

**PRACTICING BUSINESS ETHICS FROM THE
INSIDE-OUT: A CROSS-CULTURAL
PERSPECTIVE**

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Why We Need a New, Cross-cultural Approach to Learning and Practicing Ethics From the “Inside-Out”

Definition: Applied to ethics, “inside-out” learning (Kolb & Kolb, 2005) emphasizes the role of individual reflection and dialogue with others as contemplative and interactive learning practices.

- Such “learning by doing” or “ethical praxis” (Nielsen, 1996) can shape the development of and response to ethical norms at the individual level.
- In general, this approach stresses the need to *learn from the heart*, as well as the head, in determining ethical responsibilities to others (See Calton, Payne, & Waddock, forthcoming; Denton & Ashton, 2004; MacNamee & Gergen, 1999; Palmer, 1998, 2004).

Limitations of the Western “outside-in” model of legal and ethical *compliance* to external rules

- 1. Marjorie Kelly (2005) decries the “adolescent ethics” of corporate executives constantly testing the limits of legal and ethical constraints to achieve organizational (and personal) financial objectives.**
- 2. Do corporate executives have a *personal responsibility* to behave in a legal and ethical manner, or do they just have to be clever in pushing the limits and not getting caught?**

Example: Wal-Mart is paying itself (via a REIT subsidiary) so it can deduct rent from state taxes. To get around legal requirement that the REIT receiving corporate rent must have at least 100 owners, Wal-Mart gave REIT stock to over 100 of its managers and compensated them for any additional personal tax liability (Drucker, 2006).

- Is this legal?**
- Is it ethical?**
- Is it acceptable business practice? Does it pass the “smell test.”**

Limitations of the Western “outside-in” model of legal and ethical *compliance* to external rules

Richard Rorty (2006) attributes this Western “outside-in” approach to legal and ethical compliance to the “essentialist” assumptions of the “Enlightenment Project” (MacIntyre, 1981).

- **This has sought to locate the source and justification of moral meaning within essential human capabilities, rather than from the pre-modern (and external) Christian idea of God or the Greek idea of Good.**
- **Palmer (2004) has characterized the Enlightenment Project as an effort to “kill the self” as a source of moral meaning. This was done to undercut personal expressions of faith-based subjectivism.**

Limitations of Kantianism and Utilitarianism:

- **Kant elevates *generalized* human rationality (the head) as the source of universal ethical norms (categorical imperative).**
- **Bentham applies *generalized* human rationality to evaluate the consequences (costs and benefits) of private or public choices (utilitarianism).**
- **Both assign to *individual* rationality the responsibility of *emulating* (or complying with) the rational assumptions and methods of an external, generalized human nature.**
- **The ethical guidelines derived from these generalized processes of moral rationality lack contextual specificity and nuance, reflecting an external “view from nowhere” (Donaldson & Dunfee, 1999: 13).**
- **General ethical rules are difficult to interpret, apply, and enforce. *They invite non-compliance because they do not arise from an individual assumption of ethical responsibility.***

Limitations of the ISCT Upgrade

- Its macrosocial contracting process is vulnerable to the above critique of Kantianism and utilitarianism: To be *legitimate*, local micro-social community norms must be consistent with universal macrosocial norms (compliance assumption)
- The ISCT's microsocial contracting process *authenticates* extant local ethical norms by deducing an *implied* individual consent from a *failure to exit* community relationships (i.e., compliance implies choice and consent).
- Therefore, an inside-out approach to ethical learning and practice via personal reflection and interpersonal dialogue can usefully *supplement* conventional western approaches to ethical analysis and decision-making by *locating the individual assumption of responsibility to others at the core of moral choice*.

Limitations of the “outside-in” approach to business ethics in Asia

- **The “Confucian ethic” has been criticized by Fairbank (1982) and other Western scholars for retarding economic development in China because of its static insistence on individual obedience to traditional social and especially familial responsibilities.**
- **Other Eastern and Western scholars have turned the Confucian ethic on its head to account for family-based business dynamism in Asia (See Zurndorfer for an insightful overview of this controversy).**

Is there a “moral vacuum” in China?

