

Corporate Loyalty: Its Objects and Its Grounds

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ABSTRACT. Disloyalty is always a vice, but loyalty is not always a virtue, so ethical management should not seek simply whatever loyalty it can get. Loyalty can make it possible for us to trust each other, and, when it takes appropriate objects and does not take extreme or improper forms, it can lie at the heart of much of what makes life worthwhile. Hence, it is understandable that corporations and management seek loyalty despite the fact that it can so easily go wrong. This paper deals with the issues of the grounds and objects of the employee loyalty that it is appropriate for management to seek.

Disloyalty

Disloyalty is always regarded as a grave failing in anybody who displays it. This has significant consequences when it comes to explaining which failures to act out of loyalty count as disloyalty, and it leaves us with something puzzling to explain. Not all failures to act out of a loyalty when it would have been possible to do so constitute disloyalty; loyalty and disloyalty are, no doubt, exclusive, but they are not exhaustive of motivations in those situations in which loyalty is possible. For a start, one can have conflicts of loyalties which make it impossible to act out of both loyalties at once, and the fact that one cannot do what is impossible does not show any notable failing in one. As well, if somebody asks me for help with some dastardly scheme that he has hatched, I do not show disloyalty if I refuse to help

him in his wrongdoing. Loyalty might sometimes lead somebody to help another in wrongdoing, or, more commonly, to cover up wrongdoing when it has been done; one would expect a long-held loyalty at least to make somebody feel torn about refusing to help a friend cover up wrongdoing, especially if one thought that the friend had recognized the error of her ways and would not repeat the behavior; but refusal to do wrong, refusal to help my flawed friend to beat up some people of a racial group new to the neighborhood, is not the vice of *disloyalty* or, indeed, any other vice. And refusal to go too far out of one's way need not show disloyalty; it is possible to claim too much in the name of loyalty. In each of those types of case the agent *might* have acted out of loyalty, but did not. Nevertheless, those failures to act out of loyalty did not amount to a vice of disloyalty.

And certainly disloyalty is different from a simple lack of loyalty. In all sorts of circumstances, it is quite proper not to have any loyalty to somebody. There is no reason at all why I should have a loyalty to somebody of whom I have never even heard, and there is every reason why I should have no loyalty to somebody who has devoted her life to making things difficult for me. So we can see that disloyalty must be more than simply a lack of loyalty, even if it is also true that we should regard somebody who managed to live an otherwise ordinary life without feeling any loyalty to anybody as a very cold fish with a significant emotional lack in his or her make-up. Loyalty is not always appropriate or to be expected.

Disloyalty requires more than that one not act out of loyalty when it would have been possible to do so. Simply leaving the firm to take up a better offer elsewhere is not, in the normal run of things, a display of disloyalty. What displays disloyalty is an

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act such as taking the firm's commercial secrets along with one and handing them over to the new employer. In at least most cases, this would not only be disloyal; it would also be dishonest. One would have taken something that was not one's own to take; one would have stolen from one's previous employer. This, I think, is the model on which we should understand disloyalty and understand why it is always regarded as a grave failing in anybody displaying it: we will consider something to be disloyalty only if it can also be described as *another* vice too.¹ In this case, the vice was dishonesty. In a different case, the vice might be ingratitude. Examples involving selfishness and other vices are easy to construct. The claim that disloyalty is never *merely* disloyalty is at least a plausible one, and it would explain why disloyalty is always regarded as a failing and, indeed, a serious failing.

A variety of things can help us to resist temptations to wrongdoing as we go through life. Some of these things are emotional attachments that we form over time with people with whom we live or work or whatever; people are social beings, incapable of independent life from birth though they can take up independent life later on when they have gained benefits, such as the use of a language, from a social setting. It matters to people that those amongst whom they live are also social beings, more or less trustworthy, that they form emotional attachments that then motivate some of their actions, and so on. When we find somebody who does not form the emotional attachments in appropriate circumstances, or in whom the attachments too rarely succeed in motivating actions, we find somebody about whom we worry and somebody we are unlikely to trust. Loyalty is, amongst other things, an important motivation to duty, and we pick out as cases of disloyalty those cases in which the motivation failed even though we would expect the appropriate ties to have been formed and to operate. Somebody who works for the company for one day and then takes its commercial secrets to another firm has been dishonest, but not disloyal. Somebody who takes the secrets to another firm despite the fact that she has been working with the same people at the old firm for twenty years, that the firm saw her through hard times, and so on, is disloyal as well as dishonest.² We would expect her to have formed attachments that would make her care about the well-being of her

