

MORALITY, SUCCESS, AND INDIVIDUAL HAPPINESS IN BUSINESS: THE VIRTUOUS PURSUIT OF VALUES AND GOALS

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THIS ARTICLE MAKES THE CASE that a particular manifestation of virtue ethics can concurrently provide a sound, logical foundation for organization theory and practice, leadership theory and practice, and moral theory and practice. The first three sections of this article are foundational discussing the nature and roles of business and businessmen, the nature and responsibilities of corporations, and the basic teachings of Ayn Rand on values and virtues. Part four of this paper examines the applicability of Ayn Rand's virtue ethics in business and section five explains the steps necessary to create a virtues-based business. The conclusion summarizes the article and provides a diagram that illustrates the connections among the ideas presented in the paper. The main message is that a corporate philosophy based on the Objectivist virtues can be a fundamental source of business success and of the flourishing and happiness of a firm's employees. This virtue theory has immense applicability and strategic implications in businesses and has the potential to revolutionize the way in which businesses are operated.

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This paper argues that business is a distinct, morally legitimate area of human activity and that the purpose of a business is to maximize owner value over the long run by selling goods and/or services. This purpose guides the company's goals and values, and its purpose, mission, and leadership vision provide direction for employee decisions. A case is made that virtues should serve as a touchstone for achieving a firm's goals, values, and purpose. Virtues, as rational moral principles, need to be integrated with the company's vision, culture, and climate. More specifically, it is maintained that Ayn Rand's Objectivist virtues provide an integrated, rational, philosophical basis for employee decisions and actions. These virtues supply an integrated framework and link virtues to the objective requirements of the survival and flourishing of both employees and firms.

The Nature and Roles of Business and Businessmen

Business, as an activity, is the way people in a free society organize their economic activities by producing and marketing goods and services in response to the voluntary actions of people in the marketplace who either purchase or abstain from purchasing. Commerce makes it possible for people to pursue their desires and achieve prosperity through trade with others. Business is the method by which a man can voluntarily offer to exchange what he possesses for what he desires. It is the most effective means by which a person can pursue his vision of happiness in accordance with the natural law principle of natural rights. It follows that a legitimate businessman does not profit through force, fraud, deception, or other immoral means.

Each person values things personally in accordance with his unique attributes and individual judgments. Businesses, as entities, develop to meet the diverse and numerous wants of distinct persons. In a free society, a business endures only as long as it pleases enough individual customers. A businessman thus earns his wealth and serves himself only when he first addresses the well being of others. The free market coordinates the skills and activities of disparate individuals with varying goals and diverse values. The successful businessman serves others as those others want to be served and not as he thinks they should want to be served.

According to Sternberg (2000, 30), business is something specific and limited that differs from other activities and associations. Not everything is business. There is a difference between business and other types of human endeavors. There is a need to define business clearly and strictly. "The defining purpose of business is maximizing owner value over the long term by selling goods or services" (32). The purpose of business is to create wealth. Sternberg explains that "Owners are perfectly entitled to devote their

organizations to all sorts of ends. To the extent that they pursue something other than maximum long-term owner value, however, they are simply not engaging in business” (45). The values pursued in a business are for the sake of the owners. An organization would cease to be a business if it were to lose sight of its purpose. It is important to distinguish between business as an activity and business as an entity. The purpose of a particular business entity is to make money in the context of other businesses and individuals engaged in the activity of business. Maximizing owner value provides a benchmark for business action. This is the goal of agents who work within businesses.¹

Business involves everyone who engages in trading what he creates and owns (i.e., his ideas, goods, and services) to others who consider what they have to be less desirable than the exchange items offered in return. People part only with what they value less for what they value more. It is a myth that in an exchange, what one gains the other party must lose. In a voluntary exchange, both participants must expect to gain or no exchange will take place.

To be successful, a businessman must objectively perceive reality and rationally process and evaluate information. He must detect information gaps between consumer wants and needs and the potential of a new but as yet undeveloped product or service to meet those wants and needs. The businessman must anticipate new markets and consumers’ future wants and needs, learn from competitors’ successes and failures, accumulate capital for his projects, acquire the needed resources, coordinate numerous activities and employee skills, and take risks by trading present and known values for resources that only promise a potential future value for him. Profit is payment for the businessman’s thought, vision, initiative, determination, and efficiency.

Businessmen aim to produce a profit by selling at the highest price the market will permit while buying at the lowest prices the market will yield. They profit by doing the best they can in creating goods and services that consumers desire. The role of business is to produce the best possible goods, services, and ideas at the lowest possible cost so as to maximize the firm’s profits. The businessman earns profits by using as little as possible to provide customers with as much as possible. Profit is made by creating wealth and trading with others.

¹ For more on the nature and purpose of business, see Chesher and Machan 1999; Hendrickson 1992; Hicks 2009; Kline 2006, 2009; Machan 1988, 2007; McGhee 1992; and Marcoux 2006, 2009.

Human flourishing involves the creation, acquisition, and use of wealth in fulfilling activities. It is the practical insights and reason of individual human beings as producers and consumers that are needed, not only in the production and attainment of wealth, but also in the pursuit of each person's unique vision of his happiness.

Business, as a calling,² is related to the flourishing of the individual. Innumerable individuals have satisfied their needs, actualized their potentialities, and attained their goals in the realm of business. Engaging in business involves selecting a way of life that offers opportunities for human flourishing. It follows that the businessman's activities are morally proper and worthy goals.

The intellectual and moral virtue of prudence is concerned with the intelligent living of one's life. If a person is to be prudent about his life, he must attend to his total well-being. Prudence thus involves the intelligent pursuit of profit, prosperity, and commercial success. Business can be viewed as the social product of human concern with prudence—advancing one's own essential well-being and that of his loved ones. To be prudent is to apply intelligence to changing circumstances by acting in the right manner, at the right time, and for the right reasons. Commerce is a proper, morally justified area of human action in which businessmen are concerned with obtaining their own well-being. Businessmen transform potential wealth into physical products and services by combining human innovations and discoveries with human labor and natural resources. Through the use of intelligence, businessmen make possible physical goods, services, and enjoyment of life. In a way, businessmen are specialists in the virtue of prudence. They provide people with power over their lives by supplying goods and services that meet their wants and needs, reduce their labor, and increase the time available for them to pursue other chosen activities. Businessmen help both themselves and their fellow men pursue their unique visions of happiness.³

The core of business is wealth creation. Its essential nature involves the production of value for trade. Professional businessmen are specialists in voluntary exchange. In a firm, managers are employed to add to the net worth of the company. They are not typically hired to carry on programs of social reform. The businessman provides business competence for a price. People normally invest to increase their wealth and the businessman furnishes the skills to meet this goal.

² See Novak 1996 for an excellent discussion of business as a calling.

³ For more on prudence as an intellectual and moral virtue see Den Uyl 1991 and Machan 2009.

Business *qua* business serves those who wish to trade and does not make use of coercion. It is the entry of the state into the business realm that leads to coercive monopolies and unfair advantages. Unlike business, the state relies on coercive power rather than on voluntary agreement. When a failed or faltering business is rescued by a government handout, it is no longer a business. Likewise, when a businessman obtains his results outside the market framework by receiving special privileges (e.g., subsidies or monopolistic advantages) granted by the government, he forfeits his status as a businessman.

A firm's economic power is derived from its ability to produce material values and offer them for sale. Unlike political power, which depends on physical force, economic power relies on voluntary choices. A company is powerless when it fails to provide things that people want to purchase. The only leverage the businessman has is the quality of his products and his ability to persuade.

Sometimes businesses lobby government for special privileges such as bailouts, price supports, subsidized loans, trade protection, resource privileges, grants of monopoly, etc. A moral business would succeed or fail on its own without any government assistance. If a moral businessman makes a mistake, he is prepared to suffer the consequences. If he fails, he takes the loss. A moral businessman profits only if he satisfies the needs of people by offering better products or services or at a lower price than do others. The core of business is moral. Fraud is not business. When practiced properly, business is a noble and virtuous pursuit.

