Institutions are a kind of social infrastructure that facilitates – or hinders – human co-ordination and allocation of resources. Thus they function as a rationality context, which simultaneously emerges from and governs human interactions. Business institutions, as they are related to human expectations, should promote the values of their stakeholders and, consequently, they are subjects of social and ethical accounting, auditing and reporting procedures. Ethical institutions make the good of their stakeholder groups part of the institution’s own good. They have a clear vision and picture of integrity throughout the institution which is owned and embodied by top management, over time. Such a practice presumes that business institutions, e.g. corporations, are social cultures with character, which can exercise good or bad influence, depending on goals, policies structures, strategies that formalize relations among the individuals who build up corporations. For developing an ethical culture, corporations need a large scale of instruments as codes of ethics and other kinds of support structures throughout the organization to insure their adequate communication, oversight, enforcement, adjudication, and review. Between all these instruments, a special role could be played by the ethics officer and the ethics committee, ethics trainings, ethics audits but also by the implementation of responsibility and participatory decision making at lower levels in the organisation.

The ethicality of business is not just an individual matter of personal integrity, but a function of many variables, generally speaking a matter of the ethical social environment of the economy. Ethics should prevail not just in the inner life of the corporation, but in its relations with other corporations, professional organisation, trade unions, consumer organisations and NGOs as well. Therefore Business leaders, trade unions and NGOs should join their forces behind a set of core values in the areas of human rights, labour standards and the environment. Corporations could evolve to be real ethical business institutions only with the help of specialized institutions for planning, monitoring and evaluation of business activity and institutional development. In many areas ethics officers, in order to strengthen their positions, choose the way of networking with each other to establish their own professional organisation which is supported by an increasing number of Centres of Business Ethics. The practice of social and ethical accounting is emerging as a key tool for companies over the last years in response to the calls for greater transparency and accountability to different stakeholders, and as a means for managing companies in increasingly complex situations, where social and environmental issues are significant in securing business success.
1. Some ethical considerations

The creating of ethical business institutions presupposes clear conceptions of ethics, business and social institutions. My paper aims to provide a view on and some justifications for the way in which their integration is realizable. Therefore, as a starting point I want to make some introductory remarks on ethics to ensure the possibility of such an undertaking. I think that the term “possibility” should be taken here in a normative sense. Thus the possibility of ethical institutions is the very possibility of righteous action at all, or, more widely, the possibility of living a good life. By adopting such a view, we meet a two-faced problem. First, the problem of whether we are able to behave morally and, second, whether the moral behaviour fits business activity. We answer in the affirmative to both questions in advance.

Our core assumption is the possibility of moral behaviour stated after Kant by Agnes Heller1, in the following terms: “In order to have a venture of ethics you need to presuppose the existence of the decent person.”2 Consequently there is no sense of morality without the presupposing of the good person. The good person is the starting point, the permanent addressee, the referential base and also the final point of ethics. In the same conception, good persons are people who personally relate themselves to the norms and rules of morality, engaging themselves to those. In a contingent world, no other goodness is possible for man than that which can be explored on the basis of the examples and attitudes of good persons. In this sense Heller wrote: “Contingent people, who choose themselves to be good, while they become what they are, choose values, careers, professions, public appearances, private connections and in all these relations they create morality in everyday life within institutions, on the political scene and in global dimensions. They are peoples who turn toward the others, people who care about others, people who care about the World”. In Heller’s interpretation, Heidegger’s beautiful metaphor “the shepherd of Being”3: “Man is not the lord of beings. Man is the shepherd of Being. Man loses nothing in this “less”; rather, he gains in that he attains the truth of Being. He gains the essential poverty of the shepherd, whose dignity consists in being called by Being itself into the preservation of Being’s truth.” (Letter on Humanism, 1964)

means that people who had been born in this world, have to assume the duty to take care of it. The world is in the care of human beings. Therefore the decent person has to care of the World (the world of all beings)...”4 In terms of the problem we address here the presumption is posed in the following way: good people, including ethical managers, business administrators and therefore ethical business institutions do exist – how are they possible? As a result we will attempt to reflect upon the goals and principles and to identify outstanding examples of ethical management and ethical business institutions. Such examples certainly do exist.