former workmates and that would motivate her to do her remaining duty to them. This is the lack that we pick out as the vice of disloyalty. Disloyalty is the failure of appropriate feelings to move one to do what one should have done anyway on other grounds. Loyalty moves one to act, but not necessarily where there would be other good grounds for acting – it might call on nothing better than that I have known the person for fifteen years, for example, and in such a case it could produce great injustice. So disloyalty will be recognizable as a vice, but loyalty will not be an unalloyed virtue.

Loyalty

Loyalty, on the other hand, does not always go with other virtues and cannot be regarded in any simple way as a good thing. Loyalty cannot be understood as simply the reverse of disloyalty, and the two between them do not exhaust the field of motivations when loyalty might come into play. That disloyalty is a bad thing does not mean that ethical managers should grab any loyalty they can get. Loyalty often is a good thing, and it brings into play virtues such as courage, gratitude, and justice, but it can also be a bad thing: jingoistic nationalism, various forms of chauvinism, and the barbaric behavior of the well-publicised followers of various soccer clubs are all examples of bad loyalties in action. Loyalty involves, as part of itself, a setting aside to some extent of good judgment, the sort of good judgment (as a capacity) that can distinguish the person who has a virtue from the person who has not. A person who is as willing to help the mugger meeting spirited resistance as to help the victim offering spirited resistance might mean well, but has not the virtue of kindness; for that virtue, as for others, the capacity for good judgment is required. The jingoistic slogan "My country, right or wrong" is an extreme version of this setting aside of judgment, but some degree of it is involved in any case of loyalty. Consequently, one cannot mark off the cases of "bad loyalty" as not really cases of loyalty at all, as one can mark off cases of foolhardiness as not really cases of courage: *that* distinction is possible because part of the possession of the virtue of courage is possession and exercise of a capacity for good judgment of which risks are worthwhile given which ends. People who lack that

judgment might be willing to take risks, but they do not possess the *virtue* of courage. Judgment is excluded from that important role in loyalty.

Because judgment is excluded from that role in loyalty, loyalty cannot be a virtue or one of the fundamental elements of morality.³ Nevertheless, firms seek loyalty. We all seek loyalty from family and friends; loyalty is clearly an important element in a good life for at least most people. But we cannot properly think generally about loyalty when concerned with ethics, as we can about courage; we need to think about loyalties in the plural, with the different objects and grounds those loyalties can have. And we need to sort out which objects and grounds go with the loyalty that ethical management can properly seek.

Loyalty is, fundamentally, an emotional attachment and an emotional reaction to its objects; insofar as one's actions are entirely explicable in terms of cool, clear reason, one's actions are not a display of loyalty. The *loyal* person is the one who sticks through the hard times, not the one who cuts and runs as soon as judgment makes clear that the times will remain hard so that there will be no overall pay-off at the end. A prudent investor would stay through the hard times to take the benefits of the good times to come if she believes that good enough times will come, but the truly loyal person will stay anyway. Whether or not I should be right to do so, loyalty to my son might lead me to cover up his wrongdoing even though I am clear in my judgment that covering up wrongdoing is itself wrong, and even though I recognize that I make myself liable to severe penalties if my activities are discovered. It might be the wrong thing to do, and it might be contrary to (my) good judgment, but the action is undoubtedly to be explained in terms of my loyalty to my son; and we should doubt the loyalty of somebody who was not even tempted in that direction.

Emotion and judgment are not, of course, entirely separate matters, existing in distinct spheres and never coming into contact. Judgment is part of emotions; the judgment that one is in danger, for example, is part of the emotion of fear, and, as has often been pointed out, it is that judgment as much as anything else that distinguishes the feeling of fear from the otherwise similar feeling we might have when in an elevator that descends quickly. On the

other hand, judgment and emotion are not the same. We can distinguish them, and, for a number of purposes, we should distinguish them. Emotion, it is clear, can distort judgment and can lead to self-deception. Emotion can make something a temptation to wrongdoing despite one's clear judgment that it *would* be wrongdoing. And in cases of loyalty, we have seen that the emotion can weaken the claims of good judgment to determine our actions.