Rasmussen and Den Uyl (2009, 1-19) explain that business ethics, a form of practice ethics, involves a realm of moral understanding distinct from the political sphere. Discussing ethics within business only comes after there is ethical support for the institutions that define business activity. It is individual rights that provide the context for business activity. It follows that ethical managers, as fiduciaries, maximize for the owners that they represent. The type of ethics appropriate within business is fundamentally contract-based ethics that emphasizes organizational context.

A business is essentially a social organization in which people are organized to attain a common purpose. Businesses take a variety of forms, exist in various sizes, and engage in a multiplicity of activities. Not all businesses are large-scale publicly-traded corporations. There are also a great number of smaller, closely-held corporations, sole proprietorships, and partnerships. Of course, throughout the years the corporation has emerged as the most highly developed and usefully employed means of voluntary social cooperation for the pursuit of profit.

The Nature and Responsibilities of Corporations

A corporation is a community of people voluntarily working together for common and/or compatible goals and having, in varying degrees, shared values and concerns. It follows that people tend to join, stay, and succeed with one corporation rather than another because of the extent of their agreement with the goals and values of the corporation's stockholders, directors, officers, and employees.

According to what Hessen (1979a, 1979b) has termed inherence theory, a corporation, man's voluntary approach to achieving economic competence, is created through the exercise of individual rights (i.e., freedom of association and freedom of contract). Men have an inherent right to form a corporation by contract for their own benefit and in their mutual self-interest. Based upon a consciousness of common interests, the corporation is an association of individuals who engage in a particular type of contractual relationship with one another in order to pursue common business objectives, is governed by rules of the individuals' own making, and is said to be able to assert rights and assume obligations. When rights and obligations are imputed to a corporation, what is really being referred to are the rights and obligations of its members who create and sustain it (i.e., the stockholders, directors, officers, employees, etc.).

Corporations are properly viewed as voluntary associations and as private property. Arising from individual contracts, corporations are not the creation of the state—the state simply recognizes and records their creation in a similar fashion as it does with births, marriages, sales of real estate, etc. The corporate charter is merely the articles of incorporation which are not related to state authority and do not obligate the corporation to serve the public interest. Because corporations are not created by the state, the government has no authority to tell them what to do.

The state grants a charter as a legal technicality and neither creates nor changes the essence of these voluntary associations whose success depends upon the social bonds that unite their members and upon the human need for group membership. The state may choose to recognize these units but in so doing it simply acknowledges that which already exists. Corporateness is a right common to all persons. The corporation is an association of human beings bound together in order to achieve a purpose. Positive law alone cannot provide the community of purpose necessary for a corporation to exist. In fact, the equivalent of a corporation frequently exists in the absence of legal action.

The corporation's contract with society is a fiction. Corporations are expressions of individual freedom, do not derive their power from society,

and need only respect individuals' natural rights and adhere to government regulations.

The unique features of the corporation can be explained in terms of its contractual origins rather than as special privileges. For example, limited liability is not a privilege that is guaranteed to a corporation—a would-be creditor can decline credit to a corporation unless one or more of its stockholders assume personal liability for the obligation. Limited liability is therefore the product of a contract between shareholders and creditors who find the provision acceptable.

The social responsibility of the corporation, through its directors, managers, and other employees, is simply to respect the natural rights of individuals. Individuals in a corporation have the legally enforceable responsibility or duty to respect the moral agency, space, or autonomy of persons. This involves the basic principle of the noninitiation of physical force and includes: the obligation to honor a corporation's contracts with its managers, employees, customers, suppliers, and others; duties not to engage in deception, fraud, force, threats, theft, or coercion against others; and the responsibility to honor representations made to the local community.

Respect for contracts implies respect for individual rights.⁴ Beyond respecting the rights born of specific individual contractual agreements, obeying the law, and adhering to the minimalist principle of noninjury, a corporation and its managers are not ethically required to be socially responsible.

Customers, employers, suppliers, and others autonomously negotiate for and agree to contract with the corporation. If managers were to break an agreement with the shareholders to maximize profits in order to give one or more groups more benefits than they freely agreed upon, they would not only be violating the rights of the owners, but also would not be respecting the autonomy of individuals within other groups. Corporations and their managers are obligated to respect the rights of individuals within each group, but the rights are limited to the rights of parties in market transactions. The social responsibility of corporations is limited to respecting the natural rights of all individual parties.

The corporation is a species of private property created by individuals through the exercise of their natural rights, and its managers are responsible to the owners rather than to society or to the government. The responsibility

⁴ For persuasive derivations of natural rights see Machan 1975, 1989; and Rasmussen and Den Uyl 1991, 2005.

of a corporation and its managers is to engage in open and free competition without deception and fraud. This simply means respecting the individual or natural rights of persons. To attempt to promote corporate social responsibility, except for stockholder-favored projects and for those expected to be in the best long-run interests of the owners, amounts to a moral wrong.

In an individualistic society all contracts are entered into voluntarily. Each person is free to associate with others for their own mutually agreeable purposes. The corporation is a form of property created by individuals in the exercise of their natural rights. The corporation is thus the result of a contract between individuals who wish to combine their resources and, if desired, delegate a portion of the authority and responsibility for managing and using these resources. Managers therefore have the obligation to use the shareholders' money for specifically authorized shareholder purposes that can range from the pursuit of profit to the expenditure of funds for social purposes. If managers use this money for activities not authorized by the shareholders, they would be guilty of spending others' money without their consent, failing in their contractual obligation to the owners and, therefore, violating the rights of the shareholders. Owners have a property right in the corporation and a correlative right to engage in profit making if so desired. It follows that those who act in their behalf (i.e., the managers) have a duty to carry out the wishes of the owners, who usually invest to make a profit.

Managers are employees of the shareholders and have a contractual and hence moral responsibility to fulfill the wishes of the shareholders. As a corporate executive, the manager is an agent of the owners of the corporation and has a fiduciary responsibility to them. Corporate social responsibility may be permitted within the limits of prior contractual agreements with the shareholders. This occurs when individuals organize corporations for reasons other than, or in addition to, profit. Also, socially responsible actions such as charitable contributions may be acceptable when the manager makes these in anticipation of effects that, in the long run, will be beneficial to business.

According to stockholder theory, the obligation of a corporation and its managers to its stockholders is fiduciary. Stakeholder theory implies a multi-fiduciary approach that is inconsistent with free markets, property rights, and the moral view that there is a special fiduciary obligation owed by management to the stockholders. Because stockholders hire managers to serve their interests, managers are responsible to the stockholders. It follows that managers do not have the right or obligation to spend the stockholders' money in ways that have not been sanctioned by the owners no matter what social benefits may occur by doing so. Corporations are simply arrangements whereby stockholders advance money to managers to use for specific ends. Managers are limited by their agency relationship to exclusively serve the

objectives outlined by their stockholder principals. Expenditures for socially beneficial purposes are only legitimate when they have been specifically authorized by the stockholders or when managers believe they will increase the firm's long-run profitability, perhaps through the creation of goodwill.⁵

As a management strategy (not as an ethical theory), stakeholder theory has merit and holds that effective corporate managers pay attention to those individuals and groups who are vital to the survival and success of the firm—shareholders, employees, suppliers, customers, the local community, etc. In this context, stakeholder only describes an approach for improving corporate profits—it suggests no moral social responsibility for corporations.

Socially responsible actions may be acceptable when the manager undertakes them in anticipation of effects that, in the long run, will be beneficial to the business. A “socially-responsible” investment should have a direct business purpose, involve cost-benefit analysis, and be expected to generate sufficient net tangible benefits for the firm and its shareholders. The question is not whether an activity is in the interest of a firm, but whether it is enough in its interest to justify the expenditure.⁶

Stockholders are the only true stakeholders. They have a legitimate moral claim to fiduciary duties from the managers. One must invest in a corporation to actually have a stake in it. Other so-called stakeholder groups, with the possible exception of employees, have no stake or interest in the success of any specific corporation as long as the corporation is able to fulfill the freely contracted obligations it has with the stakeholder group. They may be concerned about how corporations affect them, but to actually have a stake in a particular firm requires one to care about its success and this normally requires a financial investment.

