BUSINESS ETHICS AND INTERNAL SOCIAL CRITICISM

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Abstract: The purpose of this paper is to present an understanding of business ethics based on a theory of internal social criticism. Internal social criticism focuses on how members of a business organization debate the meanings of their shared traditions for the purpose of locating and correcting hypocrisy. Organizations have thick moral cultures that allow them to be self-governing moral communities. By considering organizations as interpretive moral communities, I challenge the conventional notion that moral criticism is based primarily on exogenous moral principles delivered by outside critics. I describe an interpretive process of business ethics and develop a theoretical model of internal social criticism. I also propose that organizational identification serves as a mechanism for inducing ethical behavior. I conclude by calling for more research that understands the development and use of existing moral principles inside of organizations.

The purpose of this paper is to present an understanding of business ethics based on a theory of internal social criticism. According to this theory, members of a business organization act as internal social critics when they evaluate and regulate their practices by appealing to shared understandings about the purpose and nature of their business organization.

Internal social criticism (ISC) focuses our attention on the “thick” moral standards that develop within business organizations.¹ By thick moral standards, I refer to the principles of morality embedded in specific business organizations that develop from actual conversations, experiences and interactions. Thick standards are concrete and particular, and reflect a business organization’s unique set of social goods, practices, and norms. Thin morality, on the other hand, refers to (near) universal standards of morality—the minimal requirements that those outside of a particular business organization require of that organization.

Moral criticism can be thought of as falling on a continuum ranging from thinner to thicker standards of morality. As members of political institutions, we can judge business organizations according to thinner, more universal standards generated outside of any particular business organization. For example, we can invoke thin principles such as “meaningful work is work that is freely entered into,” (Bowie 1998) or that multinationals should refrain from coercing workers (Arnold and Bowie 2003). Often, but not always, thin standards become institutionalized in the law, allowing us to
regulate how business organizations behave. Instead of focusing on thin standards, however, internal social criticism emphasizes thicker moral standards intimated by a business organization's shared traditions. Organizational members judge and hold themselves to the very standards they help create. By placing my theoretical stake closer to a thicker view of morality, I am not suggesting that thinner criticism is unimportant. My contention is that there already are many important accounts of thin moralities, such as Bowie's work on Kant (Arnold and Bowie 2003; Bowie 1998), Donaldson and Dunfee's hypernorms (Donaldson and Dunfee 1999), and stockholder and normative stakeholder theory (Hasnas 1998)—just to name a few. There are fewer accounts of how business organizations develop and use thick standards of morality that reflect their own history and culture.²

This paper makes three contributions to the business ethics literature. First, it provides an alternative to approaches that focus on the application of thin moral principles to business problems. I build off of Michael Walzer's theory of social criticism and argue that organizational members can use principles of morality within their business communities to practice moral criticism. ISC emphasizes discussions among organizational members geared toward unearthing thick moral principles and any contradictions between those principles and practices. Second, I propose that organizational identification serves as a mechanism for inducing ethical behavior. When members engage in ISC, they invoke moral standards that are constitutive of their identities, as opposed to a set of abstract principles. I describe cognitive, behavioral and affective links to ethical behavior. Third, I propose that the field of business ethics should focus less on discovering and inventing moral principles. Instead, I call for a greater emphasis on sociological, anthropological and psychological approaches to understanding the already existing thick standards inside of many business organizations.

The flow of this paper goes as follows: I start with an example of internal social criticism in order to motivate my explication of the theoretical model. A brief discussion of Michael Walzer's (1981; 1983; 1987; 1988; 1994) political philosophy should help to place my argument within the philosophical tradition out of which my model originates. I next present a typology of moral critics before introducing a theoretical model for ISC and explaining its four integral components. Afterward, I discuss organizational identification as a mechanism for generating ethical behavior and the multi-layered nature of social criticism. I then specify some important boundary conditions and assumptions for ISC, before concluding with the implications of this paper.

An Initial Example of Internal Social Criticism

Before delving into the more intricate details of ISC, it is worth discussing a brief example. Consider Johnson & Johnson's Credo and how the organization used it in order to respond to the 1982 Tylenol scare. The company faced a crisis when seven deaths were traced to tampered Tylenol medication laced with cyanide (Smith and Tedlow 1989a, 1989b). This case is frequently used as an example in business ethics research because its demonstrates how an organization acted in a socially responsible manner by adhering to its values. For my purposes, I invoke this example to illustrate
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a framework of internal social criticism that generalizes beyond this particular case. More specifically, in describing this example, I will focus on three key components of internal social criticism: (1) the use of internal criteria, (2) the interpretive application of those criteria by organizational members, and (3) the avoidance of hypocrisy (or promotion of ethical consistency).

The first important point about the Tylenol example concerns the organization’s use of internal standards. In 1943, Johnson & Johnson first published the Credo, a one-page statement that contained a broad set of values that the organization embodies. Since 1943, managers at the company have updated the Credo to incorporate new shared understandings, such as a recognition of the importance of the environment (Johnson & Johnson 2003b). One of the most significant revisions to the Credo took place in 1975 when Johnson & Johnson’s president at the time, James Burke, inquired about the document’s relevance to top management. As a result of discussions among management, a revised Credo emerged and the organization reaffirmed its commitment to the values embodied in the Credo (Smith and Tedlow 1989a, 1989b).

When members interpret the Credo, they give meaning to the broad set of values contained within the document. Employees at the company examined the Credo during the Tylenol poisonings and determined the concrete meaning of the organization’s shared understandings. To arrive at an ethical decision, employees did not focus on general principles of safety or consumer protection—though these are important, too. One approach to business ethics would instruct Johnson & Johnson employees to consider, say, what obligations the Categorical Imperative or a utilitarian calculus would demand of them for resolving the Tylenol poisoning incident. These ethical frameworks may have resulted in a solution similar to the one reached by Johnson & Johnson. Or outsiders might apply the Categorical Imperative to make judgments about the moral excellence (or reprehensibility) of how Johnson & Johnson acted. But within the company, organizational members made their own moral judgments, using their own moral principles. They turned to their Credo, trying to discern what their own internal standards required of them. No mention of the Categorical Imperative was needed because Johnson & Johnson had a thick moral culture. They referred to statements in the Credo that give primacy to Johnson & Johnson’s customers (Smith and Tedlow 1989a): “We believe that our first responsibility is to the doctors, nurses, hospitals, mothers and all others who use our products” (Johnson & Johnson 2003a). Instead of responding to the Tylenol scare by trying out different ethical principles, employees examined the Credo and determined the morally appropriate behavior required by the company’s own thick culture: to issue a complete product recall, which the company subsequently ordered. Johnson & Johnson spent an estimated $100 million dollars in its recall of Tylenol, even though the actual risk to customers was minimal (Moore 1982), because the company’s shared moral culture demanded it.

