# **Ethical Room for Manoeuvre: Implementation without principles**

Vincent Pompe, Michiel Korthals

Applied Philosophy, Wageningen University

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#### Abstract

There is ambivalence in ethical policy making expressed in a tension between principles and practice. We address this tension by demonstrating that the capability to overcome conflicts is regarding the conceptual world of principles, values, codes and standards overrated and concerning the existential world of moral practice underrated. Principles, moral codes, values and standards are likely to be too rationalistic and generalistic to match pluralistic and situational practice of the everyday reality constituted by a mosaic of values and a set of constraints. Principle-oriented ethics brings forward simplification, value confusion, conflicts and ultimately a disconnection with practice. Companies who do start from principles are likely to produce a gap between aspirations and implementation. We present, alternatively, three forms of experience-based ethics: the phronetic ethics of Aristotle, the hermeneutic ethics of Gadamer and the pragmatic ethics of Dewey. These forms of ethics can easily co-evolve with business provided the entrepreneurial framework is aimed at co-creation of values and the management system has beside the normal functionalist mode also an interpretative approach. To gain moral strength, companies need to become aware of, what we call, their Ethical Room for Manoeuvre (ERM) and need to develop creativity to increase that room and to make it more their own. This is a process of inquiry and experimentation within the company (intraplay) and with stakeholders (interplay) that does not need steering principles.

# Introduction: ambivalence between principles and practice

On the European Multistakeholder Forum on corporate social responsibility (CSR) in 2004 a number of representatives of government, business & industry and NGOs from all fields discussed in a round table setting ways to foster CSR and to promote innovation, transparency and convergence of CSR practices and instruments. The reports from this forum give, in our view, a fine picture of the struggle to implement CSR in general and business ethics in particular (EU, 2004). At this conference, and during the two years of preparation, representatives shared their moral concerns, ideas and worries. They listed internal and external drives to foster moral conduct, named the obstacles that hinder

implementation and formulated critical success factors to achieve the objectives. The round table discussion also made clear that despite some good results on CSR, the whole implementation process still lacks essentials such as information exchange, skills, resources and experience, empirical research, consumer interest and clear standards on transparency. An extended list of recommendations was drawn up to boost activities, including improving knowledge, raising awareness of core values and key principles, and exchanging experience and good practices.

We notice that the reports display ambivalence throughout. There is a clear tension between ethical principles and the call for convergence, on the one side, and the emphasis on practice with its divergences, on the other. The reports indicate desire to establish common guiding principles like the guidelines, charters, declaration and bills that already express international agreement<sup>1</sup>. Additionally, they call for codes of practice, clear targets and performance standards, all to be reached by a systemic approach. Also wanted is convergence of frameworks to measure, audit, report, verify and benchmark the results. On the opposite side, the reports point out the character of practice as being situational and therefore divergent. All members of the round table recognize and advocate a bottom-up approach of communication, sharing experience, creating networks and building trust. In this ambivalence it appears that NGOs call more for principles and convergence than business and employers who are more focused on practice and divergence. The tension between top-down and bottom-up aspirations may well be the reason why implementation, if ever, is only partly realized. The reports count numerous recommendations just telling 'what' ought to be done but not 'how to do it'.

Analysing the ambivalence, it reflects from our perspective two general beliefs. First, moral conduct can and should be guided by ethical principles and that the good can only be socially achieved when there is common ground or unification. Simply put, there is a wide spread assumption that principles are needed. Second, ethics cannot match the specific and complex daily-life practice. Real problems are situational and demand tailor-made solutions. In this article we challenge both beliefs. We read the ambivalence distinction between the conceptual world of principles and the existential world of practice or to put it more simply between thinking and doing (cf. Dewey 1938). We claim that the power to bring forward change is overrated regarding the conceptual (thinking) world of principles, values, codes and standards but underrated concerning the existential world (doing) of moral practice. In other words, a) principles can contribute to ethical policy-making in a heuristic way but are not necessary for decision-making and b) daily-life practice intrinsically holds ethics as sufficient ground for changing situations. We address the ambivalence by explaining and advocating a shift from principle-oriented to an experience-based ethics. We hope that this shift in thinking boosts the ethical practice in business. We claim that ethics must become more a matter of acting upon internal drives, values and competences (autonomy), than complying with external forces and obligations

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<sup>&</sup>lt;sup>1</sup> such as OECD Guidelines for multinational enterprises, Council of Europe Social Charter, ILO core labour conventions and the International Bill of Human Rights. EU Charter of Fundamental Rio Declaration on Environment and Development Rights, Agenda 21, Johannesburg Declaration and its Action Plan for Implementation, UN guidelines on consumer protection.

(heteronomy). In this article we demonstrate that companies themselves can create more room to manoeuvre ethically and, consequently, hold less room to blame ethical shortcomings on others.