Instead of the oversimplified and therefore mistaken consideration that business and ethics do not mix, and individual moral attitudes have no relevance for such an undertaking, we consider valid two theses of Amitai Etzioni’s socio-economic paradigm5. Firstly: human behaviour is irreducible to mere selfishness. Actors pursue always more than a single goal (utility), for example they seek pleasure (and hence self-interest), and seek to abide by their moral commitments. Secondly, the actors are individuals acting within collectivities, not free-standing persons. In our interpretation, this means that moral goals are always part of the actor’s pursued goals, but we must add: only the goal of those actors who are really committed to certain moral requirements, and to the extent of the requirements they are committed to. The modality or the extent of being committed varies and is influenced by the generalized moral standards of the community and, especially, by the morally accepted behaviour in a specific branch of social activity (for example, business). We consider that in spite of the various modalities of moral commitments, an ethically well-ordered moral standpoint requires that moral considerations always have precedence, or, to state it in a less authoritative manner, if moral requirements are repeatedly lost, or

Key words:
Ethics, Humanity, Freedom, Objectivity, Meaning
conformity to them is continuously diminished, we just can’t speak anymore about moral action.

The responsible attitude, whatever we think about its scar-
city, as Etzioni remarks, is not the work of the isolated self. Therefore the socially accepted practices, including moral standards proposed by specialized institutions of researching, promoting and control morality of a certain branch of social activities certainly does influence people’s willingness to be-
have according to these moral standards. That is, when having the intention to build ethical institutions for business there should be taken into account the existence, the possibility and the character of institutions in a certain branch of social activi-
ties.

2. New business environment

During the last decade corporations and business environ-
ment have been changed considerably. Firstly, corporations evolved to take tremendous proportions with discretionary power in vast areas of social life all over the world. Secondly, in the most developed democracies, as a result of people’s re-
action to the harmful effects of the industrial society and a narrow-minded managerial practice, the idea of social responsibility of business became accepted and in some respects en-acted in law. Parallel to this process we face an emerging in-
terest in the field of social sciences, philosophy and the new structures of civil society for the redefinition of the social role of business. This tendency, with the support and courageous venture of some new entrepreneurs, has become a dynamic segment of the economy.

a. “A critical question of size” (Schumacher)

A. Berle and G. Means already described in 1932, that corporations have transformed from legal devices through which the private business transactions of individuals may be carried on into both a method of property tenure and means of organizing economic life. Their careful analysis has shown that corporations grown to tremendous proportion ("corporate systems") have attracted to themselves a combination of attributes and powers that transformed them into major social institutions. Some of the problems arising from these changes are critically analyzed by Fritz Schumacher in his book entitled Small is Beautiful, in which he attached a great value to the question of smallness. According to him, “industrial and technological advancement is obsessed with the economics of scale. As a result, huge bureaucracies, giant companies and enormous factories have come to be seen as the symbols of success. But the reality is that things are done according to the rules, and human relationships have become secondary. As giant technologies are antihuman, so are giant organiza-
tions. In big schools, pupils are reduced to numbers; in big hospitals, patients are reduced to numbers; in big factories, workers are reduced to numbers. Economics should serve the values of humanity and even the spiritual growth of human beings. In my view that cannot happen if our organizations are beyond a certain size. (...)”

b. Complexity and control

Beside the idea of the economics of scale, traditional busi-
ness thinking was dominated as well by the idea of efficient performance, linked intimately to the idea of shareholder ac-
countability and the centrality of money (financial reporting and control) as the common denominator for expressing and compacting corporate activities. This conception of business, which still remains in charge for many companies especially in less developed economies, regards employees, suppliers, customers and local communities simply as instruments whose only function is to promote shareholder value. Managers committed to this type of business focus on short-term profits and on the ability to make quick decisions in hectic surroundings, but they are unable to solve complex corporate problems, which require more flexible organizational structures, with greater emphasis on selforganizing competence.
c. New legal environment