- **After the Communist Revolution of 1949 in China, Chairman Mao banned all “feudal and backward” religions and philosophies, including Confucianism, Buddhism, and Christianity. Thus, Marxist ideology became, in effect, a secular religion.**
- **With the advent of market reforms since 1980 under the guise of “socialism with Chinese characteristics,” Marxism has lost its legitimacy as a collectivist ideology. It persists as a fading political justification for authoritarian rule.**

Despite China's spectacular economic growth in recent decades, serious problems remain:

- **Rampant consumerism and materialism in urban centers undermines social cohesion.**
- **Growing income gap between rural and urban areas is increasing social and political tensions.**
- **Accelerating environmental damage is inflicting serious ecological and health costs.**
- **Public and private corruption has reached a level to qualify China as a "kleptocracy" (Friedman, 2000).**
- **By failing to enforce intellectual property rights, China has been identified as a center for "illicit" global trade (Naim, 2004).**

- **The Asian financial crisis of 1997 (and 2007?) has been attributed in part to the close association between the “Confucian ethic” and “crony capitalism.” (corrupt bargains based on *guanxi* ties).**
- **This association has prompted Richter & Mar to lament the opening of an “ethical void, marked by the inability of Asia’s elites to inspire and propose a new ethical grounding for the region” (2004:3).**
- **Their book is an effort to provide a foundation for ethical renewal in Asia based on a reinterpretation of the Asian religious and philosophical tradition by applying an “inside-out” developmental perspective.**

Toward cross-cultural convergence of “inside-out” ethical development?

- 1. Contributors to Richter and Mar’s book on ethical renewal in Asia point to an important, frequently overlooked feature of Asian philosophy and religion:**
 - Wang (2004: 51) states that the essence of Confucianism is the “idea of being true to oneself in this world” when fulfilling obligations to family and others in society.**
 - For Yodpruditikan and Dhammavaro (2004), Buddhist ethics “begins with individual conduct and expands to society as a whole” (p. 67).**
 - For Buddhism, the search for enlightenment requires “autonomy of will” in that self-transformation is the prerequisite for right action (2004: 68).**
 - The Buddhist doctrine of *karma* is not deterministic; it presumes that good or bad outcomes arise from good or bad personal choices (2004: 70).**

An especially promising Asian source of convergence toward inside-out ethical learning and practice is the teaching of Mencius, a 4th century BC Confucian scholar:

Mencius argues that *human nature is inherently good*; individuals have ethical attributes or “sprouts” that can be cultivated to develop virtuous practices.

Mencius wrote:

“Humanity, righteousness, propriety, and wisdom are not drilled into us from outside. We originally have them with us. *Only we do not think* (emphasis added). Therefore, it is said: ‘Seek and you will find it, neglect and you will lose it.’” (*Sources*, 6A6: 54)

2. Virtuous practices develop through insight gained from the exercise of *xin* (mind/heart) in addressing ethical responsibilities. Mencius wrote:

“When I say that all men have the mind/heart (*xin*) which cannot bear to see the suffering of others, my meaning may be illustrated thus:

Now, when men suddenly see a child about to fall into a well, they all have a feeling of alarm and distress, not to gain friendship with the child’s parents, nor to seek the praise of their neighbors and friends, nor because they dislike the reputation (of lack of humanity if they did not rescue the child). From such a case, we see that a man without the feeling of commiseration is not a man; a man without a feeling of shame and dislike is not a man; a man without a feeling of deference and compliance is not a man; and a man without a feeling of right and wrong is not a man. The feeling of commiseration is the beginning of humanity; the feeling of shame and dislike is the beginning of righteousness; the feeling of deference and compliance is the beginning of propriety; and the feeling of right and wrong is the beginning of wisdom. Men have these four Beginnings just as they have their four limbs” (Mencius, *Sources: 2A*, 665).

Western parallels with the inside-out perspective of Mencius:

- 1. Thomas Jefferson held that “all men are created equal” because they are endowed with a “moral sense” that resides in each person’s *heart*.**
 - Jefferson gained this perspective from his study of the thought of Scottish Enlightenment thinker, Francis Hutcheson (Wills, 1978).**
 - Jefferson held that a “ploughmen” was equal or superior to a “professor” in exercising ethical judgment.**
 - This does not mean the moral sense is *instinctual*; rather the *professor is more likely to be morally muddled because he allows the abstract workings of his head to drown out the moral sense that arises from his heart.***
 - Thus, an inside-out approach to ethical development requires a sense making *interaction* between head and heart within and among individuals.**

2. The “Adam Smith problem” arises from the Western “rational” tradition of modern science, which privileges the head over the heart.