Ayn Rand on Values and Virtues

Ayn Rand (1964, 27) defines value as “that which one acts to gain and/or keep.” A value is an object of goal-directed action. In this sense we can say that everyone pursues values. The term “value” thus can refer in a descriptive sense to what is observable. We see people going after things. Initially, we do not consider whether or not people are choosing properly when they pursue their values. As children, we first get the idea of value

⁵ See Bainbridge 1993; Den Uyl 1984; Friedman 1970; Miller and Ahrens 1988; and Marcoux 2003 for excellent discussions regarding the social responsibilities of corporations.

⁶ Hood 1996 provides specific illustrations of how companies can and do serve society through the pursuit of profits.

implicitly from observation and introspection. We then move from an initial descriptive idea of value toward a normative idea of value that includes the notion that a real value serves one's life.

Each derivative value exists in a value chain or network in which every value (except for the ultimate value) leads to other values and thus serves both as an end and as a means to other values. A biological ends-means process leads to the ultimate end of the chain, which, for a living entity, is its life. For a human individual, the end is survival and happiness, and the means are values and virtues that serve that end. Values and virtues are common to, and necessary for, the flourishing of every human person. However, each individual will require them to a different degree. Each man employs his individual judgments to determine the amount of time and effort that should go into the pursuit of various values and virtues. Finding the proper combination and proportion is the task for each person in view of his own talents, potentialities, and circumstances. Values and virtues are necessary for a flourishing life and are objectively discernable, but the exact weighting of them for a specific person is highly individualized.

In order for a chain of values to make sense, there must be some end in itself and ultimate value for which all other values are means. "An infinite progression" or chain of ends and means "toward a nonexistent end is a metaphysical and epistemological impossibility" (17). All must converge on an ultimate value.

Each component of action of one's life (i.e., one's work life, love life, home life, social life, and so on) is an end in itself and a means to the end of one's life in total. It is possible for something to be sought for its own sake and also to be considered a constituent of human flourishing. What is in a person's self-interest is not solely because it causes flourishing but also because it partly constitutes flourishing. "Man's life is a continuous whole"(26). One's life in total is an end in itself and an ultimate value. An ultimate value is required for a person to rationally decide how to act. Evaluation necessitates teleological measurement in order to make our potential values comparable. When different values come into conflict a person refers to a higher value in order to resolve the conflict.

An individual's task is to choose from among numerous values to find the most appropriate for himself. A person must make specific choices with respect to his career, his relationships, and so on. A hierarchy of values helps people make judgments regarding what to do or to pursue. To do this, an individual must assign a weight, either explicitly or implicitly, to his values. Values need to be weighted or ranked in terms of ordinal numbers. He must

judge the ultimate contribution to the value of his life that exists at the apex of his hierarchy.

Rand explains that a virtue is the act by which one gains and/or keeps an objective value. From another perspective, character traits that objectively and rationally benefit their possessor are deemed to be virtues. The virtues are egoistic or partial to oneself, but not in any objectionable sense. A virtuous character is the result of appropriate actions and is contributive to further appropriate actions.

Rand explains throughout her writings that the rational pursuit of one's self-interest requires the consistent practice of seven principal virtues: rationality, honesty, independence, justice, integrity, productiveness, and pride. Unfortunately, she did not produce a comprehensive, systematic, and detailed work with respect to the virtues. On the positive side, Tara Smith (2006) has endeavored to provide a detailed explanation of the virtues in the context of Rand's rational egoism.

Rationality, the primary virtue, involves full focus, commitment to reality, and the constant expansion of one's knowledge. Rationality is one's recognition and acknowledgment of reason as one's only source of knowledge, judge of values, and guide to action. Reason is the faculty that identifies and integrates the material provided by man's senses; it is man's fundamental means of survival and a practical instrument for gaining the values that further one's life. Rationality is concerned with the method by which an individual reaches his conclusions rather than being concerned with the particular conclusions that he comes to. Rationality is essential to the kind of practical actions required to attain human flourishing. It involves acceptance of the conditions necessary for man's flourishing. The virtue of rationality requires an individual to act on his rational conclusions.

Rationality requires the exercise of six additional derivative virtues that can be viewed as expressions of rationality (48–74). Honesty is the refusal to fake reality—it is the rejection of unreality and the recognition that the unreal can have no value. Misrepresenting reality does not change reality. Facts are independent of a person's beliefs. For honesty, a person must renounce misrepresentation, artifice, and evasion. He must also develop an active mind and act on his knowledge—an honest person seeks knowledge because he needs it to act properly.

Honesty is practical. An individual must be truthful with himself, and not pretend that reality is something other than what it is. Self-deception is counter-productive. Dishonesty diverts an individual from identifying and seeking rational plans for gaining objective values. Dishonesty diminishes one's self-esteem and pride. It also changes facts and his own rationality into his enemies. Whereas an honest person depends on others' virtues, a dishonest person relies upon their vices.

Through dishonesty, a man makes himself dependent on others' standards, expectations, judgments, and ignorance. A liar depends upon others' naiveté and he must strive to keep them unaware. In reality, an individual is apt to profit the most from others' rationality, knowledge, and virtues. Honesty, like all the virtues, is contextual and does not require one to tell the truth in all cases. It is permissible (and moral) to lie in order to protect a value that is being threatened. The use of force or fraud by an aggressor changes the conditions and the relationship between honesty and life. Lying is wrong when done in an attempt to gain a value (75–105).

An independent person establishes his primary orientation to reality rather than to other people. Accepting the primacy of existence, the independent person goes by his own judgment of reality. Independence requires a person's acceptance of the responsibility for making his own judgments, gaining knowledge through the use of his own mind, and surviving and flourishing by the efforts of his own mind. Thought is performed individually. Because reason is a characteristic of the individual human person, knowledge must be attained by the individual. Because thinking is a self-directed activity, the requirement of independence is implied in the requirement of rationality. Independence can be viewed as the method through which an individual comprehends ideas. It is essential to follow through by acting on his independent judgment.

It is permissible to learn from others provided that one thinks through and grasps the ideas for himself. A man can be independent while not being the creator or discoverer of new ideas. What is important is a person's own judgment. In our division of labor society, it is rational to make use of the knowledge of experts and people who are more experienced. However, it is essential not to accept unconditionally whatever the other person says merely because it is the judgment of another person. It is necessary not to substitute the judgments of others for one's own judgment. It is important to assess, to the best of one's ability, the ideas presented

and the legitimacy of the expert's qualifications, education, and experience (106–34).

Because other people are potential values or disvalues to an individual, it is essential to judge other individuals' character and conduct objectively and to act accordingly. The personal virtue of justice involves the application of rationality to the evaluation and treatment of other persons. These moral assessments and judgments require fidelity to reality and the use of one's reason rather than yielding to one's emotions.

It is essential to give each person that which he deserves. This idea reflects respect for causality—certain causes justify certain effects. This value-oriented perspective on justice recognizes that virtuous actions bring values into existence and that unprincipled or irrational actions damage or destroy values. It is rational to reward virtues with positive values and vices with punishments or negative values.

Smith explains that a man should judge others objectively and treat them as they deserve because that is the best way to achieve his own personal flourishing. In fact, everyone is in a position to profit from actions that produce value and to be diminished by actions that harm or extirpate values. Injustice destroys the natural causal chain by rewarding corrupt conduct and punishing virtuous conduct. The Randian view is that both those who receive just treatment and the individual bestowing that treatment profit from that practice. It follows that one should support and endorse qualities in other people that benefit himself and dissuade those attributes that are damaging to oneself. It is necessary to judge, evaluate, and act properly toward other people in order to attain one's values and flourishing (135–75).

