

Business Ethics or Business as Ethics?: Chikuro Hiroike and the Material World

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In a recent survey of the history of business ethics, Richard T. De George of the University of Kansas helpfully distinguishes between three different approaches to the subject as it has grown over time, predominantly in the West. Chronologically, the first to emerge was the ‘ethics in business’ strand, which Professor De George (2005) defines as ‘simply the application of everyday moral or ethical norms to business.’ The origins of this approach he locates in religious texts such as the Bible and in the works of classical philosophers like Plato and Aristotle, and he traces its later development through the writings of authors as various as Aquinas, Luther, Locke and Smith. The birth of the second approach, business ethics as an academic field, De George dates to the 1970’s, when conferences on the subject began to be organized and the first anthologies were published in the U.S. This approach dovetailed with a third one which appeared at roughly the same time. Here the actors were U.S. companies which found themselves having to respond to a more critical public opinion and media in the 1970’s, and to new legislative constraints on their behavior. The result was what Professor De

George terms 'business ethics as a movement,' by which he means 'the development of structures internal to the corporation that help it and its employees act ethically, as opposed to structures that provide incentives to act unethically.' (2005)

In such a chronological schema, Chikuro Hiroike must obviously be placed among the practitioners of the first approach to business ethics. But this does not inevitably mean that his thinking on moral behavior in a business setting has been superseded by, or at best subsumed into, more recent developments in the field. His continued relevance can be defended on two grounds, both of which highlight the somewhat narrow focus of the modern theory and practice of business ethics. In the first place, the emphasis that he placed on the responsibility that unavoidably devolves on each and every individual to think and act morally at all times and in all circumstances remains of central importance in dealing with some of the most common moral dilemmas that confront people at work. This emphasis on the centrality of the human individual is a necessary counterbalance to the more recent preeminence accorded to impersonal organizational structures. In a second way, too, Hiroike's view of the world of work was much more radical in nature than that of more recent thought on the subject. He saw the workplace as a setting in which individuals, all individuals at every level of a business organization, should not passively await intermittent demands on them for ethical decisions, but actively and constantly search out opportunities for moral action. Two of Hiroike's key concepts, moral causality and supreme morality, allowed him to direct an unwavering light on the key issue of the integrity of the individual's moral world and then to illuminate the central, if largely unacknowledged, moral content of all business activity. These concepts are necessary correctives both to the fragmentation inherent in

the development of applied ethics and to the vacuum of moral purpose in the world of modern business.

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Even those keenest to advance the claims of business ethics as an academic field concede that there is much in the thinking of the 'ethics in business' tradition that is still of fundamental relevance today. The latest edition of a standard textbook introduction to business ethics, for example, harks back to Ancient Greece for its definition of ethics, contending that

From the very beginning, philosophy rejects authority as the source of ethics and has, instead, defended the use of reason as the foundation of ethics. Philosophical ethics seeks a reasoned analysis of custom and a reasoned defense of how we ought to live. (DesJardins, 2010, p. 13)

While this, of course, completely discounts the religious contribution to the 'ethics in business' tradition noted above by De George, it still looks back to the distant past, as in the assertion that 'As we proceed through an examination of business ethics, we are really doing little more than reflecting upon daily events and echoing Socrates' question: How ought we to live?' (DesJardins, 2010, p. 12)

The problem with this very secular interpretation of the 'ethics in business' tradition, though, is the limited impact that it seems capable of having in the real world. DesJardins cites the recent Madoff scandal to reinforce his argument for the vital necessity of studying business ethics, but as he readily concedes, there is:

... [a] daunting gap between ethical judgment and ethical behavior. From at least the time of Plato and Aristotle, Western philosophy has acknowledged a real discontinuity between judging some act as right and following through and doing it ... It is not at all clear that an ethics course would have made any

difference to Bernard Madoff.' (DesJardins, 2010, p. 10)

Indeed not, and it is this seeming powerlessness of ethics, in this instance business ethics, in the face of immorality which is troubling. Reason alone, it would seem, is far from adequate as a tool when it comes to dealing with the questions thrown up by such a massive fraud as Madoff's. DesJardins may chastise the regulators all he wishes, but they were not at the heart of the problem. On the central issue, he can only remark that:

The collapse of Madoff's Ponzi scheme and the widespread harms caused by that collapse can surely be traced to the ethical corruption of specific individuals. Arrogant and greedy individuals willing to violate legal and ethical standards can be faulted for many problems in business ethics. Unfortunately such people are all too common.' (2010, p. 18)

Uncontroversial as such sentiments may be, they do not take us very far. For since the flaws responsible for such scandals are located in the hearts of individuals, the remedies must be sought there too. It cannot be guaranteed that ethical codes, legal requirements or regulatory reforms will necessarily have much, if any, impact on the next Bernie Madoff, even if they might conceivably lead to the detection of his or her crimes at an earlier stage. If, in such instances, business ethics seem something of a broken reed, we find ourselves with no choice but to look elsewhere for treatments that offer rather more hope of combating the cancer of ethical corruption.