As a result of political and civil protests against the arbitrary use of corporation power, there were introduced mainly in the US and UK a number of laws containing checks and balances meant to ensure people that business power is not misused. All these rules had legal, political, competitive, and ethical influences on business practice. The mentioned legal influences consist of different level legislation and those agencies, institutions, organizations and processes by which these laws are upheld. Some of the more influential of these acts in the US jurisdiction are for instance: the products liability law as stated in Greenman v. Yuba Power; The National Labor Relations Act; The Civil Rights Act, The Clean Air and The Clean Water Act and other regulations, with the specific commissions and boards empowered to enforce them. As a result of these major changes in the legal system, which have equivalents in most democratic countries, the groups that have a stake in the firm’s activity, for example customers, suppliers, employees, local communities and so on, have rights and legal means to protect themselves against the over-power and abuse of corporations.

d. Aspects of social responsibility

The debates which took place during the last twenty years on different interests and entitlements, resulted in some changes in the economic thinking: problems concerning the social responsibility of business gained ground. Against the old thesis, formulated by Milton Friedman, namely that the sole responsibility of business is to increase the stockholders’ profit as much as possible, in the contemporary view it is generally admitted that corporations, as important and influential members of society, are responsible to help maintain and improve the society’s overall welfare. In this conception, social responsibility arises from social power, and includes mainly four sorts of concerns: concerns for consumers (e.g. fair treatment, products safety, fair prices, fair advertising, adequate product information); concerns for employees (e.g. fair wages, safe work environment, non-discrimination, fair treatment); concerns for the environment (e.g. preservation of natural ecosystems, protection from pollution, production of biodegradable and recyclable products, elimination or proper treatment of by-products that pose a safety hazard for the biosphere); concerns for society in general (e.g. supports for minority and community enterprises, supports for the education, art, health and community development programs, providing appropriate public information from the business operations of the corporations). These concerns have gradually become part of the corporations’ policy, first in a more passive way, as a result of accepting the new corporate responsibility movement, and later by developing their own new view on corporate social responsibility.

e. Consumerist movements

The idea of business social responsibility was permanently evoked and strengthened by environmentalist and consumerist movements and organizations which are often interlinked resulting in a tendency called “green consumerism” or “ethical consumerism”. Mobilizing consumer power, these movements, institutions and organizations pursue multiple goals, such as: promoting the consumers’ rights to high quality and healthy products and services, promoting environmentalist principles, supporting progressive companies and depriving those that abuse for profit, and, finally, introducing a new sound business practice based on moral reasoning about business, humans and environment. In performing their activity, which includes collecting, processing and spreading of information, organizing protests and boycotts against unfair company practices and products and also promotion of ethical business through advertising, the consumerist movements elaborate powerful means for the investigation of key aspects of the interface between corporate and social life. Such means are sourcebooks on how social concerns are expressed in the different companies’ policy, or shopping guides with concise descriptions and clear tables of how different brands meet the major ethical requirements (e.g. their relation to environmen-
tal problems, animal testing, factory farming, oppressive regimes, workers’ rights, irresponsible marketing, ethical code, armaments, genetic engineering etc.), furthermore they provide a comprehensive list of the ethical investment trust and founds. Through their PR activity, a large number of consumers are informed about the social implications of different company policies and many corporations become more sensitive to social and environmental issues. This two-sided effect provides the opportunity for social change that consumers and company can create together.

**f. The role of values**

Consequently, we can state that corporations today face several challenges coming from both the inside and outside factors of their activity. All these challenges involve moral aspects to a certain degree and require a systematic treatment. The new systematic approach of business management is provided by the stakeholder theory of the modern corporation. This conception recognizes the responsibility of managers toward the individuals and groups that have a stake in (are affected by) the consequences of managerial decisions and therefore constitute the turning point on the way leading from control based management toward value based management. In Peter Pruzan’s view: “Value based management presupposes that the organization and its stakeholders develop a shared language and tools that can help the organization to observe and reflect upon itself; to measure the extent to which it contributes to its stakeholders’ value; and to make choices that promote the interests of the organization as a whole.”

