

# A Return to Objective Ethics in Business Education: A Faith Based Argument for Plato's Virtue Ethics

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## Abstract

**Business ethics is an idea that many students and practitioners believe cannot exist together, often the result of religious underpinnings and philosophical debates deemed too “soft”. It is our belief, however, that business ethics is quite relevant given the current landscape and that a new model should be introduced immediately to all business schools that hope to produce future business leaders, not just business people. This model implements proven neurological traits inherent to all people into widely accepted virtue-based ethical teaching of the world’s major religions, and by doing so, a new framework for teaching what was once an awkward discipline into an interactive, highly-applicable theory.**

## Keywords

**Business Ethics, Virtue Ethics, Teaching Ethics, Ethical Modeling**

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## 1. Introduction

The recent financial collapse that reverberated throughout the global marketplace is indicative of a much greater dilemma facing the world economy; the lack of objective business ethics education. Failures of iconic corporations like Enron, Worldcomm, and Tyco all share the common denominator of unethical behavior at the highest levels of leadership. Definitions of “right” and “wrong” that were once understood unilaterally have become subjective and open to interpretation. While cultural differences can pose some unique ethical challenges, the belief in absolute moral standards appear to have all but been abandoned.

Future business leaders appear to be following the current example as well. A recent survey of graduating

MBA students conducted by USA Today found that 52% would trade on insider information, a felony offense [1]. Statistics like this explain why a mere 19% of Americans expressed confidence in “big business” in a 2010 Gallup poll [2]. The inadequacy of business school curriculum to provide the skills necessary for resolving ethical issues is concerning. Organizational behavior and leading business ethics expert, Dr. Craig Hinnenkamp explains the current gap this way:

The current ethics model in business schools generally focuses on two outcomes. Firstly, increased ethical awareness, and secondly, ethical decision-making skills. Ideally, we want people to recognize an issue, and then employ a decision model to resolve it. The problem is that this assumes *moral* intent. Ethics as currently approached in business schools is problematic. Many schools are moving away from it for these reasons and the fact that it inherently involves discussions of values and morals which is difficult in secular institutions given its proximity to issues of faith [3].

Faith and values have long been topics far too taboo for discussion in public education settings. Society advocates a strong separation of education and faith—a view that has led many leading business schools to reduce the level of ethics training in their curriculum. Instead of abandoning ethics due to its connection to faith, this paper argues that faith itself provides the solution for the current ethical relativity.

The core debate of ethics education is the dilemma of assigning the moral standard of one individual to another. Universities are understandably hesitant to declare any set of values as “moral”, and thus disparage all others. Therefore, for an ethics model to be effective in a global setting, it is imperative that its decision modeling be inclusive. This is the contribution that “faith” uniquely provides.

Currently, 86% of the world’s population self-identifies as “religious” [4]. Identifying shared core beliefs of the world’s largest religions (Christianity, Islam, Hinduism, and Buddhism) allows for the creation of an ethics model which can provide effective resolution for a majority of the world’s population. Through careful examination of numerous ethical models, Plato’s Virtue Based Ethics has proven the most efficient at incorporating these shared religious principles. A literature review of virtue based ethics follows.

## 2. Literature Review

A normative approach to ethics analyzes moral character instead of rules (deontological) or results of one’s actions (consequentialism) and is deeply rooted in eastern Asian literature, along with Plato and Aristotle. Each virtue is the result of an emotion or action for Plato. It is our belief that these actions are deeply rooted within each individual’s psyche or subconscious, and consequently, it is important to isolate the motivating factor(s) that lead one to take a specific action rather than what prevents someone from doing something (rules and/or consequences). Utilizing shared virtues among various groups has gained wide acceptance to provide starting points for ethical norms within many disciplines. It is our intent to examine virtue-based ethics from widely accepted disciplines that know no geographic boundaries in order to mimic the global business environment that exists. As such, the literature reviewed examines virtue ethic models for several fields of study rather than an exploration of the foundations of virtue-based ethics. For instance, in the field of psychology, researchers have found six common virtues among the most predominant religions. These virtues include courage, justice, temperance, humanity, wisdom and transcendence [5]. The research indicates that these shared traits allow followers to work from similar moral platforms regardless of the existing culture.