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The Bernie Madoff case is of concern not just because of the vast sums involved or, worse, the damage done to so many lives, where the toll now includes the suicide of his son, Mark, and the effects that this will have on the future of his two year old grandson, among so many others. Its significance lies

also in the manner in which the fraud originated, grew and was finally unmasked. Despite its scale, the essential ingredients of the scam, like all Ponzi schemes, were as simple as they were unoriginal; a feeling for the gullibility of others (in some cases, at least, the offspring of their greed, whose temptations Madoff well understood himself), and the ability and willingness to lie convincingly and repeatedly. Crucial here, though with the passage of time Madoff may have struggled to recall where and when he told it, was the first lie. For once it had been uttered, others had to follow inexorably to prevent the exposure of that first act of deception. In a sense, Madoff instantaneously became confined within the prison of his own deceit, inhabiting an ever expanding edifice of unreality in which he seemed compelled by circumstances to work to reinforce the walls that trapped him. But the pressure to do so did not in fact come from without; the drive and the ground were essentially internal, for with every new lie, a moral alternative was still open to Madoff. He could at any moment have stopped and confessed openly what he had done, of his own free will and with his own hands stripping himself of his disguise. Although this would inevitably have meant exchanging an external prison for his internal one, the possibility of choosing the moral course, and hence of true freedom, was not at any stage denied to him. Yet he continued to prefer the lie, breathing its sickening atmosphere of unreality daily, hour after hour, minute by minute, until events did what he himself never found the courage to do. What explains this lack of resolve, this repeated failure to seize the moral option?

The answer he gave himself probably had a number of facets. Some reflected reality; the inevitable destruction of his public image; the reproaches of his victims; the loss of his physical freedom, all these and more were real and must have

weighed on him. But there may well also have been one illusion, whose power could only increase with each passing day and each failure of the SEC to investigate, and in the face of which he may have displayed a gullibility outdoing that of all his victims. His seeming immunity to exposure may have stimulated a most seductive fantasy; that his fraud would continue to defy the pull of financial gravity and the forces of regulatory oversight for ever, that he would continue to get away with it, that he might never be found out. If so, this constituted a denial of the law of moral causality, and therefore the worst possible offence against it.

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Moral causality was a central feature of Chikuro Hiroike's understanding of the nature of the human world. (Luff, 2007) In words that have a direct bearing on the Madoff case, he wrote:

... [some] people ... do not mind exploiting other people for their own sake and for the benefit of their organization without thinking of the difficulties thus caused to others ... These attitudes and behaviour are also due to the fact that such people do not have true standards for good and bad and disregard the existence of the law of causality. All these people are destined to see their future lives ruined sooner or later even though they may obtain extra large profits temporarily. (Hiroike, 2002, III, p. 385)

The conception here is of ethics as a force field that holds sway over all human behavior, as pervasive and inexorable as the physical force of gravity. As with gravity, it can neither be seen nor touched, but its effects can be sensed in all our waking moments, provided only that we give it our attention. It conditions our lives, then, whether we will or not, and our only real choice lies either in recognizing its existence and conforming ourselves to its mandates, or ignoring it and suffering the consequences. Hiroike was quite clear about

the nature and universality of the choice that was set before humankind, and of how commonly it was misunderstood.

People in general ... are greatly influenced by the surprisingly mistaken idea that those who practice morality suffer loss while those who carry out immorality skillfully by employing various means are benefited. Moralogy, however, teaches clearly and accurately, that the practice of morality or immorality makes it executant directly and acutely responsible and leads him to the result—happiness or unhappiness respectively, which is to be brought about sooner or later. (Hiroike, 2002, III, p. 398)

Such, then, was Bernie Madoff's mistake and the true origin of his crimes. His abnegation of responsibility for his actions, based on a refusal to acknowledge the law of causality, was the essential precondition for disaster. Of course he could not anticipate the specific results of his lies—the suicide of his son amongst so much else. But that is beside the point, because such detailed foresight is denied to all. The willingness or refusal to accept the reality of moral causality is decided on general grounds, in answer to the questions; what is the structure of the human universe like? Is it a moral or a non-moral one? When he embarked on his life of deceit, Madoff presumably believed it was the latter. It is unclear whether he has now changed his mind.