We consider that this shared language can be developed through an undistorted dialogue with multiple stakeholders (stockholders, suppliers, lenders, employees, consumers, competitors, political groups, local communities, environmentalists etc.) about how does the fundamental goal of the corporation appear in their different perspectives.

It is only an open dialogical relationship that could serve as a base for working out a properly understood and fundamentally accepted mission of the corporation. The individuals adopt a moral attitude toward the goals of the corporation only when feeling related to such a community of core values. It is in this relation that the real and fully operational source of standards of the Corporate Moral Code lies. A good business ethics policy in which words and deeds agree is the first line of defense against unethical or illegal activities; it can prevent fraud; it can motivate employees to be responsible, creative and faithful.

**g. New conceptions of business and corporation**

As the stakeholder theory has basically changed the idea of management, the new value-based conception of business activity has changed the idea of business and corporation. Searching for a hierarchy of values concerning business activity, the systemic approach has revealed that business is integrated in social life and in nature’s overall system. Therefore the role of the corporation should be evaluated not only according to business’ own measures, but according to the measures of the more vast systems they are part of. In such an integrated view corporations are considered as basic social institutions among the others, the role of which is to help to maintain and improve society’s welfare, and the healthy condition of the living environment. This new concept of business is defined by Paul Hawken in the following terms: the promise of business consists in increasing humanity’s general welfare by services, creativity and moral philosophy. The accomplishment of this daring dream requires a brand-new concept of economy: the recovering economy. This new type of economy combines ecology and economy in a single sustainable act of production and distribution, which imitates and strengthens natural processes. If we adopt this view of economy we must also answer the question concerning what kind of institutions could promote it.

**3. Institutions as frameworks of morality**

The concept of business discussed above requires a reconsideration of the concept of social and business institutions in order to harmonize them with the new managerial ethos. In
this view institutions are not defined by their mere legal form, but by those communities’ commitments they consist of. Therefore the new reasoning about institutions will describe institutions mainly as social, anthropological and cultural realities, and not as legal fictions submitted to rational choice theory. It is obvious that an adequate stakeholder analysis is closely connected with institutional analysis; for stakeholder groups are formal and informal organizations that constitute the major elements of institutions. Each group has norms, the formal and informal rules that define membership and regulate relationships among groups. As a result we can state that institutions are a kind of social infrastructure that facilitates – or hinders – human co-ordination and allocation of resources. Thus they function as a rationality context, which simultaneously emerges from and governs human interactions. Business institutions, as they are related to human expectations, should promote the values of their stakeholders and, consequently, they are subjects of social and ethical accounting, auditing and reporting procedures. Ethical institutions make the good of their stakeholder groups, part of the institution’s own good. Therefore they must be organised according to a clear vision of integrity including the final goal of the institution that should be embraced by top management and transferred to their staff and to employees. To develop an ethical culture, corporations need a set of instruments as: organisation structures, key documents, policies and procedures, training and other kind of support structures including those for creating conditions for responsible behaviour by supporting autonomy and participation in decision making at lower levels in the organization.

The major elements of ethics management after the principles of Carter McNamara are the followings:

a. organization structures (roles and responsibilities)
   1. fully support from the organization’s chief executive; 2. establishing an ethics committee (at the board level); 3. establishing an ethics management committee (senior officers); 4. assigning an ethics officer (matters of ethics in the workplace); 5. establishing an ombudsperson (responsible for resolving ethical dilemmas by interpreting policies and procedures); 6. one person’s responsibility for the ethics management program as a whole

b. key documents
   - elaborating a credo (including highest values to which the company aspires to operate) - elaborating a code of ethics (specify the ethical principles and rules of operation) - elaborating a code of conduct (specify actions in the workplace)

c. policies and procedures
   - updating of policies and procedures according to the code of ethics; management of values through them; inclusion of them to address ethical dilemmas; inclusion of them to ensure training of employees about the ethics management program; inclusion of them to reward ethical behaviour and impose consequences for unethical behaviour; a grievance policy for employees to use to resolve disagreements with supervisors and staff; establishment of an ethics “hotline”; the review of all personnel policies and procedures once a year.

