounds if it was decided that 'officially' there was no claim, but that there were mitigating circumstances.

This was not a statutory obligation and it was paid at the company's behest. Amounts could vary, but the *ex gratia* was not usually very large: by the end of the 1940s annual payments ranged from £26 to £65. The *ex gratia* policy was maintained throughout the 1950s and 1960s, and even into the 1970s, when the payments had become even more meagre. A key feature of the *ex gratia* was that it was *discretionary*: payment was not necessarily permanent and it could be reduced or stopped. The *ex gratia* was, however, a classic paternalistic device: it often aroused gratitude in the recipient; its withdrawal could sometimes be used as a threat to counter common law claims; and it assuaged any guilt feelings the company may have had. It allowed Turner & Newall to claim that:

"For a number of years we have adopted the principle here of treating generously all cases of asbestosis definitely established as such by the [government], and in fact in a number of cases we make *ex-gratia* payments as additions to the statutory compensation. Also in certain instances where an employee (though he may be actually suffering from asbestosis) has no standing (i.e. no legal claim under the Scheme) for some technicality, we pay compensation as it appears desirable to deal with the problem on broad lines, and not to rely on some legal point in our favour".²¹

The company directors did not see themselves as morally indifferent. The moral indifference actually shown to the asbestos victims was perhaps an unrecognized consequence of the denial perpetrated by ordinary managers and directors of Turner & Newall that asbestos was not fundamentally a hazardous substance. It will now be shown that the company's paternalistic management created the culture of denial that functioned as an unacknowledged causal feedback loop to maintain the company in existence.

5. *The Unseen Causal Loop of Paternalism*

The unseen causal loop of moral indifference is caused by paternalism which was the founding philosophy behind the thought world of T&N and many other companies at this time. The company board were the parents and the employees were the children. Denial or secrecy arises because parents do not tell children all about the troubles of the world, only what they need to know, and then only what the parents want the children to know and what they think the child can handle or understand. Likewise, the parent wants the child to believe that the parent has

the best interests of the child at heart, and that the parent will protect the child. Parents like to believe that they would not harm their children, but when they do they want to keep it a secret; or, if confronted with the fact, the parents will deny its truth or its validity.

The paternalistic firm was common to the British industrial scene at the beginning of the century. Moreover, the notion that management are the sole agents of shareholders who own the company and that other stakeholders are neither recognized nor entitled to participate in management was a common assumption. These two factors largely account for the secrecy that was practised in Turner & Newall, and the subsequent attempts at denying the dangers of asbestos.

Turner & Newall was founded as a textile company in the mill town of Rochdale where the culture of millowner paternalism was well established and had helped to keep trade unions and other countervailing forces at bay. The millowners were the power inside the mills and outside in the local communities. When Turner & Newall moved into asbestos the culture of paternalism persisted and developed even as the company grew and expanded. Indeed, the falling away of the paternalistic thought world in Turner & Newall occurred only after the 1960s. It was then no longer run by the Turner family, the firm was no longer so dominant in Rochdale and the scientific community and the media were less compliant. During the 1970s a change can be noted in Turner & Newall's attitude towards compensation cases. Lump sum payments began rising sharply, there were more common law actions against the company and workers and relatives were relatively far more active in seeking recompense.

Douglas describes what happens when this process of the undermining of a founding analogy takes place in the following terms:

"... resemblances that provide favourable social analogies are primarily constructed for legitimizing social institutions ... the effort to build strength for fragile social institutions by grounding them in nature is defeated as soon as it is recognized as such. That is why founding analogies have to be hidden and why the hold of the thought style upon the thought world has to be secret".²²

The resemblance of the company to the natural institution of the family provided an analogy which legitimized the power and position of the Turner & Newall board, but once this paternalism was exposed to scrutiny the stance of the company towards its

employees and the community had to change and become more open, and the company's board had to seek a new legitimacy based upon technical and expert criteria. It is the creation of the paternalistic but secretive company which produces moral indifference towards its employees, an apparent contradiction but one that is explained by the functional institutional theory. This conduct is an unintended consequence of paternalistic and virtuous employers as individuals, but shows them to be under the direction of a corporate morality or a collective thought world.