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Moral causality is not just an issue for egregiously guilty swindlers, though. Its relevance in the workplace, just as in any other human setting, is constant and universal. It therefore bears on one of the most common and difficult dilemmas facing those at work, the situation when they are forced to choose between loyalty to their employer and obedience to the moral imperative. 'Business ethics as a movement,' in an effort to prevent such conflicts of loyalties arising in the first place, concerns itself with the creation of internal mechanisms

to promote an ethical corporate culture, often overseen by an ethics compliance officer. It also promotes the appointment of figures like ethics ombudsmen and the setting up of ethics hotlines to encourage employees to vent their concerns. But none of these initiatives displaces the responsibility from its inevitable ground within the being of individuals, whether at Enron or anywhere, who find themselves forced to choose between the conflicting demands of corporation and conscience. Unless individuals find the belief and the courage needed to take the first step to resolve their dilemma, all the ethics mechanisms in the world are of no avail.

It can in fact be argued that those mechanisms are in some senses a symptom of the problem rather than part of its solution, for they belong to the world of the ‘megamachinery’ of modern corporate life, which is in turn part of a wider trend towards depersonalization to which observers like Václav Havel have tried to draw attention since well before the collapse of Communism. Indeed, it was an essential similarity between the socialist state during the Soviet era and the modern corporation that gave Havel his clue.

... I think the reasons for the crisis in which the world now finds itself are lodged in something deeper than a particular way of organizing the economy or a particular political system. The [capitalist] West and the [communist] East, though different in so many ways, are going through a single, common crisis ... Where does the cause of this crisis lie? Václav Bělohradský puts it very nicely when he talks about this late period as being one of conflict between an impersonal, anonymous, irresponsible, and uncontrollable juggernaut of power (the power of “megamachinery”), and the essential and original interests of man as a concrete individual. (Havel, 1991, p. 10)

The disappearance of the Eastern variant, in its original form at least, by 1990 does not render Havel’s diagnosis of its Western counterpart any less relevant today. The comparison he drew between the Czech company Škoda, as it existed

under communism, and IBM is still an accurate diagnosis of contemporary conditions.

... it is well known... that enormous private multinational corporations are curiously like socialist states: with industrialization, centralization, specialization, monopolization, and finally with automation and computerization, the elements of depersonalization and the loss of meaning in work become more and more profound everywhere ... IBM certainly works better than the Škoda plant, but that doesn't alter the fact that both companies have long since lost their human dimension and have turned man into a little cog in their machinery, utterly separated from what, and for whom, that machinery is working, and what the impact of its product is on the world ... Such "megamachinery" is not constructed to the measure of man, and the fact that IBM is capitalist, profit-oriented, and efficient, while Škoda is socialist, money-losing, and inefficient, seems secondary to me. (Havel, 1991, p. 10)

The depersonalization, the loss of the 'human dimension' which Havel describes can only serve to shift the balance of forces between corporation and conscience in favour of the former. Yet while it may increase the sense of isolation experienced by the individual being asked to acquiesce in or actively promote an immoral course of action, it does not fundamentally change the truth that 'the practice of morality or immorality makes it executant directly and acutely responsible,' as Hiroike contends. The burden may appear to be heavier today than it was in his time, but the weight of the duty to bear it has not thereby been diminished by the least part of a gram.

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It is nonetheless the case, though, that the business world with which Hiroike had to deal in early 20th century Japan has changed quite radically in the hundred years since. Hiroike was forced to address, for example, a crisis of labor unrest

which was far more acute than seems to be the case today. But he was also dealing with a more human world, in which responsible individuals could be identified with much greater ease. That made it easier for him to pick out those to whom an appeal needed to be made. Those with the primary responsibility for creating a moral direction in matters of business were individual company owners, and it was to such figures that Hiroike addressed himself in the first instance in his 1917 lecture, 'The Source of Happiness and Culture of Humankind and a Direction for the Future'.

The primary objective of business management is for the proprietor himself to nurture the highest moral character within himself and then consider the prospects of his employees, suppliers and customers in a spirit of divine charity, and then to strive to develop supreme morality in them and bring their souls to salvation. Thinking only about expanding the business is like putting the cart before the horse. In particular, it is the most vulgar deed of all to use one's employees by means of gratifying their selfish desires for material wealth and entertainment without any concern for their future. If the proprietor sympathizes with his employees with a heart of genuine benevolence and works to help them develop supreme character, then everyone in the company will be at one in body and spirit. (*Chikuro Hiroike*, 2005, p. 354)

While such a program may appear superficially to resemble the modern emphasis on ethical corporate leadership, the differences are in fact profound. It is not just the low priority accorded to the profit motive ('expanding the business'), but also the direct and long-term personal involvement that direct ownership brings with it. Of even greater significance, though, is the duty of proprietors to nourish supreme morality in themselves and their employees. This view of the workplace, as a forum primarily for moral growth, is very far removed from anything that can easily be detected today. Yet since for Hiroike it gave a content and a direction to business activity that was both clear and genuinely reward-

ing, he believed it to be the only workable solution to the problems facing Japanese businessmen in his time.