I do not mean to give the impression that loyalty is as bad as, or worse than, disloyalty. Loyalty, the inclination to form emotional attachments to groups of people, is the most basic expression of the social nature of people; in that way, it lies at the very basis of all morality. But even if loyalty does lie at the basis of all morality, it lies also at the basis of a good deal of immorality, especially in the sorts of treatment it can sometimes countenance for those excluded from the group to which one is loyal. Loyalty can make it possible for us to trust each other, and, when it takes appropriate objects and does not take extreme or improper forms, it can lie at the heart of much of what makes life worthwhile. Loyalty most certainly has its good side. The point I have been making is that one cannot say simply that it is a good thing as one can say simply that disloyalty is a bad thing. Loyalty needs to be *controlled*; excessive loyalty, or loyalty to the wrong sort of object or on the wrong sort of ground can lead to trouble.

Corporate loyalty

And yet corporations and their managers seek loyalty. They seek brand loyalty from customers, for example, which is readily understandable because that is simply a matter of seeking more sales and profits (though there are different paths one might follow in the search for brand loyalty), but they also seek the loyalty of their employees. Why should ethical management seek something that can go wrong so readily, something that, because it involves as part of itself a readiness to over-ride good judgment to a certain extent, has built into it the possibility of going wrong?

One cynical suggestion would be that it is good business practice to seek such loyalty from employees: one pays employees to do the job, but the loyal person will do more than the job. One of the

things normally expected from a loyal person is that she will subordinate her own interests, at least on occasion⁴ and to some extent, to those of the object of loyalty: it is loyalty to one's country that explains why some people might be prepared to die for their country. If employees are loyal, they might do more for the corporation than good judgment alone would lead them to do. A bonus system might increase productivity, and so might gaining employee loyalty. Gaining employee loyalty might be the cheaper and more lasting method.

Such cynicism might sometimes be well-judged: there are wheeler-dealing managers who take managing people to be a matter of manipulating them in that sort of way. But my concern is with the loyalty that *ethical* management might seek, and loyalty can also operate in a different way from the loyalty that invites cynicism: it can motivate somebody to do his duty and to do it well,⁵ to take pride in his work. One very well-known example makes the point:

Anyone who has been in brand management at Procter & Gamble sincerely believes that P & G is successful more for its unusual commitment to product quality than for its legendary marketing prowess. One of our favorite images is that of a P & G executive, red in the face, furiously asserting to a class in a Stanford summer executive program that P & G "does too make the best toilet paper on the market, and just because the product is toilet paper, or soap for that matter, doesn't mean that P & G doesn't make it a damn sight better than anyone else."⁶

There appears to be nothing at all cynical in this: the loyalty to Procter and Gamble is firmly based on pride in the products that the company produces, pride in the quality of the work. The object of the loyalty is the company-with-those-standards: the executive is loyal to the company, but the loyalty is grounded on the company's standards and it is because the company meets those standards that it is the object of loyalty. A change of policy to one of producing fifth-rate products in a search for short-term profits, if recognized by the executive,⁷ would cost the company his loyalty.

That loyalty has a clear ground, and, in fact, it is a good ground. Setting aside the possibility of self-deception, which is a big thing to set aside with powerful emotions, the loyalty is not given blindly. As a result of that loyalty and the pride in his work

that goes with it, that executive has a very strong motivation to do his duty and to do it well — he even has a motivation to go beyond what duty requires if he can properly further the ends of the company by so doing. Loyalty identifies one with others, and by identifying oneself with others one changes what one recognizes as one's own interests: if I see it as part of myself that I am a philosopher, then I shall not draw a very sharp distinction between my personal interests and the interests of the profession. That I do the work I am paid for ceases to be simply a matter of meeting externally imposed requirements in order to earn a living and becomes rather a matter of working out one of my own personal projects. If I am working out one of my personal projects, there is no question of simply watching the clock until it is time to go home.

