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Virtue

Corporate responsibility in virtue ethics applied to business

Virtue ethics applied to business (VEB henceforth) has gained ground over other, more mainstream approaches, namely deontology and utilitarianism, especially in its neo-Aristotelian form (Ferrero and Sison 2014). VE focuses especially on the centrality of virtue as personal development (or vice as personal deterioration) through an agent's performance in order to attain her highest aim: happiness (*eudaemonia*, usually translated as human flourishing), which requires prudence or practical wisdom (*phronesis*), represented by the habit of acting correctly, especially in social matters. Personal flourishing (*eudaemonia*) underpins personal action, but has an intrinsically communitarian or political nature: it is only possible in community and finds its fullest meaning when it is directed towards the common good (Aristotle, NE 1097b).

This implies that the members of the community act in such a manner that their self-fulfillment is not at odds with helping other members to fulfill themselves, caring for them and helping them to grow in freedom and responsibility, as well as other aspects of human flourishing (Finnis 1980). As a matter of justice, the common good prioritizes partaking in the wellbeing of others and in the community's thriving before considering any individual benefit that might derive from such collaboration. Moreover, this approach combines personal, communal and broader justice and responsibility to society (individuals, families, intermediate communities, the state, etc.), as justice essentially implies different kinds of duties to other people's development and thriving; a commitment to the common good that is possible via personal virtue in terms of social friendship and solidarity (Aquinas, S.Th.: II-II q.47 a.10, ad.2).

From a VEB approach, corporate responsibility towards society is a matter of personal virtue and justice and it is based on its members' personal capacity to assume responsibilities with society (Finnis 2011). In this sense, the VEB approach based on the principles of common good and justice considers the firm as a community that establishes different forms of collaboration with its stakeholders, focused on the development of other people and communities within the firm's regular activities. According to VEB, firms are intermediate associations (Sison and Fontrodona 2012) whose purpose is to offer products and services to satisfy material needs and promote wellbeing in a sustainable, productive and profitable way (Melé 2012). Hence, profitability is not a good in itself, but rather a condition for sustainability, and allows the firm to invest in its members' development. In this sense, a theory of the common good implies obligation to others by virtue of the common good that every rational person bears when personal fulfillment depends on the intention of achieving another person's or group's development for its own sake.

The common good of firms, markets and civil society

Prior to the recent interest in the idea of the firm's social responsibility (Garriga and Melé 2004), the mainstream account of the firm mainly considered the firm as a legal entity and rational profit seeker with the only end of satisfying its shareholders' needs (Jensen and Meckling 1976). The scope of the firm's responsibility began to expand in the second half of the twentieth century, including a consideration of other stakeholders—outside of just shareholders—defined as any constituency, persons or groups that can be affected or can affect the achievement of the organization's objective(s) (Freeman 2010). However, from a VEB approach, stakeholder theory does not offer a clear criterion for deciding if diverse stakeholders are being treated justly, or for a useful foundation for managerial decision-making (Wijnberg 2000) when it does not really make any distinction between the different firms' groups of interests. In fact, even though every constituency must be treated responsibly and in light of its own wellbeing, that wellbeing is tied to particularities that constitute different ways of understanding the common good, since every human society has a different form of common good, and the firm understands its social responsibilities according to each context (Argandoña 1998, Sison and Fontrodona 2012). Accordingly, a lack of a normative framework makes it difficult to determine how to treat each of them in a responsible manner, since there are no criteria for assigning stakeholders a status according to the kind of relationship that the firm maintains with them and, consequently, to explain the different kinds of duties and responsibilities to each of them. This is, indeed, a good reason for VEB to reintroduce the Aristotelian idea of justice in order to make distinctions among stakeholders based on the nature of their relationships with the firm.

Aristotle distinguishes different forms of justice according to which personal action—and now corporate action—is responsible to specific third parties in a differentiated manner. A VEB approach to the firm's responsibility towards society (stakeholders and persons more broadly who partake in the common good) demands that we distinguish stakeholders and, consequently, offer different kinds of (fair) treatment to them. As we will see, the definition of corporate social responsibility based on VEB distinguishes three kinds of stakeholders, in accordance with the Aristotelian definition of justice (Aristotle, NE V), including: (i) distributive justice for internal stakeholders or collaborators, (ii) commutative justice for commercial stakeholders and (iii) social justice for civic stakeholders.

Internal stakeholders

According to VEB, the firm is a community of work (Melé 2012, Sison and Fontrodona 2012) conformed by workers and managers, who provide intellectual and productive work, as well as investors or shareholders, who supply the needed financial resources for the firm to operate (Sison and Fontrodona 2013) and to whom managers establish a particular kind of relationship in terms of fiduciary duties. Thus, shareholders, managers and workers assume their respective rights and duties as members of the same community (Argandoña 1998), related to each other in a contributive–distributive relationship over which they create a common good. Additionally, the common good as an organizational principle entails the needed cooperation to achieve the conditions that enhance opportunities for human flourishing among all members of that same community. Accordingly, the essential dimension of the firm's common good is found in its members' fulfillment (Argandoña 1998) through their cooperative work.

In this vein, MacIntyre explains that "The common goods of those at work together are achieved in producing goods and services that contribute to the life of the community and in becoming excellent at producing them" (2016: 170). This is a reason why the firm's responsibility to these internal stakeholders—its community of work—can be defined as supporting work in such a manner that each member of the organization could improve as a human being through his or her engagement in productive activities (Sison and Fontrodona 2013). Thus, the firm's responsibility with these stakeholders—i.e., the community of work—is the duty to provide good and collaborative work, which is a matter of justice, defined as distributive–contributive; that is, a fair relationship between a community and the individual in much the same way that the whole is related to its parts (Aristotle, NE 1131).