We first analyze the limited power of mainstream principalistic ethics to deal with the pluralistic and uncertain world. Since implementation is all about realisation, we show that working from principles may well hinder the implementation of ethics. We discuss this on the basis of our research on Sodexo <sup>2</sup> in particular the firm's ability to improve its CSR policy. Then, we present three experience-based ethics: the phronetic ethics of Aristotle, the hermeneutic ethics of Gadamer and the pragmatic ethics of Dewey to support the ethical potency of practice. These disciplines express, respectively, the individual, the social and the practice side of ethics. Next, we will demonstrate that experience-based ethics and business are already in a co-evolution and that the future of marketing and ethics can be even brighter. We contribute to that future by presenting a tool *Ethical Room for Manoeuvre* that makes implementation of ethics without principles possible and that gives more support to effectuate the 'how' of moral aspirations.

### Limitations of principle and value oriented ethics

People seek the right, the good and the virtuous. For businesses this means wanting to know what responsibility entails and what duties they ought to have towards improving of the quality of life of stakeholders and society. An ethical approach to support this quest is to set principles and core values from which practices can be directed. For that purpose Elkington, (1998) developed the 3P formulation, 'people, planet and profits' as the 'triple bottom line' for developing a framework. Wood (1991) elaborated on such a framework for business ethics (cf. Pierick et al. 2004). In her view, a company must begin with becoming aware of some principles of corporate *social responsibility*. These principles relate to the legitimacy from society, the responsibility for the firm's outcome and the moral quality of its agency. This awareness reflects ethical principles regarding beneficence, non-maleficence, autonomy and justice (Beauchamp and Childress 1994). Next, from these principles, business processes must be developed to set up corporate *social responsiveness* in the form of environmental assessment, stakeholder management and issues management. Finally, responsiveness must be activated into corporate *social performance* as social policies, programs and impacts. In this framework, for example, a firm's responsibility can be attached to the principle of non-maleficence which is, then, translated into norms as mitigate harm and into a rule as do not dump toxic waste in the environment.

To facilitate this kind of top-down framing Mepham (1996, 2000) developed the ethical matrix to create a formal structure with two goals: first, to identify parties, such as producers, consumers,

<sup>&</sup>lt;sup>2</sup> Sodexo is a company that shows great interest in business ethics. It is an international holding in food-service (historically its core business), facility management and voucher service with sites on all the continents (80 countries) and it employs 320,000 people. See Sodexo reports: Annual activity report 2003-2004: "All you need to be the best"; Sodexho Alliance Annual Report 2005-2006; 2005 Corporate Responsibility and Sustainability Report: Making Every Day a Better Day"; Sodexo Alliance " Act as a corporate citizen" Sustainable Development Report 2005-2006; "Living our Values": Corporate Responsibility Report UK 2006"; Sodexho-NL: Sociaal Jaarverslag 2006. Fiscal 2007 "Act as a Corporate Citizen" Report; Fiscal 2007 "Act as a Corporate Citizen against Malnutrition and Hunger" Booklet; Fiscal 2007 "Act as a Corporate Citizen for the Planet" Booklet; Fiscal 2007 Human Resources Report

animals and environment, whose interests are worthy of respect, and second, to analyse the reasons, derived from ethical principles, why these interest must be respected. Through this process one can become (more) aware that, for instance, animals have welfare and need behavioural freedom and that consumers have interest in safe food, choice and labelling.

Wood's implementation scheme and Mepham's matrix are examples of *principalism* (principlism). This form of ethics gains its strength by upholding three criteria of coherency: *logical consistency* by avoiding outright contradiction among judgments; *argumentative support* of a position with reasons; and *compatibility* with reasonable non-moral beliefs such as available empirical evidence and well established scientific theories (Beauchamp and DeGrazia 2004, p70). Wood's and Mepham's principalistic efforts may well serve some clarification and heuristic purposes but we question the power of their top-down approaches to guide behaviour. It is debatable to what extent the ethical matrix furthers society in overcoming the problems of industrial farming, obesity, climate change and global injustice. By looking deeper in the complexity of the meaning and use of principles and values we reveal some weaknesses of principalism (cf. Korthals 2001, 2008).

# Principles / values represent single issues while the world is complex

Reasoning from principles simplifies the issue since real life is more complex than the one or two values of the debate. Animal welfare, for example, is not solely about veterinarian conditions but also about farmers' economic and technological capabilities to realise it, public perception and legal requirements. Following just principles can lead to mono-ethics and one-issue management or politics as autonomy for consumers and companies, justice for developing countries, welfare for animals and non-maleficence towards nature. Mono-ethics contrasts the moral world in which people deal with a collection of desired instrumental, economic, social and moral states which often are interconnected (values) and, inextricably, with the tangible and intangible aspects that hinder the realization of the desired states (constraints). Therefore, to understand an issue is not to grasp some values but to be aware of the *mosaic of values* and *set of constraints*. In food ethics such mosaic holds not only values as food safety, food quality, transparency, traceability, fair trade and ecological sustainability, but also profit and market position (Wade 2001, Busch 2003, Beekmans et. al. 2005 p.66, Manning et al. 2006, Coff et al. 2008 p.10). Besides, the realisation of values depends on available resources and tightness of legislation. For business this means that ethical enterprise has to be developed from the mosaic of the firm's SWOT (cf. Pompe 2008).