A final point about the Johnson & Johnson response to the Tylenol scare concerns the promotion of ethical consistency. The right response to the Tylenol poisoning was the one that embodied the best understanding of the Credo. Employees attempted to make decisions consistent with their organization’s own shared understandings. In fact, Johnson & Johnson built into its Credo a value that encourages employees
to provide feedback to senior management about how consistent the organization’s behaviors are with the Credo (Johnson & Johnson 2003a). Former Corporate Vice President Lawrence G. Foster notes how Johnson & Johnson uses an employee survey to articulate and communicate shared understandings as well as to identify inconsistencies between shared understandings and practices: “The credo survey is no longer just a report card. It serves as an instrument to increase involvement, productivity, and the communication of values and objectives; to get input into forming strategic plans; and to identify and resolve gaps between our guiding principles and daily actions” (Foster 2000: 5).

Walzer’s Arguments against Exogenous Moral Standards

In the Johnson & Johnson example, organizational members used internal standards to decide how the company should respond to the Tylenol tampering. But there are other approaches to moral reasoning that do not rely on principles based on an organization’s particular culture. More specifically, Michael Walzer describes two techniques, which he labels discovery and invention. In this section, I review Walzer’s challenges to discovery and invention approaches to moral philosophy, which he contrasts with interpretive methods such as ISC.

According to Walzer, the mark of the discoverer is his ability to leave the “cave” and see the light of day. He “steps back in his mind from his social position . . . wrenches himself loose from his parochial interests and loyalties [and] abandons his own point of view in order to report to us on the existence of . . . any set of objective moral truths” (Walzer 1987: 5). In other words, the discoverer discards connections to his community and temporarily leaves his place in society in order to find a true sense of morality. This sense of morality does not come from within the community, but instead comes from the outside—developed from an objective (read: impartial) and universal (read: acultural and ahistorical) perspective. This objective and universal standpoint is akin to what Thomas Nagel (1986: 5) calls “the view from nowhere,” a place which “allows us to transcend our particular viewpoint and develop an expanded consciousness that takes in the world more fully.”

For business ethics, discovery suggests that organizational members step outside of their business organization and attempt to think objectively about which moral principles an organization ought to follow. Examples may include a religious transformation, in which a leader leaves her organization and returns with a newly found set of principles. Alternatively, another approach for discovered business ethics involves an outsider discovering a morality for a business organization. The outsider, unsatisfied with an organization’s moral code, attempts to show why a business organization ought to follow an entirely different set of moral principles.

The inventor, similar to the discoverer, temporarily jettisons a connection to his community in order to present a moral code. However, instead of leaving the community to find a code of morality, the inventor creates a new morality because he thinks that a morality either does not exist or is inadequate. Inventive philosophy usually begins with what Walzer labels a “design of a design procedure” (Walzer 1987: 6),
something like Rawls's original position that creates an ideal choosing situation (Rawls 1971). By tinkering with the assumptions of the choice procedures (e.g., risk and information assumptions, principles of rationality, etc.), inventors create a philosophical framework that purportedly leads to new and just principles of morality.

Walzer raises several objections against discovery and invention. First, Walzer thinks that discovered and invented morality is often not as remarkable as its supporters think. For example, in responding to Nagel's discovery that we should not be indifferent to the suffering of other individuals, Walzer writes, "I acknowledge the principle but miss the excitement of revelation. I knew that already" (Walzer 1987: 6). According to Walzer, the discoverer's and inventor's principles are often already within communities, waiting to be interpreted. The interesting question is not whether we should or should not be indifferent to the suffering of others. Rather, the interesting question is what it means not to be indifferent to their suffering in our thick moral culture, i.e., what does this principle require of us within a thick culture?

Second, Walzer objects to the abstraction required for discovery and invention. More specifically, he thinks that discovery and invention ignore the complex identities of individuals and the actual choices they have made as members of a moral community. According to Walzer, members' choices are embodied in a community's shared understandings. He thinks that jettisoning these understandings for something purportedly discovered or invented overlooks the very features that make up who we are, both individually and communally (Walzer 1987: 21). For example, in Spheres of Justice, Walzer responds to Rawls's formulation of distributive justice by claiming that the meanings of social goods cannot be abstracted from particular communities (Walzer 1983). Rawls's original position calls on hypothetical agents to separate historical and social contexts from arguments about justice. In other words, according to Rawls, the justifications for principles of justice come from our ability to step outside of our identities and our communities. To accomplish this task, Rawls utilizes the veil of ignorance to strip individuals of their unique identities, and asks hypothetical contractors to select impartial principles for allocating social goods (Rawls 1971). Walzer thinks that the idea of completely shedding our identities to articulate a morality is confused, because moralities are based on shared understandings and social practices of actual—and not hypothetical—communities. Members of a community concerned about justice do not ask questions like, "What would rational individuals choose under universalizing conditions of such and such a sort?" but rather ask something along the lines of, "What would individuals like us choose, who are situated as we are, who share a culture and are determined to go on sharing it?" (Walzer 1983: 5)

Third, discovery and invention assume that only certain individuals are capable of articulating a morality—those that can leave their communities to find a morality (discoverers) or construct new moralities (inventors). Instead, Walzer wants to open up moral criticism to all members of a community. The internal social critic, Walzer (1987: 39) writes, "is one of us," referring to individuals who only achieve authority by making persuasive interpretations of their community's shared understandings versus claiming a special philosophical knowledge (the discoverer) or having a special philosophical ability (the inventor).
Fourth, discoveries and inventions, themselves, often require interpretation. To the extent that moral criticism relies on outside principles, these outside principles are usually the start of a moral conversation—and not its endpoint. The invocation of a principle such as "employees have a right to self-determine their career paths" is itself subject to interpretation. Understanding key concepts such as "self-determine" and "career paths" inevitably involve moral conversations among actual community members. Walzer would argue against abstracting the meaning of career paths from a particular context. He would not ask something like: how would rational actors, not cognizant of their place in the organization, understand the idea of "career path"? Instead, he would argue that the meaning of "career path" will differ by organization. To understand the meaning of this term, and its moral implications, real organizational members, situated in specific organizations, must make an interpretation of this term based on their community's shared understandings.