d. training
   - orientation of new employees to the organization’s ethics program; review of the ethics management program in management training experiences; involving staff in the review of codes as strong ethics training; involving staff in review of policies (ethics and personnel policies) as strong ethics training; resolving complex ethical dilemmas (one of the strongest forms of ethics training is practice)

Many ethicists consider that it’s the developing and continuing dialogue around the code’s values that is the most important. As a result of this kind of continuous dialogue a new corporate culture could be created and implemented. That is the reason why the elaboration of corporate codes should not be taken as the task of the Human Resource or Legal departments alone, as it is too often done. In this process, we should take as a model the communicative construction of an old social institution: Peter Berger and Hansfried Kellner in their fundamental work about marriage have shown that marriage became a communicative construction of reality through dialogue. Both persons continuously create their own conception about reality, which will be the subject of re-
peated discussions and harmonization as far as the conceptions become, without noticing it, objectified by discussion. The shared, objectified reality becomes consolidated. Similarly, the values of the code of ethics become more and more common and consolidated under the continuous dialogue.

In the process of implementation, the moral standards of corporations can evolve to be real ethical business institutions only with the help of specialists and specialized institutions for planning, monitoring and evaluating business activity and institutional development. In many areas ethics officers, in order to strengthen their positions, choose the way of networking with each other to establish their own professional organisation which is supported by an increasing number of Centres of Business Ethics. The practice of social and ethical accounting is emerging as a key tool for companies over the last years in response to the calls for greater transparency and accountability to different stakeholders, and as a means for managing companies in increasingly complex situations, where social and environmental issues are significant in securing business success.

A short search on the internet for the term “ethical institution” has highlighted a great number of specialized institutions on the problem we discuss here. The list of the names we got includes the following highly specialized institutions: The Aspen Institute (an international non-profit educational institution dedicated to enhancing the quality of leadership through informed dialogue); Business Enterprise Trust (dedicated to identifying and promoting acts of business leadership which combine sound management and social vision); Business in the Community (the leading authority on corporate community involvement in the UK); Business for Social Responsibility (a membership organization for companies of all sizes and sectors, who help its member companies to achieve long-term commercial success by implementing policies and practices that honor high ethical standards); Council on Economic Priorities (focuses its research on all the factors that make up the social framework of a company: the quality of management, its leadership among industry peers, its workplace climate); Coalition for Environmentally Responsible Economies (a non-profit coalition of investors, public pension funds, foundations, labour unions, and environmental, religious and public interest groups, working in partnership with companies toward the common goal of corporate environmental responsibility worldwide).

All these information seem to confirm our starting thesis concerning the theoretical possibility of ethical business institutions. But the most convincing argument is the empirical evidence of the existence of such institutions.

5. An example: The Body Shop International PLC

As a result of new, alternative ethical business conception and practice, some organizations have become widely known as operating in a highly ethical manner, e.g., Ben and Jerry’s, Johnson and Johnson, Aveda, The Body Shop International, etc. Due to its strong commitment to provide high quality products for its consumers and to promote in various ways environmental and human rights issues, The Body Shop International PLC is considered one of the most well known and most famous from all of them.