# Principles / values hold different meanings which cause confusion.

Ethics is about social desired states. For scholars and laymen it is difficult to define such a state. Companies as Sodexo make clear that they are eager to sell more health food, organic food, animal friendly meat and fair trade products, but they struggle with the adequate value interpretation of healthy, healthier, healthiest and the superlative degrees of fair (trade) and (animal) welfare. Besides, the meaning of a value is strongly attached to a practice or life style. Since practices become more

fragmentised, due to specialisation of production in the industrial chain (cf. Strate, 2008) and consumers' life and food styles become more differentiated, the interpretation (Korthals 2004, 17-20) of values get more divers and therefore confusing. Fragmentation and differentiation are ongoing processes. Practices alienated from each other, as the connection between the cattle farmer and the meat consumers. Practices die out, as in the case of the milkman, and new ones emerge such as the production of 'insect-meat'. Difference in meaning and confusion do not have to be an insurmountable problem, but interpretations of given principles, norms and rules can create a jungle of concepts impenetrable for business and policy makers, as Waddock (2004a) demonstrates regarding CSR.

Principles / Values cause conflicts with other principles / values.

Analyses of food cases are likely to end up in distinct conflicts between e.g. autonomy (choice) versus wellbeing (health) or the interest of producers versus those of consumers versus nature. At Sodexo, for example, one struggles with the tension between the reduction of food miles by buying local versus the aspiration to buy fair trade. Another is the promotion of fair trade coffee with the awareness that every cup holds a fresh water footprint of 140 litres in coffee growing countries where fresh water is scarce and getting scarcer (Pompe 2008, cf. Hoekstra & Chapagain. 2007). Value conflicts are unavoidable but when there is no suitable way to resolve them, value analysis becomes powerless. The matrix and other principalistic tools have a strong tendency to produce dilemmas and multi-stakeholder stalemates and kill the necessary dynamic of the debate.

Simple representation, confusions and conflicts may block proper implementation of values. In many businesses there appears to be a gap between aspirations and implementation or in other words between the wanted ideal (conceptual) world and the experienced (existential) real world. Firms' capabilities are likely to be overrated because of focusing on what principles and codes *want* without questioning can *we do it* (cf. Pompe 2008). Such a situation may lead to stationary, disconnection or minimalism. There can be *stationary* or immobility in the firm's development due to the fixedness of principles, standards and codes which limits the room for deviation. *Disconnection* of business from ethics can be the case because both fields become parallel universes with their own ethical concepts and value interpretations (Waddock 2004a). Most commonly, simple representation, confusions and conflicts may lead to a weak consensus on a complex issue and hence to *minimalism*. Covenants on for instance 'disposables' and 'obesity', which Sodexo-NL signed, represent the small areas of common ground that the different stakeholders hold. Multi-party covenants on societal issues often express the least possible effort with freedom of obligation or an escape clause.

Ethical stationary, disconnection and minimalism can be, according to Porter and Kramer (2006), detected in the shallowness of the ethical reports of most multinational corporations. These reports have no strategic or operational content but are glossy marketing tools to gain a good ranking and to attract the public. They appear to be cosmetic by displaying uncoordinated initiatives and anecdotes of social and environmental good deeds.

Main stream (business) ethics fail to see that the world is too complex, dynamic, pluralistic and uncertain to be ruled with, as Clegg et al. (2007) call it, the 'logic of theory' or 'theoretical normativism'. We do not live in a world of some values but in several worlds with their own practices constituted by own rules, aims and executers. The uncertainty of everyday's life does not allow simple generalization of the ethical maxim beyond the particularity of the situation. Clegg suggest that the logic of theory must, therefore, be replaced by the 'logic of practice', in which morals are embedded in an active and contextual practice. In the next paragraph we present three forms of ethics that are experience-based and are a better match with the complex and pluralistic world.

#### **Experience-based ethics in three forms**

The ethics matching the logic of practice are phronetic, hermeneutical and pragmatic. These forms of ethics share the aim to articulate and explore the various, sometimes conflicting, perspectives on a morally complex situation and to help participants to develop new and richer ways of dealing with actual moral problems (Widdershoven et al., 2009). The key aspect is experience, which is always situational and constituted by historically, socially and culturally based habits and conducts. Our demonstration of experience-based ethics makes clear that principles are not necessary for ethical policy-making and that daily-life practice intrinsically holds ethics as sufficient ground for changing of situations.

#### Phronetic ethics

Aristotle understood the logic of practice more than many of his successors. Not only because of his Ethica Nicomachea in which he discusses morality as the basis of ethics, but of his vocation which appears to be more of a practiced biologist than a philosopher. To stress the importance of experience in judging the social goodness or badness of action, Aristotle concentrates his ethics around the concept of phronèsis (EN 1976). Phronèsis, also called practical wisdom, is a form of deliberation about values with reference to variable context-dependent practice. It concerns how to act in particular situations. This type of deliberation is not based on learned knowledge but on experience guiding the insight and understanding of a moral situation. An experienced person has practical knowledge of what is good and bad in a concrete situation, especially in unforeseen ones. Phronèsis is one of Aristotle's intellectual virtues, along with epistêmê and technê. Epistêmê relates to general analytical rationality which seeks for universal, invariable and context-independent knowledge. Technê stands for craft or art to produce. Unlike epistêmê and technê, phronèsis cannot be deduced from rules since morality requires insight into how rules ought to be applied. Being an experienced person and having practical knowledge means one is aware of the limitation of the application and, therefore, also of the improvements to be made (cf. Flyvbjerg 2003). Aristotle links phronèsis, therefore, directly to the mode of action in order to deliver change, especially regarding the quality of life. Phronetic ethics centres the personal capabilities to act morally.