And that ground of loyalty means that the loyalty to the company will not be the same thing as loyalty to the people in the company. Somebody who has as a ground for loyalty to the company that it is excellent will not be led by that loyalty to cover up for inefficiency, incompetence, or corruption on the parts of other members of the company, as she might be led to do by personal loyalty to them.⁸ Nor will it lead her to cover up mistakes that the company has made: she will want them revealed and corrected, and will expect no less of the company. Her loyalty to the company, and her pride in the company, are based on what the company does, not merely on what people think of the company. This is like a case of loyalty to principles, which can lead somebody to oppose the other members of a group claiming to espouse the principles if she believes that they have really moved away from them.⁹

Or the loyalty and its object might have a different part to play in my personal projects. Rather than its being the case that I take the ends of the university or the company as my own ends, so that the institution is in that way an instrument (but not merely an instrument) for working out my personal projects and my personal projects are not sharply distinct from those of the institution, it might be that I am loyal to the object of my loyalty because membership of that group makes me feel important. What matters to me might not be the aims of the group, but the glory that I get from it; I might be loyal, deep down, not because philosophy matters to me but because being a philosopher gives me great

social prestige and a high income.¹⁰ And the same might go for any company.

What will matter to me in such a case will be, not the substance, but the appearance. I shall not be provoked by my loyalty to work hard to make sure that the product is the best there could possibly be, but to make sure that it has the best reputation that it could possibly have. Perhaps the only way to get it a good reputation, in the long term, would be to produce a good product, but that would be just a matter of fact, and one of which I would have to be persuaded. In the meantime, my inclination would not be to seek out faults in the product and set about correcting them, but to cover them up, make misleading press releases, and generally to head in the direction of dishonesty in the service of my company.

There is nothing wrong with prestige and a good income. I do not suggest that companies should make sure that their employees have low prestige and a low income in order to make sure that their loyalty is a good loyalty: such a company would be unlikely to win any loyalty at all. Low prestige and low pay can carry the implication that one's work is unimportant, that one is not taken seriously in one's job. That is likely to lead the worker not to take the job seriously, and that is no way to get the best out of anybody. The only suggestion here about what an employer should do is that he or she should observe carefully the nature and ground of the loyalty of an employee, because those will affect the trustworthiness of the employee and what sort of action is likely to follow. Demands for loyalty just as such, without concern for what it might be based on, are likely to lead to trouble. Employers like to get loyalty from employees, but they need to bear in mind the earlier point that loyalty, just as such, is not in any simple way a good thing. It can lead to good, or it can lead to evil in the forms of inefficiency, cover-ups, and so on. Hence, managers need to be very careful, when trying to gain loyalty, what the object of that loyalty will be and what its grounds are.

Objects of loyalty

There are significantly different types of possible objects of loyalty, and just what the object is, intentionally understood, will at least usually depend on

the grounds of the loyalty. What sort of behavior is likely to follow from the loyalty will depend on the nature of the object intentionally understood.

A completely personal loyalty to a manager based, say, on personal gratitude to the manager, will lead an employee to act for the manager's good and to subordinate his interests to those of the manager rather than those of the company. Insofar as the manager-as-personal-benefactor is the object of the loyalty,¹¹ then that loyalty will serve as motivation to cover up the manager's mistakes, to hide his corruption, and to prevent people from pointing out his mistakes and thus improving the operation of the company *if the manager is the sort of person who does not like to recognize his own errors*. A manager who wanted checks on his performance would not encourage such a loyalty, and a manager who was less than a paragon of all virtues and who wanted to do the best possible job for the company would want such checks. He might, indeed, give personal help to other employees, but would insist on the different capacity in which he was then acting. Personal loyalty to a flawless manager who never makes a mistake and is never tempted to cut a corner might be a good thing, but managers who recognize their own human frailty will try to build a different sort of loyalty that acts as a check on their activities. Those at higher levels of management will also try to see that that is the sort of loyalty attracted by lower-level managers.