My claim is simply this: In the context of business ethics, discovery and invention are not always needed because some business organizations already contain the values and principles necessary for moral self-government. While thin moral criticism is used to judge the adequacy of moral cultures, ISC focuses on how organizational members practice moral criticism every day using their own thick standards. ISC allows us to understand how companies such as Johnson & Johnson serve as self-governing moral communities that practice business ethics by using their own internal standards.

A Typology of Moral Critics

Figure One contains a typology of moral critics distinguished by two dimensions. The "location of a critic" classifies a critic as either a member of a focal organization (i.e., the organization subject to criticism) such as an employee, or an outsider such as a consultant or social commentator. The second dimension addresses whether the moral principles that a critic uses are endogenous to a focal organization (i.e., based

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on a principle within an organization) or exogenous to a focal organization (i.e., based on a moral standard not generated from a focal organization).

Internal social critics are (i) members of the organization they criticize, and (ii) rely on principles of morality embedded within that organization (quadrant I). An internal social critic's authority comes from her ability to argue with members of her community about the meaning and direction of their collective life. The arguments that internal social critics present do not gain authority because they were discovered or invented. Rather, the morality that an internal social critic interprets from within her organization is authoritative because it is constitutive of the organization and the identity of its members (Dutton and Dukerich 1991). In some cases, individuals in the best position to engage in internal social criticism are longstanding members of an organization, while in other cases, newcomers may occupy a more useful position. The more general point is that any member of an organization can take up the role of internal social critic.

If an organizational member reaches for principles of morality exogenous to her business organization, she takes up the role of a dissident critic. She is a dissident critic because although she is a member of the focal organization, she no longer identifies with its values and principles. This critic jettisons her organization's own moral code and often replaces it with discoveries and inventions (quadrant II). A traditional approach to ethics is that critics will be more effective the more they can emotionally and intellectually detach themselves from their organizations. The "intimacy and warmth of membership" bias the member, so he must leave the confines of his business organization to become "disinterested and dispassionate" (Walzer, 1987: 36). This detachment purportedly allows an organizational member to escape from his organization's own standards and beliefs in order to become unprejudiced.

An alien critic (quadrant III) is an outsider who holds an organization to an exogenous standard. In business ethics, we have our fair share of outside critics who apply moral principles exogenous to focal organizations. There are commentators who censure business organizations for their unfair treatment of workers (e.g., Adams 1996; Moore 1997) and destruction of the environment (e.g., Korten 1996) and scholars who develop systems of thin moral criticism based on control (e.g., Jones 1983), compliance (cf. Paine 1994 for a critique of compliance views) or, in general, thin moral criticism.

Another approach for outsiders to practice moral criticism is for them to hold an organization to its own standards. While internal social criticism emphasizes the role of organizational members in interpreting their own communities, a non-member can also engage in social criticism (quadrant IV). Examples include an outside consultant familiar with a focal organization, an employee at a related company in the same industry, journalists, or even a general member of a political society. While these external social critics are not members of the organizations they criticize, they nevertheless hold a focal organization to its own standards instead of criticizing it for violating a discovered or invented principle of morality. To elucidate this point, let us return to Johnson & Johnson.
While Johnson & Johnson was praised for its response to the Tylenol poisoning, the organization faced a more recent dilemma when some users of Tylenol experienced liver problems after taking the medication. Consumer advocates requested that Johnson & Johnson take measures either to prevent liver damage or to adequately warn customers about the dangers of its medication. Despite these calls for change or notification, Johnson & Johnson was not forthright about Tylenol’s role in causing liver damage (Easton and Herrera 1998). In thinking about this example, note: First, organizations are not always capable or willing to facilitate social criticism, from insiders or outsiders. Sometimes organizations do not listen to, and even silence, their internal and external social critics. An important empirical question is why Johnson & Johnson listened to critics in the tampering example, but failed to listen to critics in the liver damage example. Did the ability to blame a third party in the tampering example (i.e., those that tampered with the products) and the inability to blame a third party in the liver example (i.e., there was something internally wrong with the product) affect the extent to which Johnson & Johnson responded to critics? In any case, the larger point is that organizations may engage in behaviors that contradict their own text. No community achieves perfect coherence between its principles and actions, which is precisely why internal and external social critics have such an important role to play in business ethics.

Second, even outsiders can look inside of Johnson & Johnson and condemn its management for failing to meet its own standards. The rich tradition of the Credo, and its success at resolving other ethical dilemmas such as the Tylenol tampering, suggests a shared understanding concerning due respect for customers. Consider the following excerpt from Forbes:

> Johnson & Johnson’s adroit response to the tampering [cyanide] incident became a classic business school case study on corporate responsibility and crisis management. A tamper-proof container was introduced. . . . Contrast this forthrightness with J&J’s inch-by-inch concessions on label warnings about liver damage. The cyanide killed seven people. The American Association of Poison Control Centers counts about 100 deaths a year from acetaminophen alone or in combination. This figure understates the total, since hospitals are not required to report cases. (Easton and Herrera 1998: 44)

When an outsider uses criteria internal to Johnson & Johnson to demonstrate how the company fell short of its own moral standards, that critic presents a very powerful form of moral persuasion. By drawing a comparison to the company’s handling of the liver case to the past cyanide poisonings, Easton and Herrera suggest that Johnson & Johnson is no longer meeting its own moral standards, documented in the Credo and further elaborated by the company’s handling of the cyanide poisonings. A second piece of external social criticism makes these charges of hypocrisy even clearer: Johnson & Johnson’s failure to address the liver problems caused by Tylenol “is surprising because the same company credo which drove the 1980s’ responses [to cyanide poisoning] is still in force: the first responsibility of the company is to consumers and the last to stockholders” (Trinkhaus et al. 1997: 55). External social critics identified an internal moral principle encapsulated by the first sentence of
the Credo and exemplified by the company's handling of the cyanide poisonings. Afterward, they charged Johnson & Johnson with not meeting its own standards in the liver example.