#### Hermeneutic ethics

Hermeneutic ethics aims at gaining a good understanding of a practice by exchanging concrete and detailed experiences and perspectives. This form of ethics stems from the philosophy of Gadamer who emphasises the idea that experience is a real concrete source of moral wisdom from which one can learn by a process of interpretation and understanding. This process is essential for getting to know what the other mosaics of values and their 'horizons' entail. A horizon is the range of vision including everything that can be seen from a vantage point. Horizons can, therefore, be narrow, expanded and opened up for new ones (Gadamer 2004, p 301). This cannot be done scientifically by reconstructing the thoughts that underlie the practice, but by exchanging thoughts and perspectives. For this one needs the good will to be an open interlocutor, since understanding is an integration of meaning, or as Gadamer put it: a fusion of horizons (p. 305). It is this fusion, addressed and shaped by the participants in practice, that consequently give birth to new insights and make old ones obsolete. Hermeneutic ethics proved to be successful in psychiatry where a 'good practice' is set in a dialogical leaning process between nurses, doctors, patients, managers and family (Widdershoven et al. 2007, 2009). Hermeneutic ethics centres not the individual capability, as phronetic ethics does, but social practices with their interconnections and their processes of understanding. In this way it is heading for a differentiated way of transcending local particularities into heuristic rules, interpretations and learning impulses.

### Pragmatic ethics

Pragmatic ethics, originated from American Pragmatism and in particular John Dewey, focuses on the actions within practice to see whether some conduct has useful or successful qualities to overcome problematic situations. A basic assumption in Pragmatism is that reality is not a static thing but always in the making. Humans are not opposed to the reality-in-the-making, but they are part of it (Dewey 1908; 99), since we do not participate *in* the environment but we are *of* the environment. This means agent and environment, like a firm and its customers and partners, are not separate aspects but a *transactional* whole in which they reciprocally constitute each other (Dewey & Benthem, 1949). Just as business is part of the consumers and the consumers part of business, so is a company part of the social and natural environment and vice versa.

In pragmatism, values in the moral world are not (fixed) qualities but *relations* between an agent and its environment (Stuhr, 2003). To determine what is valuable, is to posit a thing or issue in a particular relation of interests and to find out in what situation a desire is experienced as *desirable* and the prized is *appraised* (Dewey 1930, p216-18)). Value judgements, like this is good or that is right, are practical and situational judgements and belong to the existential world since they require the activity of valuing. A bottle of Chateau Mouton-Rothschild 1945 appears to have a lot of value but only in some particular serving occasion and under defined conditions, which means not with breakfast and from the fridge. In the moral domain, one can imagine situations in which abortion, euthanasia and even warfare can be valued positively.

In an uncertain world a practice does not find certainty by seeking for correspondence with reality or coherency within a set of proposition, as principle-oriented ethics does, but by looking for 'what works', what proves to have instrumental value. Therefore, moral values are instrumental, but instrumental values need not to be moral. Trying values out and experience them serves the ethical purpose of growing morally in an ever-enduring process of perfecting, maturing and refining. This form of ethics, called *meliorism*, stands for the ongoing creation of a better world for oneself and others, in which individual and collective intelligence can discover means to remove obstacles blocking the promotion of the good (Dewey 1920, 180-182). Pragmatic ethics is therefore strongly future orientated in contrast with tradition focused philosophy like the hermeneutics of Gadamer (Craig 2001) and the Aristotelianism of McIntyre (Carden 2006). Pragmatic ethics is phronetic as hermeneutical but by putting action (experimental inquiry) in the centre it is, in our view, the most comprehensive form of experience based ethics.

Experience-based ethics makes clear that ethics is more than a principalistic collection of coherent arguments. Figure 1 displays an overview.

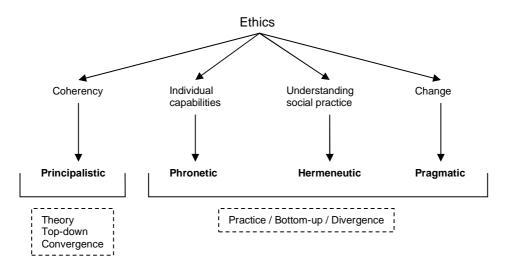


Figure 1: Overview of the forms of ethics

Experience includes attitude, cultural, historical perspectives and aesthetics. Grounded on the work of Aristotle, Gadamer and Dewey, we claim, alternatively, that business ethics should become less principalistic and more phronetic, hermeneutic and pragmatic. We emphasise the uniqueness of practices with their own language, habits and horizons which can fuse once we understand each other's worlds. Since reality is pluralistic and complex, it is pivotal in ethics to explore, by those involved, the various perspectives on a moral situation and to find new possibilities for experimentation in order to create a better, more successful, state of affairs. What is needed is more experience of different practices, rather than a common moral language out of values we experience as human beings in and outside business as Waddock (2004b) wants to formulate. For business ethics this means focussing on moral effectiveness as the ability of making ethics operational in a complex moral world,

rather than on moral aspiration to comply with principles, standards and codes. In the follow section we demonstrate that this line of thought can be fruitful in fusing business and ethics.