Since supreme morality consists in the acquisition and expression of God's benevolence, the fundamental principle is distribution of honour and materials to any person in proportion to his virtue and social status. If a capitalist adopted this spirit and principle and truthfully observed it in his commercial activity, he would be willingly obeyed and trusted by his labourers without suffering any loss to himself, and in no time he would double his former fortune. Whether a moral solution of labour problems will be reached or not depends on whether the capitalist acquires this spirit or not. As the labourers are great in number, including those who lack understanding, the practice of this spirit must begin with the capitalist who is comparatively more intelligent and stands in a position to be able to influence a large number of people by converting the one mind, that is, his own. (Hiroike, 2002, III, p. 554)

As has been said, the context of labor unrest, class conflict and socialist agitation is no longer the same today as it was in Hiroike's time. But the insight into the fact that the fundamental purpose of all business activity is moral retains its value, and now that an impersonal corporation has in so many instances replaced the human figure of a proprietor, attention can be shifted to the role of each and every individual employee. Here, too, Hiroike provided clear guidance.

According to supreme morality, one's business or professional office must be chiefly devoted to assisting the work of God, increasing the convenience and benefits of the whole of mankind to their satisfaction, while one's spirit is devoted to the bringing of spiritual salvation to people of everyday contact in accordance with supreme morality. If a man should perform his official duty or do his best in his family profession considering that his business therein is a sort of public facility or organ to enlighten people or bring them to salvation rather than to benefit himself, then public confidence in him will increase with the increase of his virtue and he will make himself a happy man without fail. (Hiroike, 2002, III, p. 550)

The notion that one's working environment is primarily 'a

sort of public facility or organ to enlighten people' is a very different way of looking at one's place of employment to anything current today. Yet for Hiroike it was part of a view of life that held good in any and every context in which individuals found themselves.

Either in the performance of one's duty, or in the pursuit of family trade or in social intercourse, a man of supreme morality makes it a rule to keep in mind the mental enlightenment or spiritual salvation of mankind. (Hiroike, 2002, III, p. 551)

Such a view is radically different from the kind of 'business ethics' where there is a 'daunting gap between ethical judgment and ethical behavior.' It is rather a 'business as ethics' approach which sees the workplace as just one of a number of settings in which the moral imperative must be recognized and obeyed. In its universality and its concern for individual responsibility above everything else, it aligns itself with the work of later thinkers like Havel.

We are still a long way from that "family of man"; in fact, we seem to be receding from the ideal rather than drawing closer to it. Interests of all kinds—personal, selfish, state, national, group, and, if you like, company interests—still considerably outweigh genuinely common and global concerns ...

In other words, we still don't know how to put morality ahead of politics, science, and economics. We are still incapable of understanding that the only genuine core of all our actions—if they are to be moral—is responsibility. Responsibility to something higher than my family, my country, my firm, my success. Responsibility to the order of Being, where all our actions are indelibly recorded and where, and only where, they will be properly judged. (Havel, 1997, pp. 18-19)

It was Hiroike's belief, too, that people must 'put morality ahead of politics, science, and economics', and that only once this was done would they be able to see the purpose of their working lives and how they should act when confronted by immoral demands. It explains why, when compiling the 'Matters to be Attended to Concerning the Practice of

Supreme Morality' at the end of the *Treatise*, he included the following.

(70) Be sincere in business, aiming at spiritual salvation
According to supreme morality, one's business or professional office must be devoted chiefly to assisting the work of God, increasing the convenience and benefit of the whole of mankind to their satisfaction, while one's spirit is devoted to the bringing of spiritual salvation to people of everyday contact in accordance with supreme morality. (Hiroike, 2002, III, p. 550)

It is also the reason why, when sketching 'An Outline of the Subjects That Need to be Studied Further in the Institute of Moralogy', he enjoined:

(23) Study of moral solutions to labor questions ...
(29) Study for the establishment of a system of moral economics ... and study for establishing a new system of economics based on moralogy. (Hiroike, 2002, I, p. 55)

The necessity for such study has not diminished with the passing of the years, but it seems certain that it will require a far broader approach to the moral life than, sadly, seems on offer from either academic business ethics or 'business ethics as a movement' in their current forms. The promise of 'business as ethics', for all that it remains unfulfilled, has lost none of the centrality that it held in Hiroike's lifetime.

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