Even for non-organizational members, looking inside a business organization may reveal a thick moral culture capable of providing standards for judgment. Of course, as the above example suggests, organizations do not always adhere to their thick moral cultures. While one way of making moral judgments focuses on using general criteria exogenous to the subject of that judgment, internal and external social critics hold the subject of their criticism to its own standards. In the Johnson & Johnson case, external social critics did not need to look outside Johnson & Johnson to find a relevant principle to make a moral judgment. The relevant moral principle already existed inside of the organization, and awaited interpretation and application.

The Practice of Internal Social Criticism

In this section, I expand on my discussion of internal social critics as applied to business organizations in three ways. First, I delineate a theoretical model of ISC. The model I present has four components: (A) the development of shared understandings; (B) the recognition of internal moral principles embedded within those shared understandings; (C) the determination of principle-practice consistency; and (D) the revision of shared understandings. Afterward, I introduce organizational identification as a mechanism for generating ethical behavior. Finally, I discuss the role of outside (non-organizational) moral communities, such as political societies. This last point responds to potential concerns about relativism.

(1) Internal Social Criticism: A Theoretical Model

A. Development of Shared Understandings

Internal social criticism treats the principles and values already contained, implicitly or explicitly, in a business organization's tradition and history as the basis for corporate morality. A variety of approaches to business ethics are supportive of the idea that internal moral standards can develop within business organizations (e.g., Fort 2001; Hartman 1996; Solomon 1992). For example, Fort's (2001) concept of the mediating institution shows how organizations enable face-to-face interactions which create more accountable and ethical internal governance systems.

Inside of organizations, internal social critics routinely engage each other to interpret their shared understandings which define a business organization's moral content. They examine an organization's "text" to locate and unearth internal moral criteria. By text, or more precisely text-analogue, I refer not only to an organization's actual texts (documents, statements, memos, etc.), but also to its history, symbols, routines, structure, etc. Internal social critics read texts to grasp shared understandings and social practices embedded within a community. For example, an internal social critic may read an organization's mission statement (document) that considers the environment a stakeholder, recall past organizational decisions (history) that reduced pollution in a factory, and examine a governance structure that includes an environmentalist on the
board of directors. Taken together, these parts of an organization's text may intimate a shared understanding about how an organization views the environment.

Internal social criticism highlights how business organizations develop moral standards through internal conversations. An internal social critic vigorously defends her own reading of a text but also listens to competing interpretations. To return to the previous example, another internal social critic could argue that the mission statement and appointment of the environmentalist serve completely instrumental goals, and that the organization was legally required by the government to reduce pollution at its new factory. By debating the meaning of the text through a give-and-take process, internal social critics work toward the intersubjectivity of their interpretations. According to Walzer, moralities are most often "the products of many people talking, of real if always tentative, intermittent, and unfinished conversations... the work of many years, of trial and error, of failed, partial, and insecure understandings" (Walzer 1987: 24). That is, through conversations about the meaning of an organization's text, shared understandings can become further elaborated and explicated, even if the conversations remain unfinished. Georgia Warnke labels this procedure a hermeneutic conversation and defines it as follows: "The goal of such a conversation is not as much an agreement over norms as a plurality of enriched, more differentiated and more educated interpretations. Both diversity and dialogue, then, are necessary not because we could be wrong, but because we can never be wholly correct or rather because the issue is no longer as much one of rightness or wrongness as one of continuing revision and reform" (Warnke 1993: 137).

B. The Recognition of Internal Moral Principles Embedded in Shared Understandings

Internal social critics usually argue with each other in a common, local language to identify internal principles intimated by shared understandings. An internal social critic relies on the bits and pieces of morality embedded within her corporate community. For example, employees at Johnson & Johnson routinely referred to the Credo to justify their decisions in response to the Tylenol scare (Smith and Tedlow 1989b). While the company obviously needed to abide by external regulatory standards, the organization went beyond these laws in order to stay consistent with the internal principles implied by its shared practices.

Gap, Inc.'s recent efforts at improved transparency of its offshore production processes provides another example of how organizations recognize moral principles embedded within their texts (Gap, Inc. 2003). The company goes beyond industry-accepted norms by providing detailed disclosures including violations of its own rules (i.e., thick morality) and by encouraging stakeholder feedback. These actions are taken, in part, to uphold the company's value of integrity, which is based on a long tradition of commitment to social responsibility (Gap, Inc. 2003: 6).

It is important to note that by identifying internal principles, internal social critics present more than mere descriptions of shared understandings. As Walzer argues, "Interpretation does not commit us to a positivist reading of the actually existing morality, a description of moral facts as if they were immediately available to our understanding. There are moral facts of this sort, but the most interesting parts of the
moral world are only in principle factual matters; in practice, they have to be 'read,' rendered, construed, glossed, elucidated and not merely described” (Walzer 1987: 29). Internal principles do not come from simply a literal reading of a text, but from the meaning that critics ascribe to that text. ISC requires more than the citation of something like: According to the Credo, our first responsibility is to our customers. Rather, internal social critics must wrestle with the more difficult question of what exactly the Credo means to their community in a specific context. The shared understandings implied in documents such as the Credo, social structures, routines, etc., serve as concrete markers of morality—implying specific moral principles particular to an organization. In fact, most business decisions imply a value or its aberration, and even purportedly “economic” decisions are laden with moral consequences (Hausman and McPherson 1996; Sen 1987). It is the role of an internal social critic to make sense of such decisions by unearthing underlying principles.