#### Ethics as co-evolution

The shift from an ethics of principles to an ethics of experience in business does not have to be a radical one. From pragmatism we learn there is no essential difference between instrumental and moral valuing, since both are problem solving and growth oriented. Business converts (scientific) knowledge and (technical) skills into a product for sale and evaluate the outcome in terms of economical value. Evaluating something economically or morally is basically the same process except the moral domain is much wider given the complex social dimension that has to be taken into account. The key is to find a way in which the instrumental aspect of business and ethics can co-evolve. For this process businesses have to modify their paradigm of self-control to one of co-creation and extend their functionalist management system with an interpretative mode.

Vargo & Lusch (2004, Lusch 2007) advocate a transformation from the old logic of self-control to the new dominant logic of co-creation. The old economic exchange is based on tangible resources and embedded value. Goods are seen as end-products of which the customer is the recipient. In this relationship the producer determines the value and the source of economic growth is one of owning, controlling and producing goods. The new logic is service-centred in which the matter of exchange is specialised competencies. Goods only have a role as appliances in value-creating processes. The source of economic growth, here, is the application and exchange of specialised knowledge and skills in which the role of firms is making propositions only. In this process the customer is co-producer of service. Values are perceived and determined by the customer on the basis of 'value in use'. Vargo & Lusch regard the old logic as Market To in which management is focused on customers & markets and they predict an era of Market With in which customers and partners collaborate to produce and sustain values. Prahalad (2004) also focuses on co-creation of value, but he emphasises creation that is experience-based. Hippel (2005) shows some experience-oriented innovations with software, surgical and sports equipment, which are mainly developed by the users themselves and advocates open source development as a foundation for democratizing innovation. Apart from the shift to service logic and value-creation, more forces are operating at different levels in the external environment that must be understood in order to improve a more sense-and-respond ability (Joffi & Gupta 2005) as is shown in table 1

Table 1: Evolution of marketing (extracted from Joffi & Gupta 2005)

Shift			
Fundamental	Good centred	$\rightarrow$	Service centred
	Economic	$\rightarrow$	Social process
	Firm	$\rightarrow$	Customer
Focus	Value distribution	$\rightarrow$	Value co-creation
	Money exchange	$\rightarrow$	Relational exchange
Emphasis	Customer acquisition	$\rightarrow$	Customer retention
Scope	Outcome consumption	$\rightarrow$	Process consumption
•	Competition	$\rightarrow$	Collaboration

The shifts in marketing clearly show a change from monologue to dialogue. Customers are not seen as an operand resource, something to be acted on, but as an operant resource of a collaborative partner who co-creates value with the firm (Vargo & Lusch 2004, Lusch et al. 2007).

In a world where practices are fragmented, due to specialisation and differentiation, dialogical business with partners in the chain and consumers may well open a mosaic of opportunities and a co-evolution between practices. Value-creation is a kind of co-evolution between the interest of consumers or society and business. The Toyota Prius, LED lights and decomposable plastic are good results from such process. An other example of co-evolution is the agreement in the Netherlands between the VanDrie Group, the largest veal producer of the world, and the Dutch Society for the Protection of Animals (DSPA) on the further improvement of the welfare of calves by embracing an acceptable blood iron level of the calves, more roughage, soft laying area and long distance transport in climate controlled transport vehicles. For the Dutch market VanDrie applies even stricter standards in order to join brands with the DSPA in a one-star Better Life hallmark. This initiative is born after both parties loosened their ideologies for the sake of creating something new. Although the welfare condition of the calves is still far from optimal and the motivation of VanDrie is market driven, this co-evolution shows it is possible to fuse the horizons of economy and animal welfare and to create a new value. This was by no means a simple linear progression. It took several years to soften prejudices, to understand each other's perspectives, goals and worries and to build trust. VanDrie and the DSPA have their own mosaics of values and set of constraints and the interaction was reciprocal to overcome uncertainties. Value confusion and conflicts had to be overcome to create a form of shared-ownership of process and results. Hopefully, this co-evolution will stay melioristic, because the improvement of animal welfare in industrial setting is a never-ending challenge. It must not stop with the one-star hallmark, but instead a two or even three-star hallmark must be an end-in-view.

The change from monologue to dialogue, from 'market to' to 'market with' demands a particular attitude and management system. For the hermeneutical activity, to 'read' the historical, cultural and idiosyncratic elements of customer's and partner's practices, a communication approach and skills are essential. Ballantyne &.Varey (2006a, 2006b) elaborated marketing communication for value cocreation. Communication *to* and *for* are functional for planned persuasive messages, but in the new

dominant logic communication *with* and *between* are key for the interactional and participatory process of co-creating the customer's voice (Jaworski & Kohli 2006) and working on bi-directionality of mutual satisfaction (Oliver 2006).