A similar sort of personal loyalty to the company as such leads to just the same sorts of problems: the person who holds the loyalty will subordinate her interests to those of the company without due consideration of whether what she perceives those interests to be are really *legitimate* interests. She will be prepared to cover up for the company, in some cases to issue fraudulent reports to commissions, to hide impropriety such as sex discrimination within the company, and so on. If the ground for the loyalty is simply that this company gave her a job, that it has an excellent pension plan for employees, in short that it has bought her loyalty, then this is the sort of loyalty it will be and these are the sorts of problems that might arise. The Procter and Gamble executive's loyalty was not of that sort; it was grounded on the excellence of the work that the company did. Loyalty involves a willingness, at least on occasion and to some extent, to subordinate one's interests to those of the object of loyalty. We recognize no loyalty in

somebody who will never bear any cost for the alleged object of loyalty. The ground of the loyalty determines what the loyal person sees the object of loyalty as being, and hence what she sees the object's interests as being; if the ground of loyalty is the excellence of the company's work, then one does not further the interests of *that* object of loyalty by hiding mistakes rather than correcting them.

Clearly, we need as the object of loyalty something beyond the company itself; we need a conceptual setting in which the company can be taken, one that will help us to distinguish between when loyalty requires that we go along with the company, and when loyalty requires that we oppose it or try to stop or change its activities. Loyalty to principles can operate in that sort of way: if I have loyalty to a group which is formed in terms of certain sorts of principles (it might be a political group, for example), then my loyalty to the-group-as-embodiment-of-those-principles might well lead me, in appropriate circumstances, to oppose the members of the group.¹² A similarly-based loyalty to my company might lead me to blow the whistle on it at times, or otherwise to oppose its activities. This is not simply a matter of my asserting my own interests over those of the object of loyalty, refusing to subordinate them as loyalty sometimes requires. I am refusing to recognize that certain interests *are* interests of the object of loyalty properly understood (that is, of the company with those ideals), and am asserting a distinguishing principle that determines which interests count as interests of the object. My own personal interests need not come into the matter at all.¹³

So we need a context in which to put the company, a context providing principles in terms of which we can argue out what its legitimate interests are, the interests that it has as a proper object of loyalty. We need principles in terms of which we can identify the company as a proper object of loyalty and recognize that, as *that* sort of company, its interests are not served by hiding the fact that it is illegally polluting the waterways.

One thing that companies do is affect the national and world economies. Perhaps it might be thought that loyalty to a company is properly based only if it is based on a belief that the company serves the national interest or the interest of the world at large, so that the ultimate object of loyalty would be the

nation of the world at large. But this would be mistaken; it shows a misunderstanding of the moral status of a corporation.¹⁴ It also shows some misunderstanding of loyalty, because loyalty is always to one group rather than to another and always has an exclusive element to it; loyalty to the nation is possible, but loyalty to humanity as a whole is not possible unless one takes some other species as the opposition. A corporation's management is acting as agent and representative of the shareholders, and as such¹⁵ has the job of furthering the interests of the shareholders as far as is possible without exceeding their rights. The duties of the shareholders through the corporation, whether it be a duty to pay taxes or to avoid polluting the atmosphere, must be carried out, but going further than that and giving the government a bonus by paying more tax than is required or reducing profits by some other action in the national interest amounts to trying to be generous with the shareholders' money. That might show a confused good will on the part of the manager, but giving away what belongs to other people is not genuine generosity.¹⁶ It is theft. Sacrificing the interests of the corporation to those of the nation is improper, and cannot be the basis of a proper loyalty to the corporation.

On the other hand, corporations exist to serve the consumer. If the consumer is taken as the ultimate object of loyalty, so that loyalty to the corporation is loyalty to the corporation-as-serving-the-consumer, then the loyalty will be one directed towards excellence in the corporation's products¹⁷ and will not be likely to lead to the hiding of corruption or inefficiency in the corporation. Nor need such a loyalty be contrary to the interests of the corporation:¹⁸ excellence of this sort is very likely to be in the long-term interests of the corporation, even if not in the interests of those who want to make a quick killing and then get out of business.¹⁹

But loyalty to the consumers cannot be the whole story of a proper loyalty to the corporation, because there are issues to which loyalty might be relevant that are untouched by loyalty to consumers. Such issues are whether the corporation should diversify, introduce new products, drop old products, try to increase its market share at the expense of another producer of the same item, and so on. Loyalty to consumers *might* sometimes come into consideration in some of these cases, as it would if one were to

consider that consumers dependent on one's products would have no alternative source of supply if one ceased to produce them,²⁰ but in the normal run of things it would not. The relevant consideration would be simply profitability, and the relevant loyalty would therefore be loyalty to the shareholders.²¹ If loyalty to consumers were the only consideration, then prices would be cut so far that profits, and with them the corporation, would disappear.