While ISC emphasizes the development of moral standards through internal conversations about an organization’s shared understandings, principles derived from traditional ethical frameworks (e.g., utilitarianism) may find their way into an organization’s text. The important questions for internal approaches to criticism are: (i) where do these principles come from, and (ii) how do individuals justify them? Are the principles the result of discovery or invention? For example, do individuals justify these principles on the basis that they constructed them from an impartial perspective, such as from behind a veil of ignorance? Or, alternatively, are the principles a consequence of actual conversations that organizational members have had, in which they developed an internal moral standard and justified that standard using an organization’s text? The more general point is that moral principles derived from and justified using discovery or invention may appear similar to those based on an organization’s text. However, only principles derived from and justified using an organization’s text are part of a thick morality constitutive of organizational members’ identities.

C. Determination of Principle-Practice Consistency

An internal social critic takes a principle from the text and examines how behaviors, policies or decisions measure against it. An internal social critic attempts to determine whether a behavior, policy or decision contradicts the organization’s shared understandings, and therefore contains hypocrisy. This dialectical process moves from taking a moral principle based on an interpretation of shared understandings to testing whether that principle coheres with a particular behavior, policy, or action. Critics move back-and-forth between principles and practices to locate any potential discrepancies. If an internal social critic cannot reconcile a behavior, policy or action with an internal principle, that behavior, policy or action is morally suspect and should be reconsidered. For example, the dominant interpretation at Johnson & Johnson concluded that leaving Tylenol on the shelves would have contradicted the Credo, and the company therefore undertook a massive recall of its product.

Ellen O’Connor (1995) offers another useful example of how internal social critics argue for principle-practice consistency. She describes a mid-level manager (Scott Porter) at a major defense company referred to as “MDS.” Porter writes to senior
management to criticize the unfair treatment of employees. His colleagues consider the letter to be in good faith and reasonably accurate. But Porter receives a very stern response back from the Vice President of Human Resources: “I suggest that you have a calm discussion with your management as to what the Company is doing and the rationale for it. If, after getting a full explanation of the facts and circumstances, you still feel like writing about the abhorrent and unethical behavior of the Company’s leadership, you probably will feel better doing so from a position at an employer more in keeping with your theories” (as cited in O’Connor 1995: 418).

While an internal social critic may identify instances of hypocrisy, organizations may not necessarily respond favorably to these interpretations. In the above example, the organization’s initial response was to pressure Porter to stop his internal social criticism and to suggest that Porter’s interpretation is not consistent with MDS’s shared understandings. However, management’s response resulted in other employees engaging in internal social criticism in support of Porter’s interpretation. These employees not only argued that Porter’s initial criticism about employee welfare were widely shared but also claimed that the company was engaging in hypocrisy for not meeting its own open-door standards. As one employee writes, “I believe your response is a clear example of how to repress communications, slam the door on MDS’s ‘open door policy,’ instill fear of retribution in employees and further reduce morale” (as cited in O’Connor 1995: 423).

Similar to other moral viewpoints, ISC prescribes a set of behaviors (e.g., principle-practice consistency), but, as the MDS example suggests, organizations do not always behave in accordance with their standards. Members of an organization may acknowledge their hypocrisy or declare a different interpretation: We admit the inconsistencies of our behaviors or we, as an organization, no longer (or never did) espouse this particular principle because . . . In the former case, the organization either makes a concerted effort to redress its hypocrisy or engages in even more hypocrisy—it recognizes its own contradictions, vows to resolve them, but ultimately retains the status quo. In the case of either a rejection of an interpretation (we no longer or never did espouse the principle) or continued hypocrisy, an internal social critic can attempt to speak more persuasively to convince others why her interpretation has authority and is consistent with the organization’s text. However, in some cases, an internal social critic may become frustrated and leave her organization—perhaps correctly concluding that her organization’s moral culture is disintegrating because of widespread contradiction or because its shared understandings are not what the critic initially thought. While exit is sometimes a viable option, ISC prioritizes voice over exit in redressing moral problems, in part, because voice provides an opportunity for an internal social critic to improve more directly an organization’s moral community (Hirschman 1970).

D. Revision of Shared Understandings

Theorists have a tendency to consider change as an atomistic process, executed by an isolated change agent (Tsoukas and Chia 2002). For example, a discovery of a new moral code by a sole discoverer transforms the organization’s moral culture.
A new, charismatic CEO may come into an organization and impose his view about morality on everyone, while ignoring the organization’s text.

In contrast, a social criticism approach emphasizes the development of moral standards based on actual conversations. No matter how an organization responds to an internal social critic’s charge, that response becomes part of an organization’s text. By definition, a text includes an organization’s history (documented and oral), including past instances of internal social criticism. If an organization commits to correcting hypocrisy identified by an internal social critic, an internal social critic could then use that commitment in the future to piece together an interpretation that may charge the organization with not upholding its pledge.

As conversations take place, they become part of an organization’s text and may therefore influence future interpretations. However, since internal social critics continuously reinterpret shared understandings, there is never a last (or final) interpretation. Put another way, ISC treats an organization as continuously changing, since members constantly rewrite an organization’s text in order to incorporate new experiences. This approach, consistent with models of microscopic change, suggests that organizational texts evolve over time through routine practices and reactions to those practices (Feldman 2000).

Instead of viewing revisions to a moral code as a sudden change executed by a moral change agent (e.g., discoverer or inventor), ISC views organizations as constantly evolving their moral precepts through discussions about the meaning of their text and through the practice of assessing the consistency of organizational actions with those meanings. By shifting attention toward micro-processes (e.g., discussing shared understanding, identifying hypocrisy), ISC shows how organizations adapt to changing inside and outside ethical standards. Inside of organizations, changes in shared understandings occur as organizations make decisions, establish processes, and codify norms. But since organizations are open systems and have dependencies on outside environments (Pfeffer and Salancik 1978; Thompson 1967), shared understandings also become subject to changes in outside environmental contingences. For example, over the past twenty years, a growing concern for the natural environment in political communities has led many organizations to develop internal standards that emphasize the importance of environmental conservation and sustainable development.