Integrity is loyalty in action to rational principles and to one's convictions and values. There should be no breach or dichotomy between one's thought and moral principles and his actions. Integrity is fundamental to attaining one's values and flourishing. Integrity requires a policy and the conscientious consistent practice of life-promoting principles. Smith explains that Rand condemns some, but not all, forms of compromise. There is a difference between a compromise of moral principle and a compromise of the details of a situation falling under a moral principle. It follows that when a person voluntarily negotiates toward a final agreed-upon price, he is not compromising the principle of free trade (176–97).

Productiveness, the process of creating material values, is necessary for human survival. Such values should be created rather than being confiscated. Productive work is the process through which man's mind maintains his life. It is through productive work that man's consciousness controls his existence; it involves the adjustment of nature to man's requirements and the translation of ideas into physical form. All productive work requires a combination of mental and physical exertion in varying proportions depending upon the particular kind of work. Values in reality are made possible by the existence of knowledge. Although the mental aspect is primary, this does not imply that there is some type of separation from the physical realm. The product of one's work must acquire physical existence outside of one's consciousness. Existential values are made possible through the application of a person's knowledge.

Productive work is necessary for a man both materially and spiritually; according to Rand, it is the central purpose of a person's life. Productivity depends upon one's rationality and sustains a man's self-esteem and sense of identity. Productive work can act as the integrating central element of a person's life. As such, it can be viewed as both an end and as a means (198–220).

Pride (i.e., moral ambitiousness) is the commitment to attain one's own moral perfection. Pride demonstrates the exercise of the other six Randian virtues and involves one's dedication to achieving the highest or best character state of which he is capable of attaining. Like Aristotle, Rand views pride as the "crown of the virtues." Smith explains that pride involves one's commitment to rationality in thought and action, the systematic pursuit of achievement, life advancing actions, and the continual strengthening of one's character. Pride leads a person to the self-esteem that is necessary for human life. Moral perfection is essential for, and an ingredient of, one's personal flourishing (221–46).

Objectivist Virtue Ethics in Business

Virtuous actions can lead to the achievement of values. When one's context is reduced to business, virtue theory contends that pursuing virtuous principles, strategies, and actions can result in firms realizing their values including their mission, purpose, profit potential, and other goals. Virtuous employees tend to carry out their roles in a competent manner that is congruent with the firm's goals. Virtues are instrumental allowing a person to act to gain values. When business

people conform to the Objectivist virtues, they increase the likelihood of achieving their values and goals. Virtue ethics stresses the importance of each individual employee being able to make contributions of value. Valid virtue concepts are required to describe what it means to be an excellent director, leader, manager, or employee. To be successful, a business needs to espouse a set of virtues that are reality-based, non-contradictory, integrated, and comprehensive.

Virtue theory holds that ethics is an inherent part of business and that it is necessary to integrate moral theory into management theory and practice. The role of the virtues in business is to direct and motivate behavior toward the success of the business. Strategic management and business ethics converge because each area has an explicit interest in the nature and goals of business. In business, the virtues facilitate successful management and cooperation and enable a company to attain its goals. The Randian virtues can provide a moral framework and integrating strategy to guide a business in achieving its goals.⁷

The virtues connect ethics to business positively and provide a sound logical foundation for business ethics. Given the laws of nature and of human nature, there exists a set of virtues that fit reality and that are most likely to lead to success and happiness in business. Ayn Rand's Objectivist ethics specifically recognizes production as the central human value. In addition, the personal virtues that she advocated have a direct bearing on work: rationality, honesty, independence, justice, integrity, productiveness, and pride. These virtues can be used as guiding forces in a business career and in the management of a business. They define the excellent manager (or other employee) and provide the principles that a corporation should adopt with respect to investors, employees, customers, vendors, and others.

A case can be made that virtue ethics has priority over, and perhaps grounds, other competing ethical approaches to business. In most cases being virtuous will be sufficient for leading a morally decent life in the world of business. Virtue theory is more attractive, positive, unified, comprehensive, and practical than are traditional approaches to business ethics because it is concerned with the type of person that one should be rather than with rules that tell people how they ought to

⁷ Ayn Rand's Objectivist ethics is specifically related to business and business ethics in Kirkpatrick 1992; Greiner and Kinni 2001; and Hicks 2003.

act. Virtue theory is concerned with the cultivation of character and provides a framework through which a person can lead a flourishing and happy life. Moral growth comes from choice rather than from conformity to rules or codes.

Traditional approaches to business ethics (i.e., deontology, consequentialism and codes of conduct) are viewed as formulaic, prescriptive, constraining forces that legislate the form of moral deliberation. Conventional approaches focus on a set of prohibitive principles or rules that tell people how they ought to act. Kantian and utilitarian act-oriented approaches concentrate only on the development of principles while neglecting the cultivation of an individual's character. Neither deontic nor consequentialist judgments are apt to supply sufficient action guidance for resolving particular dilemmas. Virtue ethics should be viewed as a precondition of, and complement to, moral reasoning based on a deontological focus on one's obligation to act and on a teleological focus on the consequences of an action. Virtue ethics is more fundamental, and in many cases, preempts the consideration and application of deontic and utilitarian rules. An emphasis on virtuous behavior is motivational because it depends upon a person's ability to aspire to excellence through virtuous acts. Virtue ethics emphasizes the process of individual moral character development. Above all, virtue ethics is concerned with the flourishing and happiness of the human agent (Mintz 1996, 537-38; Arjoon 2000, 159-78; Whetstone 2001, 101-14).

Virtue theory provides a context in which strategies, plans, tactics, policies, and procedures can be developed to attain a business's stated mission and other relevant values. Virtues can play a causal role in achieving economic success. Virtues-driven firms tend to maximize profits. However, acting virtuously does not always result in wealth creation because other factors can come into play. Despite such an occurrence, virtuous employees still can experience the internal rewards of pride, self-esteem, and the joy of knowing that they did their jobs well.

The achievement of a firm's *telos*, mission, purpose, ultimate end, or ultimate value requires virtuous action on the part of the company's employees. The ultimate value for a business is financial value. The purpose of a business is to maximize owner value over the long-term by selling goods and/or services. Most corporation mission statements explain this purpose explicitly, or at least implicitly. It is necessary to recognize a business's distinctive purpose when organizing and integrating human effort into purposeful long-term activities.

Purposeful behavior requires a single overarching valued objective function. In a corporation market price per share can be a surrogate for owner value. More specifically, the ultimate purpose of maximizing total long-term market value can provide a criterion for management decisions and choices among competing alternatives. Virtues are instrumental and support a firm's overall *telos*.

To accomplish a corporation's ultimate purpose requires the attainment of a number of goals within a business. It is possible look upon both a firm's ultimate purpose and its goals as values that need to be achieved. Although technically a value is an object of goal-directed action, in general parlance, the terms, goals and values, are often used interchangeably. For our purposes, we can consider both the ultimate end of a corporation (i.e., the long-term maximization of firm value) and the goals that can lead to the ultimate end to be values.

Goals (sometimes referred to as objectives) are specific quantitative targets that a business needs to meet in a manner consistent with ethical principles in order to accomplish its purpose. Typical goal areas in a business include: profitability, sales, sales growth, return on investment (ROI), profit margin, cash flow, market share (or position), customer loyalty, productivity, efficiency, cost control, research and development, product leadership, employee development, employee attitudes, employee loyalty, expansion or contraction of product and service lines, reducing business risks, and so on. Each and every goal should be analyzed to determine the potential impact on firm value and whether or not they are contributing to the attainment of the firm's target valuation. Goals that the achievement of which does not contribute to increasing shareholder value should be eliminated.

To succeed a business must have a superior vision and purpose to work toward and the strategic focus and direction of effort to achieve them. The Objectivist virtues can enable people to direct their actions toward the attainment of a company's goals and values including the maximization of owner value. Virtuous actions can lead to better customer service, gains in productivity and efficiency, higher employee retention rates, reduction in employee absenteeism, improvement in employee morale, better communications both internally and externally, honest and reliable internal and external financial reporting, the flexibility necessary to adapt to market conditions, increased innovation and the more frequent and more timely launching of new products and services, higher sales and profits, sustainable competitive

advantages, greater flourishing and happiness of the firm's employees, and so on.