In its distributive dimension, justice delivers common goods in a proportional manner: "something is given to a private individual, in so far as what belongs to the whole is due to the part, and in a quantity that is proportionate to the importance of the position of that part in respect of the whole" (Aquinas, S.Th., II-II, q.61, a.1–a.2). For the firm, such a process of distribution involves compensation because the employee has merit according to which she can demand the benefit of a portion of the corporation's common goods. Instead of considering individuals as recipients, the distributive perspective implies emphasizing the importance of self-fulfillment and wellbeing by means of each member's effective contribution to the common good of the firm; that is, realizing that doing is more important than having, that what we do is what we become (Sayer 2009). Nevertheless, doing a good job requires that the firm facilitates related resources and opportunities; and, at the same time, contribution to the firm's common profit is a duty of justice when personal thriving at work is made possible in part based on the firm's benefits. Thus, distributive justice must be intrinsically considered in relation to each member's contribution: responsible employees must seek to improve; that is, offer better results for the sake of the firm's common good. In sum, the firm's responsibility to collaborators is defined in terms of facilitating fair collaboration among the community members in terms of contribution and distribution.

Commercial stakeholders

Commercial activity and market performance plays a very important role in the common good of the firm and its contribution to society when it supplies the goods necessary for life (Aquinas, S.Th. II-II, qu.7, a.4). It also provides the necessary criteria for the acquisition of material goods and the development of virtues oriented towards the common good. From a VEB approach to business to achieve a common good, firms need to incorporate commercial justice into virtuous practices (Sison and Fontrodona 2012) because that common good can only be achieved through just and fair practices (Sison, Ferrero and Guitián 2016). Otherwise, decision-making turns into practical acumen or, more specifically, business cunning.

Now, the criterion for considering a commercial activity as just or fair is not simply associated with voluntary engagement, but also with proportionality in the benefits that both parties freely attain through the transaction (Finnis 2011). Freewill and proportionality are, therefore, essential features of commutative justice. Following Aristotle, Aquinas states that commutative justice takes place through the interchanges and trade-offs between two persons (Aquinas, S.Th. II-II, q.61, a.1); a type of justice can be seen in trading, usufruct, money lending, deposits, or rent (Aristotle, NE, 1131a)—i.e., in all actions that manifest the exchange (Aquinas, S.Th. II-II, q.61, a.2).

However, the scope of commercial justice is not limited to proportionality; for a transaction to be totally fair in terms of a VEB and common-good perspective, the personal thriving and wellbeing of the related constituencies must be considered; that is, a truly common good in market relationships, no matter if they are sporadic or permanent. Only when the process of decision-making considers how the satisfaction of real human needs can achieve a real benefit and mutual development—known as goodwill, good faith, or benevolence (Pinto, Ferrero and

Scalzo, 2021)—can justice in commerce then be achieved.

In short, the firm's responsibility to commercial stakeholders must be directed towards achieving proportionality and fairness, all while respecting commercial associates' need to achieve the material conditions for thriving based on exchange (Goodpaster 1991). In this sense, responsible dealings on the market are not just voluntary, but also provide better living conditions as long as both parties are profitable; otherwise, commerce ceases to exist as such.

Civic stakeholders

Social constituencies, in turn, are different from collaborators and commercial stakeholders. VEB scholars suggest the possibility of linking the common good of the firm and the broader common good at a higher level of political-social organization (Dierksmeier and Celano 2012; Sison and Fontrodona 2012, 2013), which requires us to conceive of businesses as human communities. Corporations—as parts of a broader and superordinate political order—via the pursuit of virtuous governance bear a responsibility that aims at the greater common good of the city (*polis*) (Sison and Fontrodona 2012, 2013). This community's natural inclination towards integrating a broader common good beyond the immediate community is based on Aristotle's description of human beings as political animals (NE 1095a) who practice a communal way of life that, as Aquinas explains, demands justice and law (Dierksmeier and Celano 2012). This theory, which establishes material and financial interests beyond the maximization of profits, sets normative requirements for corporations at the service of society in the form of social justice beyond market relationships (Dierksmeier and Celano 2012).

A responsible relationship between firms and civic society is twofold: first, the common good of broader political communities requires corporations to accept their own interests as subsidiary to the broader political order-organization's prosperity; and, second, firms cannot deny their responsibility to civic stakeholders and non-economic constituencies as society depends on corporate contribution.

The idea of a subsidiary relationship, according to which firms are beneficiaries of society, is derived from Catholic social teaching and its contribution to VEB in business (Dierksmeier and Celano 2012; Sison, Ferrero and Guitián 2016), according to which all intermediate institutions need the social order and the state not just to thrive—making security, legality and justice available—but also to even get their start because society provides the resources needed for firms' creation. In this sense, firms must incorporate responsibility to sustain civic society beyond work and commerce and in terms of civic behavior (corporate compliance), contributing to future generations through environmental and work/family-balance policies, and sustaining common social expenses by means of tax-based economic contribution.

Conclusion

This entry reflects on the relationship between the firm and its stakeholders through a VE and common-good approach. The neo-Aristotelian common-good theory of the firm is characterized by the coordination of actions not only towards achieving efficient and effective results, but also for the sake of every stakeholder's fulfillment in terms of justice and the common good. According to this perspective, three forms of duties and social responsibilities towards the firm's stakeholders emerge, including those who make up the firm, those who have a market-based relationship with it and constituencies that are related to the firm in a non-instrumental way as part of society's civic sphere. The distinction among these three groups of stakeholders is based on the Aristotelian notion of justice, including: (i) distributive justice for internal stakeholders, (ii) commutative justice for commercial stakeholders and (iii) social justice for civic stakeholders.

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