(2) Identification Mechanisms for ISC

In this section, I address two important questions that link ISC to ethical behavior: (1) why do organizational members behave in ways that are consistent with their organization’s thick moral principles, and (2) what drives organizational members to eliminate principle-practice inconsistencies? One answer focuses on organizational identification, defined as what organizational members consider to be distinctive, central and enduring about their organization (Albert and Whetten 1985; Dutton, Dukerich, and Harquail 1994). According to ISC, an organization’s text serves as the cornerstone of self-governance by containing moral principles developed within a specific shared culture. Members internalize the moral principles within that culture and act accordingly. For example, in Dutton and Dukerich’s identity work, the authors
studied how the Port Authority responded to the homeless loitering in transit facilities. The Port Authority’s text contained a thick moral standard of altruism, which allowed members to interpret the homeless problem as not only a business issue but also a moral issue (Dutton and Dukerich 1991). By viewing the homeless issue as also a moral issue, the organization responded in a way consistent with this interpretation (Dutton and Jackson 1987). The Port Authority established shelters to provide an alternative dwelling for the homeless. Put more generally, identification serves as a cognitive reference point for understanding issues that face an organization as well as provides a repertoire of potential behavioral responses (Dutton and Dukerich 1991). What meanings individuals ascribe to an issue, and how they respond to that issue, germinate from the central, enduring and distinctive features about their organization, i.e., their text. Because the Port Authority is an altruistic organization, it understands the homeless problem as a moral issue and considers responses beyond its traditional mission of providing public transportation to be within its behavioral repertoire.

While the Port Authority example shows how identification leads to cognitions and behaviors consistent with a text, an organization may sometimes engage in activities in conflict with its text. An identification mechanism proposes that when inconsistencies do arise, members will often take corrective action. Inconsistencies between principles and practices produce negative emotions and threaten member identity (Dutton and Dukerich 1991). Because allegations of moral hypocrisy are among the most severe charges one can make (Walzer 1987), members may experience shame, anger, or embarrassment—or other forms of negative affect. An internal social critic is not, in Walzer’s (1987: 38) words, “an outsider, a spectator, a ‘total stranger,’ a man from Mars,” so it is often agonizing to hear him tell other members where they fall short of their own standards.

While both internal and external social criticism relies on the same moral standards (those contained within a focal organization’s text), an identification mechanism suggests the prioritization of internal social criticism. Internal social critics are more likely to identify with a focal organization because their personal success is tied to that organization. They are also more likely to refer to themselves in reference to a focal organization, e.g., “I work for X” (Ashforth and Mael 1989). Therefore, to the extent that social criticism is driven by identification with a focal organization, it is reasonable to expect that concerns over principle-practice consistency are greater for internal than external social critics. However, this does not imply that external social criticism is not useful. In fact, while an external social critic may not be motivated to correct inconsistencies because of identification, external social criticism can tap into the identification concerns of organizational members. Organizational members care not only about their perceptions of a focal organization, but also about what outsiders think (Dutton and Dukerich 1991; Elsbach and Sutton 1992). For example, when external social critics charged Johnson & Johnson for violating its Credo in the Tylenol liver example, these critics questioned the legitimacy of the Credo. Suggesting that the Credo is not adhered to in practice directly challenges what employees consider to be distinctive, central and enduring about their organization.
(3) Multi-Level Social Criticism and the Refutation of Relativism

In this section, I complicate my argument by discussing three implications of organizations’ relationships to the larger moral communities in which they are embedded. First, the model of ISC can also describe moral criticism from within a political society. In fact, part of the basis for this paper has been to extend Walzer’s model of internal social criticism from the political to the organization level—while paying attention to the particularities of organizational contexts that make such an extension imperfect (Margolis and Phillips 1999). While it is beyond the scope of this paper to discuss the details of an internal social criticism model for political societies (for this perspective, see Walzer 1987, 1988, 1994), it is important to note that political communities and business organizations both can be viewed as hermeneutic communities in which discussions of morality take place. By hermeneutic communities, I mean interpretive communities where standards of morality are obtained from inside those communities, as opposed to appealing to an outside standard. At the organizational level, there are thick standards of morality particular to a focal organization. At the political level, political communities can serve as a locus for morality in two important ways: (i) political communities develop thin standards, or moral minimums, that organizations must follow and, (ii) political communities contain thick standards of morality that govern the relations of their members as citizens. According to the first point, internal social criticism at a political level can elaborate a moral minimum for organizations based on a political society’s shared understandings (as opposed to discoveries or inventions). The second point suggests that political societies can serve as self-governing moral communities for their citizens.

Second, because organizational members are also members of political communities that develop thick moral standards governing the relations of citizens, the boundaries between organizations and political communities are porous. Organizational members take their identities as members of the larger political community with them into their business organizations. This allows them to access the moral minimum, and appeal to these principles inside of a business organization. But from the perspective of ISC, an organizational member will attempt to connect these outside principles to more local arguments within a business organization because the salient identity referent within a focal organization is more likely to be that organization versus the larger political community (Ashforth and Mael 1989). For example, in criticizing an organization for engaging in discriminatory practices, an organizational member can (i) access her organization’s thick standards, which might emerge from an employee handbook that details a rule such as “at this company, we do not tolerate any discrimination,” the presence of diversity training in the organization, and a company awareness program about discrimination last year; and (ii) refer to a thin principle, outside of the focal organization, that considers discrimination a morally unacceptable practice. The moral criticism based on (i) will be much richer and particular to the focal organization. Appealing to principles in (ii) may provide another avenue of criticism, but it can be more effective if an organizational member connects the principles in (ii) back to those in
(i) because the principles in (i) are more constitutive of the identities of organizational members (see “Identification Mechanisms for ISC” above).

Third, while the above examples focus on the thick and thin criticisms available to organizational members, a model of ISC at a political level suggests that outsiders can also engage in moral criticism by appealing to the thin standards of morality of the political community in which an organization is embedded (recall the “Alien Critics,” quadrant III, Figure One). While it is often more powerful to criticize organizations for not meeting their own standards, sometimes such standards do not exist—that is, the thick moral culture of an organization is empty or unacceptable to the political community. For example, outsiders challenged Denny’s restaurants during the 1990s for not upholding a thin standard that prohibits racial discrimination, eventually pressuring the organization to completely revise its diversity practices (Kohn 1994).