Virtuous behavior is required at all levels of a company from employees who realize that business is a natural and moral means by which they can satisfy their needs and attain their actualization as individual human persons. Virtuous employees are energetic, productive workers who: (1) focus on reality; (2) think objectively, rationally, and logically in applying relevant knowledge; (3) ask clear, pertinent, insightful questions and listen carefully; (4) search for facts in their total context before judging and evaluating business situations; (5) use time efficiently and effectively; (6) organize their lives and work toward accomplishing worthwhile endeavors; and (7) set value-producing goals and strive to accomplish them.

A virtuous employee begins by understanding what the facts are and does not evade the distinction between the real and the unreal. Evasion detaches a person from reality. Virtue begins with the effort to confront reality as it is. Given that there is no standardized algorithm for making business decisions, an employee needs to use his reason to make rational, logical decisions based on the facts of reality. One needs to apply conscious, prudent, rational judgments and choices in various business contexts in order to identify, execute, and implement profitable and ethical internal and external exchange transactions.

Much of morality in business falls under the rubric of honesty. Honesty means being in accord with reality. Honesty is basic to the structure of human relationships in virtually all contexts. Dishonesty is self-defeating because it involves being in conflict with reality. Morality in business involves objectively recognizing and dealing with customers, employees, creditors, stockholders, and others as autonomous rational individuals with their particular goals and desires. The trader principle should govern the course of all human interactions because voluntary value-for-value relationships are consonant with human nature.

Honesty is closely related to the virtue of justice. Justice, a form of faithfulness to reality, is the virtue of granting to each man that which he objectively deserves. Justice is the expression of man's rationality in his dealings with other men and involves seeking and granting the earned. A trader, a man of justice, earns what he gets and does not give or take the undeserved. For example, a virtuous manager must make sure that customers get what they pay for. In addition, he needs to identify employees for what they accomplish and treat them

accordingly. Employees should be objectively appraised and compensated based on their contribution toward achieving a firm's mission, values, and goals. A virtuous manager will discriminate among all those that he deals with (i.e., customers, suppliers, workers, etc.) based on relevant qualities and personal merits such as ability, competency, performance, and character. He will not improperly discriminate based on irrelevant characteristics such as sex, race, nationality, and so on.⁸

Although individuals can learn from each other, the fact remains that each of us thinks and acts alone and is responsible for his own actions. Independence requires the acceptance of one's intellectual responsibility for his own existence, requires that a man form his own judgments, and that he support himself by the work of his own mind. It is not a corporation's fault if someone does not attain his goals. Each employee is responsible for his favorable or unfavorable outcomes in a business setting where responsibilities are defined by, and arise out of, his particular role. Of course, a goal may not be completely under one's control. It may require interdependence with or on other employees who co-contribute to whether or not someone attains a goal. Positive change and innovation in a company are based on the creativity of logical independent thinkers. It is through such employees that a firm discovers and invents ways to improve the fiscal bottom line thereby increasing the firm's market value.

Integrity is the refusal to permit a breach between thought and action. It means acting consistently with rational principles that will lead to success and happiness. In business, an employee's rationally-made plans are integrated with his actions in order to bring values into existence. From more of a macro viewpoint, we could say that the integrity of a business is maintained if the purpose for which it was created is followed (i.e., the maximization of owner value).⁹

Productiveness, the virtue of creating material values, is the act of translating one's thoughts and goals into reality. Productiveness comprises an important existential component of virtuousness and is a responsibility of every moral person. It involves a commitment to creating value and to being self-responsible for bringing what one needs and wants into existence. Workers in a business are committed

⁸ See Locke and Woiceshyn 1995 for an argument for honesty in business from the perspective of rational egoism.

⁹ Paine 1994 provides an interesting perspective on how to manage for organizational integrity.

to producing wealth and bringing about well-being by taking the actions required to achieve the firm's mission. Profits are an indicator of productive work on the part of people who want to achieve, produce, and improve well-being. Because people differ with respect to their intelligence, talents, and circumstances, the moral issue becomes how a particular employee addresses his work given his facticity, including his potentialities and concrete circumstances. In a business, the Randian virtues (including productiveness) offer a set of principles for getting the most value from one's work. Rand's Objectivist ethics recognizes that individuals search for meaning and purpose in the various components of one's life (i.e., one's work life, love life, home life, social life, and so on). Each of these is an end-in-itself and a means to the end of one's life in total. One's life in total is an end-in-itself and an ultimate value.

Pride, also called moral ambitiousness, is a man's commitment to achieving the best in his life thereby effecting his moral perfection. Pride is the reward we earn by living by the other six Objectivist virtues. A businessman's drive for success is a result of his taking pride in the business portion of his life. Each employee needs to work in a way as to be able to be rightfully proud of what he has done. Work is needed not only for sustenance, but also for one's psychological well-being—it can be viewed as a means by which a man can maintain an active mind, attain purposes, and follow a goal-directed path throughout his lifetime. Through work a man can achieve his highest potentials. Doing work well in accordance with the goals of a firm (which are aligned with the personal goals of the worker) can cause an employee to positively enhance his self-esteem.

Creating a Virtues-Based Business

Virtue ethics can contribute importantly to a comprehensive theory of business and supply a context in which actions can be taken to attain the mission of a particular business. At the same time, the virtues can play a pivotal role in establishing a corporate culture (and related climate) that provide meaning and purpose for the company's employees. Virtuous leaders, managers, and other employees can take actions that lead to, and create, a strong, focused business that is moral and financially successful.¹⁰

¹⁰ For a variety of perspectives on the role of virtue ethics in business, see Arjoon 2000; Boatwright 1995; Crockett 2005; Ewin 1995; Koehn 1995; and Whetstone 2001.

A company's vision, mission, and purpose establish its identity. An effective, authentic, and credible top-level leader will communicate these clearly in an inspirational fashion to the firm's human assets. His job is to create a vision and to inspire others to make that vision a reality. Such a leader realizes that a business vision plays an essential role in realizing a company's prospects. He understands that a successful firm needs ethical leadership, an explicit set of core ethical virtues, and a sense of purpose.

At the top level of an organization, it takes effective communicators who are clear about what they champion and who establish the company on virtuous behavior. At the highest levels of a corporation it takes individuals of virtue to develop agreement and commitment about shared virtues and moral values. A culture (or climate) of virtue in a business begins with executives who exhibit virtuous leadership through their personal actions and interpersonal relationships. Employees are influenced by observing visible and legitimate role models who themselves act as virtuous agents. Not only should leaders openly discuss virtues and values, they should also live the virtues and values that they advocate.¹¹

A firm's climate and culture are inextricably interconnected and mutually reinforcing.¹² Its climate includes the company's policies, practices, and procedures and the culture encompasses its deeply-held values and beliefs. A firm's climate is the internal environment that is experienced by its members, that influences their behavior, and that can be used to infer the values of the company's culture. What a company practices and rewards (i.e., its climate) implies what the company and its leaders value (i.e., its culture).

In order to promote a culture and climate of virtue, leaders need to communicate their ethical expectations. They need to convey a sense of identity to employees that will aid in guiding their decisions and that will elicit their loyalty. Loyalty produces partiality, interest, and personal identification with a firm. An appropriate tone needs to be set at the top with time devoted to discussing the importance of virtues and values. Time needs to be taken to express what the company finds

¹¹ Readers interested in studying in more depth and detail the roles of leaders in establishing a virtuous organization are encouraged to read Argandoña 2008; Ciulla 1999; Locke 2001; Minkes et al. 1999; Neubert et al. 2009; Perles 2002; Thomas et al. 2004; and Whetstone 2005.