And it is not always clear who would be the consumers for a corporation or whether every corporation must have consumers. Universities are corporations, but it is not clear whether students should be regarded as consumers (rather than, say, apprentices in scholarship) even if they pay for their education. If universities are funded from the public purse, it is not clear that those doing the funding (usually the government in the government's view, or perhaps the taxpayers or even all the citizens) should be regarded as consumers who must be given what they ask for — provision of something that those people want or need might be necessary if public funding is to be justifiable, but, rather than being at the fairly blunt level of helping to produce a potato with a greater percentage of solids to help make tastier french fries, that might be at the level of turning out people who think independently and are not easily persuaded simply by popular opinion or the authority of government so that they help to create a more democratic society. Academics can fairly frequently be heard to say that, as academics, they have loyalties to their disciplines and to the intellectual endeavor in general rather than to any people.

This suggests a broader account than one in terms of loyalty to consumers: loyalty to a corporation might have to take into consideration the *function* of the corporation. This is not simply a matter of what the corporation does (it might, as noted above, have considerable effects on the national interest, which would not be germane to the issue), but of what it is set up to do. The argument about universities is an argument about what they are *for*.

Corporations can have many different sorts of functions. A corporation might have the function of carrying on the traditions of scholarship. Another corporation might have the purpose of raising money to provide services for the blind. When we

think of a corporation in the context of business, we think of a corporation that is set up to make money, but usually not of one set up to make money just like that: it will be set up to make money by selling ice-cream, or information, or whatever else.²² One of the functions of such a corporation is to provide ice-cream or information or whatever else. A corporation that provides bad ice-cream or unreliable information is unlikely to stay profitably in business in the long term, so anybody concerned to see that the corporation serves its function will be concerned to see that it turns out a good product. As a result, the interests of the consumer will be looked after, and there will be no inclination to hide inefficiency or corruption in the firm.

This does not mean that every producer of automobiles must try to produce a Rolls Royce. A Rolls Royce is a very good automobile, and, partly because of that, it is a very expensive automobile. If *only* Rolls Royces were produced, very few people would have the advantages of their own motor transport. People can quite properly want an automobile without wanting one built to such expensive specifications,²³ so a corporation might properly have the function of producing the best possible automobile within a certain price range. But those concerned with the long-term interests of the corporation will try to see that what it produces *is* the best automobile in that price range.

There are, of course, limitations on the sorts of functions that corporations can have if they come within the range of my interests in this paper. There cannot really be questions about ethical management in a corporation the function of which is to make money by taking out contracts on the lives of people who have upset their neighbors. A business corporation cannot properly have the function of satisfying wants for what is illegal. Nor can there be questions about ethical management in a corporation the function of which is to make money by, effectively, playing confidence tricks on people, selling them land to build on when the land is underwater, or selling them automobiles which the manufacturer knows to be very unsafe. Attempts by managers to be generous or charitable with the corporation's funds, when those attempts are not a matter of public relations designed to improve profitability in the long term (and that is not really generosity) are misguided in that they are giving away what is

somebody else's, and the shareholders are quite capable of giving their dividends away to charity if they want to do so. Corporations cannot be generous.²⁴ On the other hand, corporations can be honest or dishonest²⁵ in the policies they follow; the honesty cannot be left to the shareholders, because it is only in the corporation's advertising and presentation that honesty or dishonesty can be displayed. In the case of honesty, there is no equivalent of the shareholders' donating their dividends to charity.

So there are limitations on the sorts of ends that the corporation can pursue, and there are limitations on the means it can use to pursue them. Within those limitations, the proper object of loyalty will be the corporation-with-that-function: the corporation as a maker of money by producing toilet paper, and the best damn toilet paper on the market (or whatever the product might be). This loyalty is one that ethical management can seek: it is a loyalty that will further the interests of the shareholders and further the interests of the consumers, and that will help to reveal mistakes made by the firm and any corruption in the firm because it will be opposed to cover-ups. Personal loyalty will be, not to the manager as Jane Doe, but to Jane Doe as the manager devoted to the corporation's proper ends, and it is only devotion to the firm's proper ends, which include concern with the excellence of the product, that will earn that loyalty. The loyalty will be to the office rather than to the person, and will therefore sometimes provide checks on the holder of the office, revealing mistakes or moments of weakness. The ethical manager will not seek a really personal loyalty, and will not seek an analogue of a really personal loyalty to the corporation. She will seek loyalty to the corporation understood in terms of its function.