Conclusions: An Institutional Theory of Ethics

Mary Douglas's theoretical model can help us understand how a climate of moral indifference developed in Turner & Newall, and this functional theory can do much to help us begin to build an institutional account of business ethics. As she sees it, 'institutions bestow sameness', so that socially based analogies assign disparate items to classes and load them with moral and political content. In effect, individuals can be prevented from thinking, and even if they do think some thoughts, these are often discarded by the system in which they operate. This process is described by Mary Douglas in the following terms:

"Institutions create shadowed places in which nothing can be seen and no questions asked. They make other areas show finely discriminated detail, which is closely scrutinized and ordered. History emerges in an unintended shape as a result of practices directed to immediate, practical ends. To watch these practices establish selective principles that highlight some kinds of events and obscure others is to inspect the social order operating on individuals' minds".²³

This process can be readily identified in the documentation in the Turner & Newall archive which relates to the compensation files of the asbestos victims. These record, on the one hand, a paternalistic yet ruthless company intent on keeping claims to a minimum; on the other, a weakly unionized and deferential workforce poorly supported by the medical and legal community.

The compensation files and the process of administration show Turner & Newall making classifications which individual managers on their own, or outside the organization, would not otherwise have made. The

theory here is that society makes the institution; institutions make classifications; classifications entail actions; actions call for names; and people respond to names both positively and negatively. The particular process to be observed in these records is that organizations produce labels (the categories of industrial disease) and that people respond to the labels they are given (by largely accepting their lot as passive victims of their own disease). As Douglas notes, "For better or worse, a community can make its preordained victims bear the brunt of the crisis and solve its allocation decisions, by letting its institutions do the choosing, but only when it has conferred legitimacy upon them".²⁴

We must beware, of course, of applying modern attitudes to problems which occurred over half a century or more ago. The perspective in Rochdale and elsewhere in the inter-war period was likely to have been far different from that at the end of the twentieth century. Only a generation before, Rochdale had experienced appalling levels of mortality. Tuberculosis and other bronchial conditions were still common in the town between the wars; so, too, was widespread unemployment. Against such major problems, what price an initially relatively small number of asbestosis deaths?

The thought world of T&N was not just a self contained one, as it was informed by and reflected the prevailing values and categories used in business more generally. The system of accounting in industry meant that the high toll of accidents and illness in the industry did not appear in any set of published accounts. Wages were the only cost recorded by employers; injury and accidents were not damage to assets or the rapid depreciation of investment. As the Factory Inspector of 1964 put it in *The Times*, "I find it difficult to understand why employers who would not dream of neglecting to safeguard their valuable machinery and premises fail to pay the same attention to the safety and health of their workforce".²⁵ But, of course, individual daily deaths are rarely recorded in the media, only in the minds of the families who grieve for them. They do not appear on the company's profit and loss account and so slip away from our consciences and as the focus of our moral concerns. On the whole, concern with health and safety in industry has always been piecemeal, uncoordinated, anomalous and limited. The categories of industrial injury and accident are given by legislation, which accepts that death and injury are an inevitable outcome of business activity. This is the result of a wider insti-

tutional ethic rather than of the individual moral failings of business men. Only when we come to terms with the institutional dimension of this situation will we be able to take more effective action to redress these moral failings.

This Turner & Newall case-study highlights the significance of how a corporate morality or a thought world can affect the ethical conduct of the individuals in the organization. Indeed, Turner & Newall's corporate morality generated a paradox: a paternalistic employer persistently and forcefully displayed moral indifference towards its own employees, the victims of asbestosis and cancer. This indifference was probably unintended by the individual managers of Turner & Newall, and the injustice caused remained largely unrecognized until the culture of paternalism began to crumble under media scrutiny and through changes in society which made paternalism a less congenial management philosophy.