- **Adam Smith was *both* an economist and a moral philosopher; however, to address both head and heart he had to write two books!**
- **In the *Wealth of Nations*, Smith celebrates the transformation of the pursuit of “self love” into an enhanced public welfare via the “invisible hand” of the free market.**
- **In his *Theory of Moral Sentiments*, Smith points to the human capacity for *benevolence* as a necessary complement to free markets (Evensky, 2005).**
- **This moral sentiment arises from the capability within each person to engage with others and gain an *empathetic understanding* of another person’s point of view.**

- **The *heart-felt capability for achieving imaginative sympathy* for and with others (“reversibility”) is essential to establishing a moral point of view (Benhabib, 1993)**
- **However, most Western approaches to moral philosophy since the Enlightenment have followed the natural and social sciences in privileging the head (rationality) over the heart (sentiment).**
- **The “separation thesis” (Freeman, 1994) accepts the dichotomy between facts and values and holds that “ethics experts,” applying *a different kind of rationality*, should be called in when business decision-makers encounter the occasional ethical dilemma.**

- **Recent questioning of the separation thesis, based on an effort to more fully integrate ethics into business decision making, has tended to look to the heart (values, sentiment, soul, spirituality) as a counterbalance to the head as a source of moral meaning.**
- **Rather than try to replace the head with the heart, it may be more useful to develop a Western application of the Confucian (Mencius version) concept of *xin* (head/heart).**
- **This might help us return to the tradition of Thomas Jefferson and Adam Smith, who considered the heart and moral sentiments to be complementary and co-equal to the head and rationality in achieving the good life.**
- **This requires finding a link between rules-based (outside-in compliance) and relationship-based (inside-out character building) approaches to ethical decision making.**

The most accessible Western entry point for extending an “inside out” approach to ethical development is the work of noted educator, Parker Palmer (1998, 2004).

- 1. Palmer combines the Quaker tradition of contemplation as a source of personal meaning with an interest in Eastern philosophical and religious practices.**

- 2. He grounds morality in the discovery of a “hidden wholeness” (2004) connecting each person’s “authentic self” with his or her ethical responsibility to others.**
 - A “divided self” will behave unethically because the authentic self has not yet been explored to reveal each person’s potential for doing good.**
 - Doing good requires affirmation of responsibility to others – thereby enacting the hidden wholeness linking self and other: “To thine own self be true and you cannot be false to any man”**

For Palmer, the hidden wholeness within each person is discovered via two developmental learning processes:

- **Contemplative practices to explore, identify and more fully realize the core values and “soul” or spirit within each person.**
- **Interactive learning (or co-learning) practices that encourage both self-exploration and reaching out to connect and learn with others.**
- **These practices explore the “who” of teaching and learning, engaging both self and others in acts of discovery (Palmer, 1998).**
- **These contemplative and dialogic practices tend to call forth the *warmth of the heart in promoting empathetic understanding as a source of moral imagination.***

Examples of contemplative and dialogic practices
(Works in progress)

- **Meditative exercises:** Ask students to imagine that they are a mountain or a great river. (Eliminate distractions, focus on what is meaningful or mindful)
- **Vision quest:** Ask students imagine their life and identify what they hope to accomplish in 30 years. Why is this goal important to them?
- **Personal exploratory journal:** Ask students to identify large or small situations in their life that pose ethical concerns. Ask them to reflect on these concerns as they involve the self in relation to others. Do they have a personal responsibility?

Palmer's "Circle of Trust" (2004)

- A few individuals come together in a small community of care to help *one individual* explore an issue or concern.
- The purpose is not a therapeutic effort to “fix” someone else. Others in the circle only ask questions or make comments intended to help the focal person reflect inwardly on what is meaningful to the authentic self.
- To avoid excessive intimacy, issues often are raised “at the slant” through offering stories, poems, or metaphors that will evoke a personal response.
- The purpose is to help the focal person discover his or her “authentic self” capable of finding the “hidden wholeness” connecting self and other in ethical relationships.

**Wisdom Circles (Garfield,
Spring & Cahill, 1998)**

- **Provide a welcoming, safe space (container) for participants to look within themselves to find their “authentic voice” needed to engage fully in dialogic exploration of a shared concern.**
- **Dialogic rules and rituals (“constants”) of wisdom circle help to create a personal receptivity to engage with others in dialogue (“generative discourse” needs the heart as well as the head)**

Wisdom Circle Constants:

- **Honor the circle as sacred time and space (rituals)**
- **Create a collective center by agreeing on a shared topic**
- **Ask all in circle to be informed by our highest human values, such as compassion and truth**
- **Listen from the heart and speak from the heart (no “cross-talk” or criticism of others)**
- **Make room for silence to enter the circle**
- **Empower each participant to become a co-facilitator of the process and to commit to an ongoing relationship with others in the circle.**

Conclusion

- **The hope is that such contemplative and dialogic micro-practices can help develop more “mindful” and reflective business managers capable of engaging with stakeholders to develop and implement global corporate citizenship practices.**
- **Successful engagement via co-learning responses to shared problems must arise from each person’s *developed capability* for imaginative sympathy and empathetic understanding that comes from the creative interaction of head and heart.**
- **Teaching and learning ethics from the inside out and from the heart can benefit from insights and practices drawn from both Eastern and Western philosophical and religious traditions.**

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