¹² For more on organizational cultures and climates see Kotter and Heskett 1992; Schein 1992; and Victor and Cullen 1988.

to be meaningful, how the employees should be functioning, and how the firm wants to be regarded both internally and externally. The language of virtues, with its emphasis on *telos* and character, can become a source of action in the firm.¹³

It is also necessary to lead by example—words must be backed up by consistent virtuous actions. It is essential that executives, managers, and other employees perceive that the company's most senior leaders live and support the virtues and values that they espouse. They would then be leading by authority that derives from their character. The virtues can guide those in authority positions to make ample use of their roles as exemplars, vision creators, stewards for owners, and motivation sources for others in the firm. Leaders of character who establish and base their company on virtues can make a tangible impact on the entire business which can become the type of firm to which individuals are attracted. A culture of virtue not only can attract loyal and moral employees, it can also influence relationships with customers, suppliers, and others. A company that values the virtues is a superb firm to work for, to deal with, or to be an owner of.

A culture of virtue creates a highly-valued work environment that serves as a foundation for long-term financial performance. Extraordinary effects can result from an emphasis on virtues. Virtues can engender a sense of authenticity and wisdom and can positively affect a firm's activities and outcomes. Business activities and decisions can be approached in a manner that contributes toward accomplishing the company's goals. Virtues serve as touchstones defining employees' decisions and actions. There is a relationship between virtues, individual performance, and organizational performance.

Business is about the creation of value. A commercial firm exists in order to make money for the shareholders. Virtue ethics contributes to a culture (or climate) for business that fosters best practices, enhanced profits, and the well-being of employees. In order to create exceptional long-term economic rewards to shareholders, a firm needs to provide outstanding products and/or services to customers, and, to do that, the company needs to employ excellent workers. Living by Ayn Rand's prescribed moral virtues can enable a business to meet the above requirements. Some of the objectives of such a company will be: to respect individual rights, to produce efficiently, to increase sales and

¹³ See Blackburn and McGhee 2004 and Whetstone 2003 for detailed discussions of the importance of the language of virtues.

customer loyalty, to maintain vendor loyalty, and to attract virtuous and loyal employees. Focusing on the long-term good of investors, customers, employees, and suppliers brings about excellence with respect to financial performance.

To succeed a firm needs to achieve meaningful and genuine alignment between their employees' goals, values, and virtues with those advocated by the company itself. A company that is able to achieve such congruence will strengthen employees' ethical behavior, personal effectiveness, and company loyalty, and will likely outperform other firms with respect to revenues generated, profits attained, company growth, stock prices, and so on. A firm needs to concentrate on developing the freedom, independence, and virtuousness of employees if it wants to succeed. Developing virtuous employees is a major concern in developing a thriving business enterprise.

A firm that has developed an explicit set of virtues and moral values will strive to attract and retain workers who adhere to those virtues and moral values. They can provide a filter, screen, or benchmark in employment evaluation decisions. They can also be acquired and/or strengthened through education, training, mentoring, observation of role models, and other experiences in the business. It is essential to devote ample time to locating and developing outstanding employees. It is especially important to pay attention to who is selected for, or promoted to, management positions. A good manager will hire excellent people, train them well, assign to them the appropriate level of authority and responsibility, expect high levels of achievement, and reward performance justly. Companies that develop a corporate culture of virtue will tend to attract quality applicants with a minimum investment in recruitment and hiring costs, reduce training costs, have lower turnover rates, experience better employee morale, build up employee loyalty, elicit greater employee effort, and earn higher profits.

To foster an internal strategic culture of virtue, a company needs to emphasize rational self-interest and to treat employees as traders. Each individual employee has the goal of self-actualization and there are links between that goal, the virtues, and the advancement of the firm's goals. A virtuous work climate provides opportunities for employees to flourish in the world of work. There are linkages between employee flourishing and positive organizational outcomes. These connections provide plentiful opportunities for concurrent individual growth and firm productivity. A flourishing employee is one who is motivated, creative, and happy and who takes pride in his work. A virtuous employee possesses competencies and performs his job in a

competent manner. Having such employees is conducive to the corporate goal of sustainable profit.

Virtue ethics is contextualized and linked directly to fulfilling the expectations of an assigned role or function. People's positions and relationships within a business are defined through their various roles and related rules that assign (and restrict) functions and responsibilities. When acting as a manager or as a member of a board of directors a person is acting in a representative role or function for the stockholders. Managers in a particular context-specific role must keep in mind which decisions and actions will improve firm productivity and/or efficiency and pay off for the owners. Workers, who are not managers, are technically not representatives of the stockholders, but they do act for them because they are employed by the company (Ewin 1995, 833-42).

An organizational culture (or climate) based on sound virtues provides a solid foundation for rational moral judgments and actions by employees. An explicit set of core virtues can serve as a valuable resource for employees when they are resolving ethical dilemmas. Through ongoing promotion and reinforcement by leaders in a business, the virtues can be adopted by employees and become part of their routine behavior. A culture (or climate) of virtue can positively influence employees' personal flourishing, attitudes toward their work, job satisfaction, and commitment (i.e., loyalty), to the business. Good leaders will understand that a virtues-based culture must be continually supported, developed, and renewed.

Kaptein (1998a, 1998b, 2008) has explained that an organization's ethical context is presented by its ethical climate and ethical culture. He maintains that the climate constitutes ethical conduct and that the culture stimulates ethical conduct. As sources of normativity, managers need to communicate to all employees what is expected and acceptable and what is not. According to Kaptein, both consistent signals and reinforcement are needed with respect to the proper use of corporate assets and performance of one's functional responsibilities. A company needs to have clear, concrete, and comprehensive expectations with respect to employee conduct. Because these expectations need to be feasible (or achievable), an employee requires sufficient time, budgets, resources, information, and authority to fulfill his responsibilities. In addition to creating the conditions which will enable employees to comply with normative expectations, employees need to be supported and encouraged to identify with organizational values. A company should also provide the freedom and opportunity

for employees to raise, discuss, and debate ethical issues. The firm needs to make sure that the consequences of one's actions are observable, visible, and transparent. Finally, there should be known and probable sanctions (i.e., rewards and punishments) for various ethical and unethical behaviors.

An organization's culture and climate are comprised of numerous distinct and observable artifacts, forms, and behaviors. The culture and climate are, to a certain extent, influenced, created, managed, and maintained by the organization's leaders. A number of managers at various levels can lead culture and climate initiatives and design strategies and infrastructure to shape and support the culture and climate. Those involved can and should include the CEO, senior executive team members, senior and mid-level functional executives, senior and mid-level human resources managers, among others.

Hall (2008) notes that everything that a manager does sends a message and that employees pay attention to what is measured, controlled, and rewarded over time. She explains that people's exemplary actions need to be reinforced, rewarded, and recognized. An effective reward strategy for reinforcement might include recognition at an organizational event, informal praise by a manager, the offering of professional development opportunities, formal recognition by management, visibility with senior leaders, monetary rewards, appreciation at social events and celebrations, awards programs, newsletter recognition, and so on.

A business culture and climate built upon a virtues-based framework can provide a powerful theoretical and practical model for a corporation. To create such a culture and climate, it is essential to incorporate virtues and values into the firm's language (i.e., its in-house terminology and slogans), symbols, traditions, meetings, ceremonies, rituals, myths, customs, legends, stories, recognized heroes, problem-solving methods, and so on. These can help align people with a common vision or purpose. They can provide direction and clarity, convey messages and resolve confusion, increase order and predictability, maintain solidarity, socialize employees and pass along traditions, supply role models, help employees find purpose and passion, recognize accomplishments, aid in recruiting and hiring the right people, and serve to guide and legitimize everyday decisions and actions.