After Walzer published _Spheres of Justice_ in 1983, reviewers accused his approach of relativism (e.g., Cohen 1986). In subsequent publications, most notably, _Thick and Thin_ (1994), Walzer devotes significant attention to fighting the relativist accusation (Mulhall and Swift 1992). The above discussion about the role of political societies in ISC should quell concerns over relativism. As I have discussed, Walzer draws an important distinction between a thin, more universal moral code and a thick, local code. In terms of business ethics, a thin moral code contains a compilation of basic shared understandings held by the communities in which business organizations operate. This thin moral code has both a direct and indirect effect on organizations.

The direct role of a thin code comes from the fact that communities often codify these shared understandings in laws and regulations. For example, in the United States, a moral minimum may include a right to be treated fairly, which is instantiated in minimum wage laws, child-labor protection laws and rules that govern unionization. But according to ISC, organizations articulate a more complete (or thicker) version of morality from within their own communities. The basic protections afforded by thin standards can take care of the rare cases where an organization’s text contains few moral standards, such as in the Denny’s example. But organizations often contain much more developed (i.e., thick) standards.

In addition, political communities influence organizations in an indirect way, which also eases concerns about relativism. Recall that internal social criticism assumes that organizations are open systems, and that the environment can therefore affect an organization’s text. For example, organizations gather resources from the localities in which they operate (e.g., employees), and many organizational members belong to professional associations with norms that get imported into business organizations (DiMaggio and Powell 1983). These entities help to shape an organization’s text through indirect influence. More generally, because the borders of organizations are porous, their texts partially reflect the values and shared understandings of the larger communities to which they are connected, suggesting that the principles of morality of a focal organization will often include bits and pieces of morality from other communities.
Boundary Conditions and Assumptions for ISC

In this section, I sketch out some basic ideas about the requisite conditions for making internal social criticism an effective form of moral criticism. First, internal social criticism depends on business organizations providing the conditions necessary for effective criticism, including enough political space to permit employees to engage in criticism. Prior research suggests some important psychological conditions or processes that may facilitate internal social criticism, including fostering a psychologically safe environment for expressing ideas (Edmonson 1999) and encouraging voice (Van Dyne and LePine 1998). Unfortunately, some organizations do not have a successful track record for encouraging voice (Morrison and Milliken 2000), let alone moral voice (Bird 1996). Yet, other organizations are more adept at opening up public spaces for this purpose. For example, Johnson & Johnson’s Credo specifically refers to the need for employees to “feel free to make suggestions and complaints” (Johnson & Johnson 2003a). Other organizations such as The Body Shop (Roddick 1991), Motorola (Post, Preston, and Sachs 2002) and Tom’s of Maine (Chappell 1996) have developed organizations receptive to internal moral dialogue.

Even without public space, internal social criticism may be an organizational process that will take place anyway. The conversation by the water-cooler over the proposed change in benefits plans, the lunchtime talk about introducing a potentially dangerous product into the market, the office barbeque where employees discuss the impact of a management change—these are all situations in which internal social criticism can take place. Internal social critics might ask why the organization is eliminating childcare benefits, why the company is not adequately warning customers about a known dangerous side-effect of its drug, or why the organization fired an effective and popular senior manager.

Second, in cases where organizations cannot, or do not want to, facilitate internal social criticism, ISC suggests that critics attempt to persuade others of what their shared traditions mean. The organizational studies literature contains a diversity of perspectives that document how organizational members may persuade others about their interpretations. For example, the issue selling literature shows how individuals champion ethical issues, including diversity, the natural environment, and employee welfare (Andersson and Bateman 2000; Ashford 1998; Ashford et al. 1998; Bansal 2004; Dutton and Ashford 1993; Sonenshein 2004). The literature on organizational influence (Yukl, Falbe, and Youn 1993; Yukl, Guinan, and Sottolano 1995) concludes that rational persuasion and inspirational appeals are common ways in which individuals can advance a particular interpretation of organizational life. Both of these research streams show how individuals use tactics to persuade others, even when individuals receive initial resistance from others in an organization.

If even these internal approaches fail, internal social critics can also attempt to find other outlets for their message, such as through the law, including whistleblowing (Near and Miceli, 1985). But I should point out one important difference when internal social critics take their messages to outside audiences. While an internal social critic will appeal to an organization’s shared traditions inside an organization, she will
most likely also invoke a thin view of morality for an outside audience. In addition to arguing that her company violated its own moral principles, an internal social critic who blows the whistle will often argue that her company violated a moral minimum, such as those codified in laws. This tactical shift reflects the fact that internal moral principles may not resonate with outsiders who do not share or identify with the whistleblower’s organizational culture.

Third, it is also important to point out that ISC makes important assumptions about the moral cultures of business organizations—namely, that a business organization can contain a thick moral culture that coheres with a thin moral code. The extent to which organizations actually have thick moral cultures that exhibit this property is an empirical question informed by a thin moral standard of judgment. But throughout this paper, I assume (most) organizations have thick moral standards consistent with a thin moral code, which parallels Walzer’s assumption that political communities often have the necessary moral concepts embedded within them to practice moral criticism. Walzer utilizes this assumption to argue that we rarely need discovery or invention because discovered and invented principles already exist in our communities. Instead of focusing on making new discoveries or inventions, Walzer directs his energies toward understanding the currently existing moral communities. Similarly, my purpose is to develop a model of business ethics focused on building and understanding self-governing moral communities. The goal of internal social criticism is not to cure organizations from complete moral turpitude. Certainly some organizations clearly need an infusion of exogenous moral principles to create a moral community from within. But internal social criticism’s focus is not on these exceptions for which organizations lack the moral traditions necessary for social criticism. Internal social criticism is a theory of business ethics for those organizations in which the capacity for a self-governing thick moral culture is already an ever-present reality.

Finally, I assume that there is a broad ethical principle within Western political societies that claims that inconsistencies between moral principles and practices is ethically questionable. That is, the philosophical justification for ISC comes from a moral principle contained within the texts of Western Constitutional democracies, as opposed to an ahistorical, transcendental moral principle. I do not claim to have discovered or invented a foundational principle that hypocrisy is morally wrong. Instead, I follow Walzer’s interpretation that Western political societies consider moral hypocrisy unacceptable (Walzer, 1987), and expand this view to the organizational level.