As the world’s population continues to live longer and globalization occurs, a recurring discipline that also grows is healthcare. While world healthcare provides many opportunities for discourse and debate due to religious norms, cultural attitudes and societal views, a search for an ethical platform has emerged that involves virtue-based ethics. The resulting starting point becomes what makes a person good rather than providing rules from which to act, and has proven to be an innovative approach to world healthcare issues [6]. As such, virtue-based healthcare decision-making is gaining acceptance since it provides the appropriate level of overlap among cultures and societies.

While each country has its’ own legal system, the idea of virtue in law has become a redundant phrase throughout the globe. Law is a profession that deals with people exhibiting various imperfections who have violated a particular law, yet it is reasonable to ascertain that despite these misgivings within the profession, a fundamental platform exists as the result of virtue-based ethics that includes balance, integrity, idealism, compassion, courage, creativity, energy, justice, discipline and perseverance [7].

Within the global business realm, the literature is abundant with ethical models and paradigms. For instance,

Donaldson and Dunfee examined business ethics from a stakeholder's perspective, resulting in their self-described Integrated Social Contract Theory (ISCT) which is supposed to integrate empirical and normative approaches to real-life business cases while relying upon pluralism to overcome moral relativism [8]. Further business ethics analysis focusing on virtue-based models is vague and argue that the agreed upon morals by business leaders are not exceptional or capable of guiding one's ultimate actions [9] [10]. Virtue in character has been emphasized in several articles, however [11].

From a scientific standpoint, the literature suggests that many of an individual's character (moral) traits exist deep within the brain and as a result, actions are often guided by subliminal responses to stimulus. Called "neuroethics", studies examine the cognitive and neural mechanisms underlying moral decision-making (how someone thinks) and how the brain processes these stimuli when they involve ethical behavior [12]. These studies are beginning to confirm that ethical decision-making occurs at the subconscious level, is impacted by emotion and has distinct, underlying neural mechanisms that distinguish it from other processes that occur in the brain [13]. In short, there is more at work than simply choosing between "right" and "wrong" when it involves ethical decision-making and the emotions identified in neuroscience correspond with the underlying emotions associated with virtue-based decisions.

### 3. Methodology

A detailed analysis of world religions is an instrumental component of this study to build the case for virtue-based ethics based upon neurological underpinnings and proven effectiveness in global disciplines. Providing a foundational starting point, a breakdown of world religions by numbers of members can provide insight to the methods implemented in this study. As such, the top five world religions by membership include Christianity with 2.1 billion, Islam with 1.5 billion, Hindu has 900 million followers, Chinese traditional religions have approximately 396 million and there are 376 million Buddhists [14]. These figures comprise approximately 5.2 billion religious believers, which is well over half of the world's total population. This study will focus on the commonalities among the five religions listed above, as they embody a large percentage of the populations from industrialized, emerging and lesser-developed countries while simultaneously providing an ethical framework from which all parties can readily agree upon regardless of their social status or country of origin.

Regionally, Christianity and Islam can be embodied by Western tradition, Confucianism and Taoism represents Chinese traditional religions, Buddhism tradition embodies Southeastern Asia and Hinduism is represented by India and Southern Asia. Europe provides a blending of all religious traditions and is fairly represented, and as a result, much of the world's most populous areas are covered in this study. Furthermore, each of the religious traditions examined in this paper have a lengthy history that dates back many centuries and have impacted society throughout multiple changes. As such, it is suggested that these five religions examined will continue to impact society moving forward, including the discipline of business. While it was not our intent to deliberately exclude other religions or traditions, the study provided is a starting point from which others can extrapolate our hypothesis for testing in religions with fewer members. Similarly we restricted our study to written text as those were the most readily available and provided the most insight to traditional norms. We recognize that many cultures and traditions have a history that is passed down generationally through verbal methods, which also leaves opportunity for further research.