Besides the right attitude, the management system must fit the task of co-evolution. Value co-creation in general and ethics in particular require adequate management. The most common organizational structure is the *functionalist system approach* (Jackson 2000, pp202-210) by which business organization is divided in parts with subparts, as departments, sections and task units. This system gives clarity on specializations and accountabilities throughout the company and is highly advantageous when goals are well defined and the pursuit is directed by *efficacy* and *efficiency*: using the right means with the minimal use of resources.

The functionalist system is, however, not suitable for value creation and co-evolution between business and ethics. This kind of system has a unitary view on reality and it regards the nature of the business objectives as unproblematic or self-evident. The functionalist system runs on facts and figures. Even the behaviour of consumers is regarded as social facts – "they do / don't like this product" – without a deeper interest in their motivation.

As demonstrated, specialization and differentiation along with the mosaic of values and the set of constraints make reality not unitary but highly pluralistic. In business ethics, as well as in the new dominant logic, the task is to deal more with the normative world of society and the subjective world of the individual than the objective world of economics. An *interpretative system approach* – also known as *Soft Systems*, is more adequate to cope with the uncertain moral world. In this system the key measures for success are not efficiency and efficacy but *effectiveness* and *elegance*: achieving what is wanted in an attractive way (Jackson, 2000, pp281-290). The interpretative approach does not reduce complexity so it can be modelled for economic purpose, but instead seeks to explore it by working with multiple views of reality in order to reveal a *mosaic of opportunities*. Weberian innerunderstanding (verstehen) of customer's and partner's motives and the importance of Diltheyan world-images (Weltanschaung) in the stakeholders' minds are pivotal for creating policies in a pluralistic world (Jackson, p59-61).

Developing and implementing value creation and co-evolution in a highly complex world demands more a debate, about how to translate moral objectives into a business practice, than a provision of simple instructions. Important in such participative deliberation is a proper input-throughput-output scheme (Schrapf, 1999). The *input*, being the objectives and relevant agenda, must be set *ex ante* and in collaboration with those involved. The *throughput*, being the pathway and process of deliberation, must be based on equity and fair representation of those involved. Finally, regarding the *output*, the result of co-creation of co-evolution must not be only evaluated on its substantive content but on its procedure too.

Deliberating on what is desirable and feasible is interpreting values to create alternatives before they can be applied. Therefore, in business ethics the interpretive system approach should precede the functionalist one. The diversity of desires and the complexity of constraints have to be solidified into a workable enterprise.

Pragmatic ethics and the 'new economy', which share experimental inquiry and collaboration more than phronetic and hermeneutic ethics do, can merge rather easily into a new form of business ethics. The change from old to new is a shift from the tangible, discrete and static to the intangible, continuous, and dynamic. This may well open a window for a mosaic of moral opportunities and a better perspective to gain more competitive advantage. The fragmented world of specialised partners and differentiated consumers may by co-creation or co-evolution become richer with new moral practices.

#### Ethical Room for Manoeuvre: the learning playground

Working with different practices in an interpretative way requires new knowledge and skills that can face the uncertainty from the mosaics of values and set of constraints. These requirements are basically not different from what ordinary people already possess. Overcoming ethical problems is not different from dealing with other kinds of troublesome issues. The process of deliberation is the same: finding out what the various lines of possible action are really like (Dewey 1992, 132). Fesmire (2003) describes Dewey's deliberation process very well with the example of buying a house, which is not an armchair and a solitaire affair. Buying a house is considering several offers and relating these to the mortgage payments, repair costs, and other aspects as careers, economic circumstances, long-term goals, and social-political priorities. It involves imagining what a day-to-day life in and around the house would be. The buying process requires also visits to the offered houses, research, consultation with specialists, and communication with family, relatives and friends. The deliberation process of buying a house is in its essence similar to an entrepreneurial endeavour or a consumer's build up of a lifestyle or any other 'issue management'. The only difference between moral and non-moral conduct is the matter of interaction of a person with his social environment (Dewey 1992, 219)

Throughout this article we claim that ethics must become more a matter of acting upon internal drives, values and competences (autonomy), than complying with external forces and obligations (heteronomy). To facilitate this approach, we are developing a concept and tool named *Ethical Room for Manoeuvre* (ERM). We want to create an ethical facility in which trial-and-error experience is more important than coherent argumentation. Also a facility that combines individual capabilities (phronèsis), dialogue (hermeneutics) and action (pragmatism) and most importantly that seeks to overcome conflicts. We designate ERM as a kind of *working place* in which a company can experimentally discover moral interests and explore the possibilities to create more ability to meliorate the existence of itself and its stakeholders in the light of societal demands. ERM opens a *playground* and pokes the dynamic with the comfort there are hardly prefabricated 'truth-false' or 'right-wrong' classifications and pressing moral principles. ERM creates free space to survey the mosaic of values and set of constraints and to discover moral opportunities. In ERM the concept *Room* stands for place and space and

*Manoeuvre* is a metaphor for a range of human activities such as exploring, individualising, inviting, learning and growing.