The lesson for business ethics to be taken from this case is that of the danger of paternalism in management, particularly when decision-making is shrouded in secrecy and coupled with the production of hazardous products or the operation of dangerous processes in industry. A virtuous management will try to ensure that its property power is not converted into a domination which excludes all other interests in the decision-making processes of the firm. As Walzer has commented in his discussion of the company and the town owned and controlled by George Pullman in Illinois, USA,

"...there are many men and women who preside over enterprises in which hundreds of their fellow citizens are involved, who direct and control the working lives of their fellows, and who explain themselves exactly as George Pullman did. I govern these people, they say, in the same way a man governs the things he owns. People who talk this way are wrong. They misunderstand the prerogatives of ownership... They claim a kind of power to which they have no right".²⁶

One of the trends in modern industry is to re-consolidate the power of shareholders, management and their prerogative as the countervailing forces of trade unions and government regulations continue to diminish. Human resource management policies designed to elicit employee commitment and team-based productivity improvements can often lead in the direction of a new management paternalism. Where this is based upon

unchallenged managerial hegemony and secrecy, the danger is that it can become institutionalized as a corporate morality which has the unintended consequences of moral indifference and reprehensible conduct towards other stakeholders. For these reasons a wise management will try to open up its decision-making processes and seek the participation of a wide range of stakeholders for the good of the whole company, and ultimately, the common good as well.

Notes

1. Robertson, D., 'Empiricism in Business Ethics: Suggested Research Directions', *Journal of Business Ethics*, 12 (1993), pp. 585-599, p. 590.
2. The company is now T&N, a major manufacturer of automotive components. It no longer produces asbestos.
3. See court transcript: Chase Manhattan Bank v. T&N (87 Civ. 4436, Judge J.G. Koeltl), US District Court, Southern District of New York, 27 Oct.-6 Dec. 1995.
4. Jeremy, D., "Corporate Responses to the Emergent Recognition of a Health Hazard in the UK Asbestos Industry: The Case of Turner & Newall, 1920-1960," *Business and Economic History* 24 (Fall 1995), pp. 254-65, p. 264.
5. Ibid, p. 264.
6. Castleman, B., *Asbestos: Medical and Legal Aspects*, Englewood Cliffs, N.J.: Aspen Law & Business, 4th Ed., 1996.
7. Douglas, M., *How Institutions Think*, London: Routledge & Kegan Paul, 1986.
8. Ibid, p. 42.
9. Selikoff, I. & Lee, D., *Asbestos and Disease*, New York: Academic Press, 1978.
10. Selikoff, I. & Greenberg, M., "A Landmark Case in Asbestosis," *Journal of the American Medical Association* 265 (20 Feb. 1991), pp. 898-90.
11. Merewether, E. & Price, C., *Report on Effects of Asbestos Dust on the Lungs and Dust Suppression in the Asbestos Industry*, London, 1930.
12. Judgement in E. Margerison and June M. Hancock v. J. W. Roberts Ltd, 27 Oct. 1995. Typescript kindly forwarded by Adrian Budgen.
13. McKenna letter to Turner & Newall, 25 Aug. 1956.
14. Turner & Newall to Chapman, 29 July 1957.
15. Chase v. T&N deposition, 20 Oct. 1993.
16. Turner & Newall, *Annual Reports & Accounts*, 1937, p. 15.
17. *Turner & Newall Limited: The First Fifty Years, 1920-1970*, Manchester: T&N, 1970, p. 28.
18. 'Asbestos - Killer Dust or Miracle Fibre', *Industrial Safety* (Sept. 1976), p. 11.
19. The details of this episode were revealed during the Chase court case. See Chase transcript, pp. 607-28.
20. Turner Bros. Asbestos Directors' meeting, 30 June 1932.
21. J.L. Collins to R. W. Anderson, 16 May 1944.
22. Douglas, *op. cit.*, p. 52.
23. Ibid., pp. 69-70.
24. Ibid., p. 125.
25. *The Times*, 9th September, 1964.
26. Walzer, M., *Spheres of Justice: A Defense of Pluralism and Equality*, Oxford: Blackwell, 1983, p. 302.

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