The major religions being analyzed here, however, do share commonality with regard to the virtues they rely upon to provide footing for more detailed philosophical beliefs. Christianity, for instance, is based upon the Cardinal Virtues of prudence, justice, restraint and courage [15]. Similarly wisdom, tolerance, justice, courage, self-restraint and perseverance are several virtues identified within the Qur'an and provide guidance for devout Muslims. For the nearly one billion practicing Hindu, inspiration is known as dharma—a strict duty and set of obligations. Many times the duties are integrated into the caste system. These duties have been identified as kindness, self-control, generosity, goodness, truthfulness and compassion [16]. Buddhism and Taoist provide additional overlap, as both agree that basic virtues provide the pathway to a fulfilled life. These six "main" virtues are wisdom, courage, humanity, justice, temperance and transcendence [17]. Similarly, practicing Buddhists follow the Holy Eight-fold Path to enlightenment, which includes understanding, thinking, speech, action, livelihood, effort, mindfulness and concentration [18]. It is our belief that these commonalities can provide an equal starting point for all businesses to create an ethical platform to provide consistently recognizable treatment for all stakeholders, regardless of size, location and underlying ideology of the business owner(s) and board of directors. The ethical dilemma examined next is provided as an example of virtue-based ethics providing guidance

to answer a difficult ethical question that previously, was unanswered as a result of prevailing moral relativism.

#### 4. Case Study

Consider the case of mutual fund managers and the ethical questions regarding agency conflict that emerge as a result of the duality of their role. Perhaps the most intriguing question is the one that asks if it is ethical for a mutual fund manager to also serve as the President of the board he represents. Can the mutual fund manager a) maximize shareholder return for those investing their dollars into the fund; b) maximize wealth for the corporation that created the mutual fund and ultimately; c) do both a and b while asking investors to put more into the fund each month and charge management expenses, trading fees, compliance fees, etc.? Virtue based ethics provides a platform that can answer this perplexing question with precision.

Perhaps the best starting point to answer the question exists within the brain and the study of virtue-based decision making. At the subconscious level, all people exhibit characteristics that they are unable to change, including preconceived ideas about risk-taking, motivations and social (peer) acceptance which results in an inability to remain rational when making decisions [19]. Further studies indicate that brain activity spontaneously increases prior to taking financial risks and is further amplified when diverse reward cues are potentially rewarded [20]. The application from an ethical standpoint rests on the notion that despite our social makeup and upbringing (religion), the subconscious mind exists in its' own space and is not easily altered. As a result, psychological studies support the idea of widely accepted philosophies like virtues.

Moreover, the underlying motivations that are created from a subconscious level are the same emotions that correspond with the main virtues identified in the largest world religions. Virtue ethics affirms that qualities such as wisdom, temperance, justice and prudence are learned over time and are the product of these motivations. For instance, wisdom is a character trait that is most likely linked to reason, as the search for wisdom is directly linked to reason and truth. Reason and truth come from many different sources, but in this case study, consider that approximately 65% of all mutual fund managers have their MBA [21]. Similarly, multiple studies conclude that an equal percentage also have their CFA designation, which allows one to determine that the majority of mutual fund managers have adequate education and the ability to generate additional wisdom through reasoning [22]. The industry is top-heavy with highly educated white males, as only 12% of all mutual fund managers are women and according to Highbeam Research only 16 mutual fund managers were African-Americans in 1997. As a result, the quest for knowledge and reasoning in the mutual fund industry is really nothing more than the same tired avenues of research and interpretation of "noise" in a similar fashion to their counterparts at the next money management firm. This is supported by the various studies confirming herding tendencies of mutual fund managers in an attempt to not look bad compared to their peers, instead of seeking optimal investment choices for the investors of the fund [23].

The second virtue, courage, is linked emotionally with confidence. In this case study, it is safe to reason that mutual fund managers typically exhibit confidence, as studies confirm that money managers attribute their success to personal skills rather than market forces, a characteristic known as self-attribution bias [24]. Overconfidence contributes to the increased trading and returns that do not beat similar funds which are run by their peers, as more than half of all mutual funds fail to beat their benchmark on an annual basis [25]. It is evident that courage in an ethics based model indicates that mutual fund managers are not capable of acting ethically.