- Exploring the room is to discover, by experimental inquiry, the situative moral world and one's current position with its possibilities and limitations [cf. Pragmatism]. In this activity it is essential that organisational and economic constraints become transparent in order to make them deliberative and 'moral' rather than dominating (Cf. Lachelier, 2001).
- Individualise the room is to emphasize one's conviction and to colour one's agency [cf. Phronèsis]. Pluralism of perspectives and multi-interpretable values ipso facto give room for idiosyncrasy. Principles are accepted not on their intellectual validity but 'by the hearth' or the beliefs and actions they inspire (James 1896, pp729-30). In a world with many moral practices there is room to express one's morality. Idiosyncrasy is, therefore, normal and should be encouraged as long as it is transparent and discussable.
- Inviting others into the room is to stimulate participative deliberation and mutual learning [cf. Hermeneutics]. This action is highly desirable for building trust. Participative action is for learning more effective than reasoning from principles or constructing solid argumentations. Participative deliberation means all opinions, beliefs, wants and solutions should be examined equally and never be excluded, as good ideas are only warranted for the time being and odd ideas can be useful in the future after all.
- Increasing the room is to grow (learn) morally [cf. Pragmatism]. Business itself, and not only society, can decide on ends and facilitate routes to get there. There are no excuses for hiding behind professional ethicists and claiming that businesses do not have the proper abilities to deal with the moral world. The problems encountered on those routes can be seen as challenges for a learning process. Pro-actively working on business ethics will increase foremost the company's understanding of the world it operates in and additionally its social and possibly its economic capital (cf. Orlitzky et al. 2003).

To create and use free space for discovery and melioration, ERM guides the deliberation process with six aspects, abstracted from Dewey's "Logic: Theory of Inquiry" (Dewey 1938, p41ff). These aspects may have a conceptual order but are chaotic and highly iterative, as in real life experience.

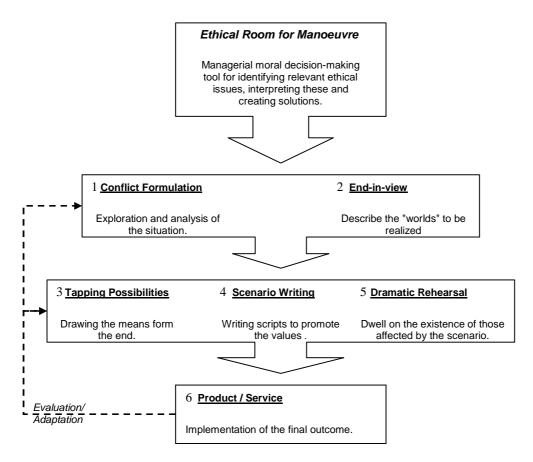


Figure 2: An overview of the ERM steps in a scheme

Step 1 is common in all policy-making. It is just exploring and analysing the situation to find out 'what is going on'. *Conflict formulation* is pinpointing adequately the core of the problem in a pluralistic situation with questions such as: what are the issues; what are the mosaics of values and the set of constraints (cf. Flyvbjerg 2003); what is the initial Room for Manoeuvre? This step does not need to be about problems. For those firms who take a melioristic stand it also appeals to the sense for opportunities (Dalton, 2004).

Setting ends-in-view is the step to discover possible worlds in which the named conflicts do not exist and to explore ways to create such worlds (Cf. McGillivray 2004 on politics, Bromley 2006 on economic institutions). An end-in-view creates an imaginary world-in-the-making that is believed to be better than the current one, and automatically sets the aim for melioration. Setting an end-in-view is a matter of empathetic projection in the sense of amplifying one's perception beyond the immediate environment by regarding the aspirations, interests and worries of others (Fesmire, 2003, p65ff). For business this would mean not only stating a strategic intent in which the industry's future is envisioned (Hamel & Prahalad, 1994) but to give proper attention to those involved in the issue and to present them a world to look forward to.

From the imaginary world one *taps* in step 3 creatively the *possibilities* by a process named *projectual abduction* (Tuzet, 2006). These imaginative possibilities guide actions on how to get to the end-in-view. Abduction, drawing the means from the end, can be *ordinary* when dealing with an already-known means-end relation or *extraordinary* when to guess what means will be effective for an end. In the latter, abduction creates new hypotheses and therefore new means-end relations (Bromley 2006, pp96-100).

In order to convert the different alternatives into a dynamic story, in which possible events and actions in the future are described, one writes scenarios in step 4. By *writing scenarios*, an approach developed by Shell, one generates ideas on how to deal with an uncertain and uncontrollable world (Peterson et al. 2003). It will bring forward questions to be answered, such as how to profile values, how to get around constraints and also how strong is the desire to change course to make the unmanageable manageable. Scenarios may lead to new ways to adjust the current situation or to generate completely fresh innovations. They may also deal with pitfalls hindering improvement, such as fractured decision making and the tendency to consider only external variables (Chermack, 2004, 2005).

The heart of deliberation is according to Pragmatism the *Dramatic Rehearsal* to find out the consequences of the scenarios (Dewey, 1932: 275). It is a *rehearsal*, since one practises several outcomes with the intention to see whether the projected results are satisfactory. A rehearsal automatically illuminates current situations and opens them up, so new ways of thinking can be perceived. The *dramatic* meaning in the rehearsal is to make sure that one acts from the stakeholder's position and that one imagines how the line of melioration will affect them. Dramatic rehearsal is paying attention to all the bearings that could be foreseen and taking proper interest in knowing what is going on (Fesmire, 2003, p.74, cf. McVea, 2007). When the turn-outs are unfavourable, one has to rewrite the script to see whether the adverse situation can be avoided or ameliorated.