BB&T Corporation is a great example of a company that has successfully adopted an Objectivist virtues-based framework.¹⁴ John Allison, an articulate advocate of Ayn Rand's ideas, took BB&T, a local Winston-Salem, North Carolina bank, and built it into the tenth largest bank in the United States. Allison began his career at BB&T in 1971 and became CEO in 1989. During his tenure at the top, the bank went from having \$4.7 Billion in assets to having \$152 Billion in assets. Under Allison's leadership, BB&T bought up 60 competitors and expanded into 11 states. The bank has grown into a multi-state financial services holding company and is considered to be a regional leader in banking. In order to create superior long-term economic rewards for its stockholders, BB&T has provided excellent service to its clients. In order to do that, it has attracted, hired, and maintained excellent employees. To accomplish all of the above, the bank has focused on creating a corporate culture based on values and virtues.

BB&T uses philosophical principles and values as guiding forces. Allison has established a corporate culture of virtue that emphasizes rational self-interest. He argues for self-interest, productivity, and sustainable profits, and explains that those who produce more will receive more. BB&T's policy is to hire the best people, train them well, assign them to appropriate organizational roles, expect high levels of performance, evaluate them objectively, and recognize, compensate, and reward their efforts and achievements fairly. The bank's compensation system is in alignment with its virtues and values. Its peer appraisal system focuses on, and provides, feedback about how each employee is performing in relation to BB&T's core values. BB&T has created a culture (or climate) of virtue that brings about trust, loyalty, consistency, and predictable results.

A 30-page booklet (written by Allison) called *The BB&T Philosophy* clearly delineates the bank's philosophy and values. The bank's purpose is stated as follows: "Our ultimate purpose is to create

¹⁴Another example of a virtues-based firm is Hutchinson Technology, a world leader in the production of precision hard-drive components. In 2002, CEO Wayne Fortun instituted a management training program based on Objectivist principles and virtues. The program, developed in conjunction with the Ayn Rand Institute (ARI), is based on the conviction that it is the culture of an organization which enables continuous improvement and innovation. More specifically, the firm's CEO explains that it is the Objectivist philosophy, with its constituent virtues, that nurtures a reality-based, value-oriented culture which maintains personal and corporate integrity. The Objectivist principles and virtues are tied to the actions and practices of everyday operations at Hutchinson Technology.

superior long-term economic rewards for our shareholders”(5). To accomplish this, the company spells out 10 primary values, many of which conform to what Ayn Rand has called virtues. These values include: reality (fact-based), reason (objectivity), independent thinking, productivity, honesty, integrity, justice (fairness), pride, self-esteem (motivation), and teamwork (mutual supportiveness). It is explained that these values are held consciously, that they are logically consistent, and that each employee must act consistently with all of them.

BB&T employees are expected to exhibit morality and mindfulness at all times. This begins with recruiting only the best candidates, especially at the management level, where applicants are screened for both values and abilities. Every employee is given a copy of *The BB&T Philosophy* and is expected to read it and to live it. Managers are also given a copy of Ayn Rand’s *Atlas Shrugged* to read. In addition, managers are regularly assigned and given books to read for their business and personal benefit. BB&T’s ongoing training and educational programs instill the notion of life-long learning and help to develop virtues-based and values-based employees. The bank is committed to developing and keeping productive, virtuous, and happy employees.

Parnell and Dent (2009, 587-96) describe how BB&T managers are taught to “focus more” and to “evade less”. Psychological assessment and development for BB&T’s high-level executives takes place through a 5-day structured course held by Farr Associates, a leadership development firm. This course encourages self-awareness and potentially reduces a person’s tendency to evade unpleasant realities in business situations. Through this course, a manager will gain the ability to evade less because he has been taught to understand the root causes of evasion. Managers are encouraged to think rationally and logically based on facts, to not let their emotions lead them to make bad decisions, and to pursue purposes that both achieve company goals and make themselves happy. After attendance at this program, the managers take part in a team-building process and attend a follow-up course on effective thinking.

The bank’s operating policies reflect its free-market philosophy and values well. In 2006, the Supreme Court ruled that it was legal for local governments to condemn private property and then transfer it to other private companies and/or citizens to use for commercial purposes. BB&T refused to make loans to firms who obtained property through this dubious use of eminent domain laws. BB&T also avoided subprime mortgages and refused to grant “negative

amortization loans” in which borrowers make payments that do not even meet their interest obligations. In addition, the bank did not need nor want to accept Troubled Assets Relief Program (TARP) money but was forced to accept it by the federal government. BB&T paid back the money and interest in record time—it was forced to pay a price for money that it neither needed nor wanted. It is clear that the Objectivist virtues direct BB&T’s exemplary company policies.

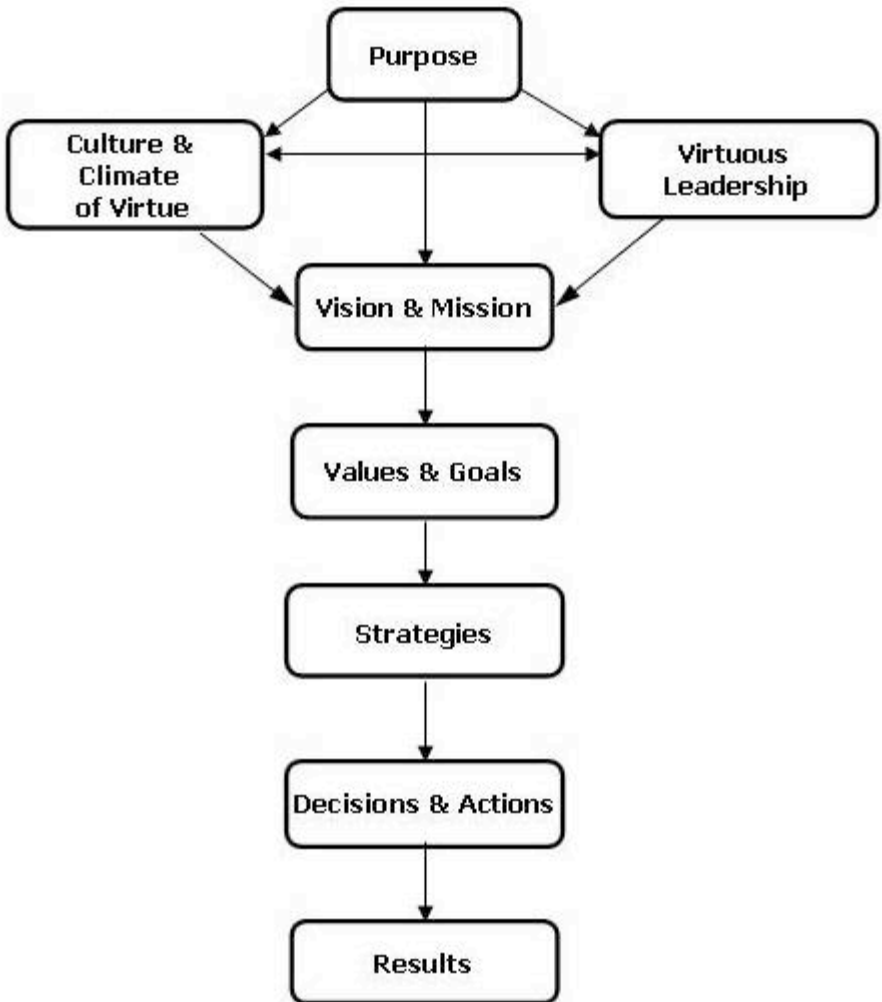
Since 2005, the BB&T charitable foundation has found it to be in the company’s interest to fund 65 colleges and universities in establishing academic programs devoted to studying the moral and intellectual underpinnings of capitalism and free enterprise including Ayn Rand’s Objectivist ethics. The retired Allison has continued to work with schools participating in BB&T’s Moral Foundations of Capitalism program in his tireless efforts to promote the virtues of capitalism.¹⁵

Conclusion

This article has presented a skeleton of a potential conceptual and practical framework for a profitable and virtuous business organization in which employees can flourish and be happy. To summarize and to aid the reader, the following diagram depicts the relationships among the ideas discussed in this paper.

¹⁵ To date, Allison has delivered his inspiring talk on “Principled Leadership” to more than 100,000 individuals.