The Body Shop International Plc is a cosmetic and toiletry retail company founded by Anita and Gordon Roddick in 1976. The company rapidly evolved from one small shop in Brighton (England), with only around 25 hand-mixed products on sale, to a worldwide network of shops. Today it operates in over 2000 stores across 51 countries. The company’s campaigns against human rights abuses, in favour of animal and environmental protection ( e.g. Save the Whales, with Greenpeace (1986); Stop The Burning’ against the mass burning of the tropical rainforests in Brazil (1989); Against Animal Testing (1996);) as well its commitment to change the stereotypes of beauty perpetuated by the cosmetics industry, have won the support of consumers. The company continues to lead the fight for social and environmental change. For example, it contributes to the welfare of local, national and international communities in which it trades and supports small producer communities which supply it with accessories and
natural ingredients. By adopting a code of conduct that ensures care, honesty, fairness and respect, it organized its relation to its stakeholders on a new ethical basis. Beyond its trading activity, the corporation has established a series of institutions, such as the Environmental Projects Department, The Body Shop Foundation, The New Academy of Business, which promote their view about business, social and environmental issues.

The Body Shop Values Mission commits the company to the pursuit of social and environmental change. Its Trading Charter defines the principles by which it will trade in order to deliver profits with principles. This includes instituting appropriate monitoring, auditing and disclosure mechanisms to ensure its accountability and demonstrate its compliance with its principles. The company believes in doing business with integrity and transparency. According to this it uses its ethical principles to inform of the way it does business, setting to itself and its business partners clear standards of practice.

On the internet site of the company we find the following statement about the company’s values strategy: “Recent leadership and organizational changes have provided an opportunity to review our values strategy and clarify accountabilities across the business. It also provided the chance to improve the consistency of our management systems and the effectiveness of our social and environmental performance. Overall strategic direction of the Company’s values is reviewed periodically by the Main Board in consultation with the Head of Values who sits on the Executive Committee. The Head of Values reports into the Chief Executive and has overall responsibility for directing the Company’s social and environmental programme. Strategic value objectives are aligned with the business objectives and are informed by operational performance, as well as stakeholder perceptions and expectations. These objectives are fully embraced by the Executive Committee, which includes the Heads of each of the functional areas as well as Regional Directors. Specific stakeholder strategies as well as core business objectives are set out in the respective individual stakeholder accounts.”

The information presented here about the company come from the company’s internet site, which also includes the reports of the ethical and environmental auditing researches about the company and indicate a continuous effort to create an ethical business institution. The company, as it is built up and promotes the principles of its founders shows that success and profit can go hand in hand with ideals and values.

Conclusions

As a result of our investigation, we can state that the creation of the ethical business institution is possible due to the outstanding moral commitment of its founders. They are those “decent people” who make every effort to use the best of their ideas and practices of alternative economics, making use of the occasion that it is supported by the layer of alternative consumers and can cooperate with other similar companies dedicated to environmental and moral principles. Creating ethical institutions for business is a vital need for the sound work of the society and the implementation of ethical principles in social relations. Creating such institutions could serve as an excellent example for societies that undergo institutional transformation and institutional building.
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Notes:

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1 Agnes Heller is Hannah Arendt, Professor of Philosophy at the New School for Social Research, New York, USA, and a member of the Hungarian Academy of Science in Budapest, Hungary
11 Among the institutions and organisations involved in this type of activities we find: New Consumer, Ethical Consumer Research Association (ECRA), The Ethical Marketing Group, Fairtrade Foundation, Friends of the Earth, Naturewatch, Soil Association etc., see The Good Shopping Guide, Ethical Marketing Group, 2002.
12 Idem, p. 271.
14 Carter McNamara: Complete Guide to Ethics Management: An Ethics Toolkit for Managers, http://www.mapnp.org/library/ethics/ethxgde.htm Carter McNamara, PhD, is a Twin Cities-based consultant in the areas of leadership development, board development and strategic planning. He has led development of several codes of ethics and conduct, as well. Carter holds a BA in Social and Behavioral Sciences, BS in Computer Science, an MBA, and a PhD in Human and Organization
16 Data concerning the Body Shop International Plc come from the internet site of the company: http://www.thebodyshop.com
17 In 1986 the company created an Environmental Projects Department of its own; besides this in 1990 it established The Body Shop Foundation, a charity foundation that financed human rights and environmental protection groups, as well The New Academy of Business (1995). The innovative management degree, addressing social, environmental and ethical issues, is run at The University of Bath.