Conclusion

The language we use to describe business organizations often assumes the absence of adequate internal moral standards, including metaphorical descriptions of business as cowboy capitalism or warfare (Solomon 1992). Gareth Morgan reminds us that “the use of metaphor implies a way of thinking and a way of seeing that pervade how we understand the world generally” (Morgan 1986: 12, his emphasis). When we talk about business as if it were a war, we tend to theorize about business organizations in a corresponding way. That is, we view business organizations as morally vacuous.
and therefore consider business ethics as a moral check on organizations, thereby focusing on compliance with thin standards. By adding to our vocabulary a way of talking about business organizations as self-governing moral communities, we can now theorize about how to understand the thick moral cultures that already exist in many business organizations.

In the broader organizational studies literature, scholars have started to recognize that academic theories often contain a set of negative, and perhaps self-fulfilling, assumptions that highlight the destructive parts of business to the exclusion of the positive contributions that businesses can, and do, make (Cameron, Dutton, and Quinn 2003). By pointing out that business organizations often already have a thick moral culture, I attempt to broaden the questions scholars can ask such as: how do we better understand these moral communities and the role of their internal moral principles for business ethics? How can we help organizations make decisions consistent with their own shared moral traditions?

I have challenged the conventional notion that moral criticism is primarily conducted by outside critics using standards exogenous to a focal organization. Instead, internal social critics play a primary role in ensuring that an organization meets its own thick moral standards. Outsiders (such as external social critics) and a process of internal social criticism at a political level provide important constraints on this process. While these constraints are valuable safeguards, the practice of moral criticism occurs most frequently inside of business organizations where internal social critics rely on endogenous standards. Members develop interpretations of and act in accordance with these standards. At the same time, when practices deviate from these standards, individuals take corrective action in order to promote consistency, which protects their organizational identification.

A theory of internal social criticism also suggests that scholars devote more attention to understanding the thick morality embedded within business organizations. Organizations already contain moral standards that may not be well understood because of the field’s predominant focus on developing exogenous standards versus understanding the already existing endogenous standards inside of business organizations. A greater emphasis on sociological and anthropological studies of organizations will provide a catalog of the thick moral standards that already exist as well as more detailed information on how organizational members use these standards. More attention to the psychological processes that underlie identification will help scholars understand an important motivator for ethical consistency.

The theory of internal social criticism that I have developed in this article is a first step at shifting attention toward the already existing moral communities inside of many business organizations. The moral principles used to govern business organizations do not need to be re-discovered or re-invented—for they already exist and await interpretation and understanding. The time has come for business ethics scholars to look more carefully inside of business organizations to appreciate the thick standards that members use everyday.
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1 I adopt the thick and thin distinction from Walzer (1994).

2 Speculating why theories of thick, internal moral criticism are relatively anomalies is beyond the scope of this paper. However, I will offer one potential explanation—the perceived need to settle for thin standards of morality. Many theories of organizations assume and/or prescribe that business organizations focus on profit maximization or economic efficiency, e.g., agency theory (Jensen and Meckling 1976), transaction-cost economics (Williamson 1994). The view that business organizations would ever forgo incremental profit or efficiency in order to meet their own ethical standards may seem unlikely. Moreover, theories such as transaction cost economics (Williamson 1994) assume that individuals are self-interested and opportunistic, leading to the belief that the shirking of ethical responsibilities at work is an inevitable part of organizations (e.g., Jackall 1988). Consequently, much of the business ethics literature focuses on compliance, whereby we aim to get organizations to follow a set of rules generated independent of the organization (Paine 1994). In a world of widespread greed and malfeasance, even achieving compliance is viewed as a difficult challenge. See Fort (2001), Hartman (1996), and Solomon (1992) for important exceptions.

3 Walzer is particularly targeting Rawls’s (1971) A Theory of Justice. Rawls’s (1993) more recent work avoids the methodological abstraction found in Theory and potentially overcomes Walzer’s main objections. Rawls limits his arguments to Western constitutional democracies and presents “Justice as Fairness” as “political and not metaphysical.”

4 For this paper, I analytically treat members as employees and non-members as non-employees, but I recognize the imprecision of this distinction. (For a discussion of the difficulties of determining organizational membership status, see Rafaeli 1997.)

5 The reader will note that both quadrants II and III in Figure One indicate that in addition to discovery and invention, outside moral principles can also emerge from ISC at a political level. In a section below entitled “Multi-Level Social Criticism and the Refutation of Relativism,” I propose that the ISC I have described at the organizational level also occurs at a political level. This suggests that at a political level, shared understandings among citizens may emerge that serve as thin principles of morality at an organizational level. This additional complication suggests that exogenous standards can include discoveries and inventions as well as principles of morality in the political societies in which business organizations are embedded. In either case, both exogenous standards are thin relative to a business organization because they develop in another moral community (ISC at a political level) or through discovery/invention.

6 I thank an anonymous reviewer for pointing me to this example.

7 The word “text” is used here instead of the more precise “text-analogue” in order to make the language less cumbersome.

8 In fact, the Academy of Management Journal dedicated a special issue in 2000 to the management of organizations in the natural environment, reflecting the growing organizational and political concerns for the natural environment (Starik and Marcus 2000).

9 The claim that identification serves as a mechanism to generate self-regulated ethical behavior requires that organizational members share and identify with a common tradition. Without these basic requirements, internal social critics will not reach agreement on even rudimentary readings of their organization’s text—nor will they care if their organization’s text is incoherent. Prior research in organizational studies based on social identity theory and organizational identification indicates that organizational members often have well-developed shared understandings and strong identification with their organizations (Ashforth and Mael 1989; Dutton and Dukerich 1991; Fiske...
and Taylor 1991). One reason for this is that organizations often devote significant resources to socializing members (Chatman 1991).

10 While I focus on political communities, other potential moral communities may include professional and industry associations.

11 The principle is thin relative to the focal organization, not necessarily the political community because the principle developed in another context, e.g., a political community.

References