A Framework for a Virtuous Business Organization



By its nature, a business fulfills its definitive overarching purpose (i.e., its ultimate value) when its leaders, managers, and other employees act in a manner that will maximize owner value over the long run by selling goods and/or services. In a corporation, managers owe the stockholders the morally justified fiduciary duty of caring for the stockholders' interests. This purpose or *telos* provides the standard

of value that should guide a firm's goals, most of which can be expressed in quantitative terms. These goals should be organized hierarchically leading to one overall end. The ultimate end of a corporation (i.e., the long-term maximization of shareholder wealth), as well as the goals that can lead to this ultimate end, can be considered to be values. There is a distinction between a firm's ultimate value and its instrumental values. A value in a business is something worth having, attaining, or doing. Values in a business contribute positively to both the business and to the flourishing of the individual employees as human beings. It is these values that guide the evaluation of business situations and the choice of the best alternatives.

A firm's purpose, mission, (i.e., its unique aim), leadership vision (i.e., desired or intended image or future state) of the business, and a commitment to virtues as instructive principles can be genuine sources of guidance in decisions throughout a company. Leaders can play a pivotal role when they provide a business with purposeful direction for addressing organizational issues. A leader needs to undertake a program to build and confirm a corporate culture and climate in which principled actions and virtuous norms predominate. A company's purpose, mission, vision, and ethical principles premise its strategies, policies, values, goals, and actions. Locke (2001, 29–46) emphasizes the benefit of tying a firm's goals to its mission. Doing so makes the employees believe that the goal is important. A manager should provide reasons why the achievement of each goal will benefit both the firm and the employee, frame goals as opportunities for self-development, present goals as challenges, make commitments to goals public, and tie goal achievement to rewards.

Each employee should be encouraged to make ethical decisions and act from within his organizational role based on judgments guided by virtues. Virtue ethics preserves roles for prudence (i.e., practical wisdom) and excellence. An emphasis on virtues fosters a sense of meaning and well-being and grounds morality in facts about human nature. Virtues can serve as guides for attaining an organization's values including its ultimate purpose. Judgments based on virtues are primary whereas deontic and utilitarian appraisals can be regarded as secondary to, and derivative of, virtuous-based ones. Crockett (2005, 191–208) explains that virtues advance the purposes and particular practices of an organization and result in the concurrent flourishing of the individual and the institution. Virtue provides the prescription by which a business can define its own purposeful excellence, elevates the ideal of aspirational perfection, averts the leveling tendency of

deontological ethics, and continually inspires employees and the firm toward their potentials. The hoped-for result is excellence of both people and practice. A virtuous firm attracts people who want to invest in, work for, and deal with, the company.

The goal of a leader should be to develop a consensus about shared values and virtues in order to improve performance and productivity in the workplace. When employees are viewed as traders, a virtuous culture and climate are reflected both in the understanding of members about what they are expected to do and in their expectations of what they will be receiving in answer to their performance. The goal is to have congruency between expectations and behavior. A successful business is apt to have values and virtues rooted in its employees and that are accepted and shared throughout the firm.

A compelling vision is needed in order to shape a company's culture and climate. A top leader has such a vision when he has the foresight to visualize the future potential of a product, service, market, strategy, technology, innovation, etc. Together the vision, culture, and climate provide the glue that holds a firm together and that unites employees around shared values, virtues, and beliefs, in their efforts to attain the company's one central ongoing purpose. The communication and acceptance of these begins with formal public commitment from senior management executives who are respected, trustworthy, and have good communication skills. A leader needs to live the virtues and values that he advocates in order to attract others. Employees are perceptive observers of leadership behavior who promptly discern any discrepancies between what leaders vocalize and what they do. Locke (41–42) explains how leaders serve as role models who can motivate employees. Employees pay attention to how leaders spend their time, what they put on agendas for meetings, who gets money for projects, who gets promoted, how they treat others, and so on.

It is imperative for leaders to incorporate rational moral principles (or virtues) in the company's vision, culture, and climate. Individuals working in an organization, just as in their personal lives, need to have a moral code to guide their choices and actions. Rational moral principles guide people toward values and are necessary for achieving success, moral integrity, character, and happiness. A man needs an adequate set of principles to provide basic guidance in living well. Living by rational principles tends to make principled thought and action habitual. When a person habitually acts on sound moral principles he develops virtues and incorporates his moral orientation

into his character. Ayn Rand's philosophy of Objectivism provides an integrative framework and connects virtues to the objective requirements of the survival and flourishing of both men and of businesses. Normative principles are needed because the standard of survival and flourishing is too abstract. To act in a concrete situation, a man needs to have some basic view of what he is acting for and how he should act. Because actions are subsumed under principles, it is imperative to adopt good principles. Acting on virtuous principles cultivates corresponding virtues which, in turn, leads to value attainment, flourishing, and happiness. A person acquires virtues through free and deliberated actions.

Leaders need to embody the importance of the virtues into the various distinct observable manifestations of a firm's culture and climate (i.e., its language, symbols, ceremonies, rituals, stories, etc.). Emphasizing the virtues enables companies to set their aspirations on excellence. The virtues can contribute to the flourishing of the individual employees and of the business itself. A firm's leaders need to develop a virtues-based context, strategies, and processes to turn its mission and purpose into reality.

To succeed a firm needs to have strategies, structures, processes, rules, routines, coordination devices, controls, communication processes, and so forth, that are, reflective of, and compatible with, its values and virtues. Managers need to monitor and assess the conformance, of activities, products, and processes to organizational standards. Executives need to establish coordination mechanisms to facilitate the exchange of information among members of the firm. There should be a deliberate plan for information-gathering and the dissemination of ethics and other messages. Effective controls are needed in order to locate and reward accomplishments and to find deficiencies in order to correct them. A successful company requires a culture, climate, strategies, and mechanisms that develop competent and virtuous employees and that orient their behavior toward the correct evaluation of reality, customer satisfaction, continual improvement, collaboration, and the accomplishment of the firm's mission and purpose. (Perles 2002, 59–66; Argandoña 2003, 15–28).

Thomas et al (2004, 56–65) emphasize the need to define virtuous behavior clearly within a company's value system and to pursue it persistently as a top priority goal. They see this goal as creating and maintaining an ethical climate in which employees are "ethically mindful" and who act virtuously as a matter of self-regulation and routine. Viable long-term sustainable success can be

attained only through sound ethical behavior. Leaders serve as public role models who must vocalize and embody a clear, consistent, and positive ethics message from the top. These executives must also ensure visible and regular positive and negative sanctions for ethical and unethical conduct at all employee levels. It is especially important for the CEO to stand for values and virtues both in his words and in his actions.

Business is a distinctive, morally legitimate area of human activity. The moral purpose of a specific business, as an entity, is to maximize owner value over the long run by selling goods and/or services. In a corporation, managers morally owe the stockholders the fiduciary duty of maximizing shareholder value. Businesses succeed by producing wealth and by freely trading with others. Such wealth is primarily a product of the human mind. Through the use of intelligence, businessmen make possible physical goods, services, and enjoyment of life. Wealth creation is fundamental to human flourishing and is a morally respected activity. Participating in a business is part of a good life and is, therefore, something of which a person can be proud.

This paper has argued that virtues are needed for a firm to succeed in achieving its ultimate purpose and the values and goals that contribute to this purpose. Long-term sustainable success can be attained only through sound virtuous behavior. Virtues are the means to profits. They also focus on individual excellence. A case has been made that Ayn Rand's Objectivist ethics provides a set of outstanding principles that a company should adopt in regard to its employees, investors, customers, suppliers, and others. The Objectivist virtues supply an integrated, rational, philosophical basis for employee decisions and actions. Operating businesses in accordance with these virtues contributes to both flourishing enterprises and individual employees. There are many actions that leaders can take to create, manage, and maintain a culture and climate of virtue. Of course, leaders who have created such an atmosphere should not become complacent. A virtues-based organization must continually be monitored, rejuvenated, and renewed.

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