Temperance, or self-restraint/self-control, is the third virtue for the religions being examined. The corresponding energy or determining factor in measuring one's self-restraint is emotion. Aristotle explains temperance as not giving in to physical pleasures or temptations easily and common terms for these temptations might include "vices", or "addictions". Recent neurological studies suggest that despite one's best attempts to remain neutral and rational when making decisions, monetary or otherwise, an 'anticipatory affect' occurs when even non-monetary rewards are promised for certain behaviors. Knutson, *et al.* concluded that visual stimuli (in this instance, semi-erotic photographs) lead respondents (all heterosexual males) to increase financial risk. A second study found that variants in two genes that regulate dopamine and serotonin are significant determinants toward risk-taking. According to Kuhnen and Chiao's study, these genetic designs contribute for approximately 20% variation in experimental lottery choices and as much as 35% - 54% variation in pathological gambling; and the genes that regulate these transmitters are directly linked to personality traits such as extraversion, novelty seeking and anxiety. It is becoming increasingly conclusive that self-restraint is a subliminally rooted trait not easily altered.

The fourth virtue is justice, and again, the driving force that determines justice is emotion. The fund managers examined for this paper are billionaires as a result of keen investments, fund raising activities and proper asset allocation. However, their day is spent generating profits so that they might arbitrarily dispense profits to investors as a ROI, as well as a capital gain to the corporation that manages the fund. While the fund generates a return, management fees could be theoretically reduced in order to increase ROI, but that does not serve the main goal of wealth maximization for the company. Conversely increasing management fees to maximize wealth minimizes ROI for investors. It is a paradox that cannot be overcome in this instance, and therefore, justice cannot be adequately served.

When analyzing all four of the virtues necessary to reach virtue-based ethics, it's apparent the underlying features of emotions are not so subtle, but rather, strong tides sweeping through every individual and forcefully impacting each decision, small or large. It also becomes apparent that in this case study, utilizing virtue-based ethical reasoning provides solid psychological reasoning, coupled with widely accepted industry facts, to state that it is not ethical for mutual fund managers to manage the fund that they also serve as the board President.

## 5. Conclusions

Business ethics is often a concept that is overlooked by universities, whether intentionally due to the perceived moral underpinnings required to effectively teach the class or unintentionally as a result of funding deficiencies, disinterest by administrators and students, or other potential pitfalls. Regardless, the climate is right to reinvigorate student interest in business ethics right now, as the business community continues to create ethical issues impacting nations and communities worldwide, such as bailouts of entire nations like Greece or Spain and continued funding of enterprises facing extinction like General Motors, Fannie Mae and AIG. Student interest is reaching a new height in the subject matter of business and business ethics.

As a result, our paper provides a starting point for academicians and practitioners alike to recognize inherent psychological traits all people possess, thus removing the veil of moral relativism that has permeated the global business landscape during the past generation and replacing it with agreed upon virtues that exist across the world's major religions. These virtues are the result of subliminal emotions and impact business leaders from every corner of the world, regardless of the industry or discipline within the field.

Future studies may wish to examine additional religions with fewer followers or religions that have traditionally passed down their customers through verbal methods as opposed to written methods, which were examined here. Furthermore, new case studies implementing our suggested model of applying underlying emotions to corresponding virtues within a business setting can allow for further insight. For instance, examining the virtues explored here as they relate to global accounting methods and International Financial Reporting Standards (IFRS) as they compare to Generally Accepted Accounting Principles (GAAP) that are currently in place in the United States. Analysis of advertising and marketing can also provide fertile ground for researchers hoping to examine and test our model, as tremendous strides in consumer behavior already exist within that discipline.

Finally it is our hope that students will once again take the notion of business ethics seriously rather than scoff at the idea of the two interacting. By doing so, increased communication standards and better understanding of various corporate cultures can be implemented, thus reducing potential risk for investors, entrepreneurs and governments.

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