The final step 6 is about *implementation* of the outcome, which means seeing how warranted the product (policy, service) stands in the real world. When the implemented intention becomes unwarranted, due to new or remaining conflicts, the ERM process starts from the beginning. The issue has to be reformulated, values have to be rebalanced. This aspect evaluates the new moral reality after the chosen solutions are implemented.

The six aspects of inquiry make our ERM model a non-linear tool with which moral hypotheses and proposals can be generated, tested and assessed. We claim that it is an appropriate tool to discover the hidden and unclear dimension of one's own practice, to seek contact with other practices and to create new practices. Undoubtedly, ERM is a potential tool for *interplay* between business to business and business to consumers. It stimulates network creation and mutual understanding of interests. An underexposed aspect, and maybe more important, are the practices within the organisation.

Departments can have their own, rules, attitude, culture and pride etc. ERM can facilitate *intraplay* to improve collaboration, trust, and generate new habits within the organization (Pompe, 2008).

To clarify the ERM model even further we contrast it with Multi Stakeholders Process (Platform or Partnership) (MSP). Both models support moral decision-making by recognizing the complex world with technological, economic and social change and facilitate dialogue, joint learning and collaborative action to create better understanding and new directions. However, ERM has essential characteristics that make it a different kind of tool. First, there is a formal versus informal difference. MSP is described as "a decision-making body (voluntary or statutory) comprising different stakeholders who perceive the same resource management problem, realise their interdependence for solving it, and come together to agree on action strategies for solving the problem" (Steins and Edwards, 1999: 244). MSP is often initiated and regulated by a governmental or institutional body, like the EU Round Table Forum on CSR, who stresses the importance that participants agree on the process of discussions, such as rules of conference, schedules and time setting for decision-making (Faysse 2006). It is therefore a rather formal tool in contrast to the informal ERM in which experimental inquiry does not require officials neither preset rules to keep things orderly. Second, there is a difference between multi and stake. MSP is particularly multi-oriented by focusing on the identity and representation of the usual stakeholders (Simpungwe 2006). Participants are supposed to represent their interests groups. ERM, on the other hand, is more stake-oriented as its aim is to overcome a problem. Consequently, it is looking for the problem in which (new) publics and stakeholders are directly involved. Third, there is the dissimilarity hidden versus open. In MSP certain issues are not openly discussed such as power relationships, composition of the platform, individual agendas of the representatives and their capacity to participate meaningfully in the debates. This makes MSP often more a process of negotiation than of communication (Faysse 2006, Simpungwe 2006). In an ERM setting tangible and intangible constraints must be mentioned and investigated, since values can only be created when some are overcome. Besides, ERM ideally needs participants who are not hindered by agendas, who are socially intelligent creators, out of the box thinkers and can work on a mission called make it happen. Final, there is the convergence versus divergence contrast. MSP has a strong tendency towards convergence in bringing about a consensus or a compromise among the different perspectives of the participants. ERM encourages divergence, because it is about testing different proposals and selecting those which can match the desired situation. Divergence may, at the end, well lead to convergence as learning from each other's results means incorporating each other's strengths.

To recap, ERM is a tool in development to increase the awareness of the possibilities for co-evolving business and ethics AND to enhance the abilities to improve the interaction and dynamics between business and society. ERM is an intermediary that professionals and stakeholders alike can use to find existing opportunities and create new ones to improve situations. ERM is all about enhancing daily-life competences in order to work for a moral end-in-view.

# Conclusion: implementation without principles

Ethical policy-making is often being burdened with the tension between ethical principles and practice and between convergence and divergence. We demonstrated that the strength the conceptual (thinking) world of principles, values, codes and standards to overcome conflicts is overrated. The pluralistic and complex world, with its mosaics of values and set of constraints, will bounce off any mainstream principalistic ethics because it simplifies, confuses and generates conflicts without answers. We also showed that the capability of existential (doing) world of moral practice to approach conflicts and create opportunities is underrated. With the three forms of experience based ethics - phronetic, hermeneutic and pragmatic ethics— we illustrated that there is plenty ground for ethical change to be found in daily-life practice. Experience-based ethics and business can easily co-evolve by creating new values, provided a participatory attitude and interpretative management systems are operational. Ethical Room for Manoeuvre is concept and tool for experimental inquiry and discovery, which makes implementation of ethics without principles possible and supports to effectuate the 'how' of moral aspirations.

Although principles may not be necessary for ethical policy-making, they can very well contribute to it. Principles and value analysis have a heuristic function and can shed light on the foundations of the problem and be complementary with experience-based ethics (Musschenga, 2005). Principles and experience must have a functional correspondence just like the conceptual and the existential world, as Dewey proclaims. For ethics we strongly emphasise action and we maintain with Aristotle that practice precedes science, with Gadamer that dialogue precedes understanding and with Dewey that doing precedes thinking.

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