Conclusions

One does not expect perfection, and managers might operate in different ways when they detect susceptibilities to different sorts of loyalties in different people: somebody whose loyalty was primarily to the consumer would be led by that loyalty to excellent work at the point of service; somebody whose primary loyalty was to the shareholders might be led by that loyalty to excellent work in the accountancy section; and so on. But what can be done to encour-

age development of the best of the loyalties for ethical management, loyalty to the corporation-with-its-function?

One thing that can be done is to make sure that those employed in and by the corporation understand their role in its activities, and that is more than simply a matter of their knowing what movements to make to do their job on the assembly line. They must know something of the overall structure of the work in which they are involved, what part their work on the assembly line plays and what other people do (even if they need not be able to take over the jobs of those other people). They can understand the function of the corporation (say, the manufacturing of automobiles), as is required if they are to develop the proper loyalty, and they can understand their part in it, so that they can see the significance of the work they do and how it affects the excellence of the product: they will be in a position to take pride in their contribution. The cleaner might not bolt parts onto the automobile, but he does contribute to the health and safety of those who do, and thus he, too, makes a contribution to the efficient production of automobiles. All the tasks need to be understood in terms of their contributions to the overall end if this sort of loyalty is to be encouraged. Everybody, management and assembly line workers, will be seen as contributing to that end.

And if everybody is seen as contributing to the same end, and as having their significance in the corporation because of that contribution, then nobody will be seen as merely the instrument of others. That matters: loyalty is something that people have and mere machines have not, so that people in the corporation should be encouraged to think that their part in the corporation is that of being a member of a team and not that of being a cog in a machine. Loyalty involves being prepared, on occasion and to some extent, to subordinate one's own interests to those of the object of loyalty, so loyal workers will sometimes be prepared to put in longer hours or to take extra care or even to take a cut in pay. Encouragement of the proper loyalty will require that they be given credit for this and, as they are members of the team, that those in charge protect them from exploitation because of their willingness. Not so to protect them reduces them to mere instruments, which are not proper subjects of loyalty.

Again, the idea of being a member of a team with

a shared job, and the idea of devotion to excellence, can be encouraged by encouraging discussion of the work and suggestions about possible improvements from everybody involved. If retrenchments are necessary, or if jobs must be re-allocated, the methods by which it is to be decided who will lose a job or who will be moved to which new job might be discussed with the workers involved.²⁶ And procedures to facilitate whistle blowing should be put in place.²⁷ The more the loyalty develops, the less occasion there will be for blowing the whistle, but having the procedures in place makes clear that the corporation has the commitment to excellence that is necessary if the proper loyalty is to develop.

Different sorts of objects of loyalty require different sorts of grounds; managers need to be aware of that if they are to do their work ethically, and they need to encourage loyalty to the right sort of object. A purely personal loyalty will not always lead in the right direction; nor will loyalty based on such facts as that the company has provided a pay packet for this person for twenty years. Different objects of loyalty might fit people for different functions in the organization: somebody whose loyalty is to the shareholder might be inclined by that loyalty to work very hard in accounting, whereas somebody whose loyalty was mainly to the consumer might be inclined by that loyalty to work very well in direct relation to the consumer. But the proper *general* object of loyalty will be the company, and the proper general ground for loyalty will be pride in what the company does: pride that it produces soap powder that the community needs and that it produces the best soap powder in its price range; pride in its fair dealing with customers; and so on. Concern with undifferentiated loyalties overlooks these points and can lead to inefficient work, cover-ups, and other sorts of troubles.

Notes

¹ I think this is so, but can do no more than suggest it as a piece of speculation and leave the reader to try examples. I do not know what an analytical argument to prove the point would look like.

² The emotional attachments made need not be good ones or good things, but a native concern for others to some degree or another is basic to any moral character. See Ewin

(forthcoming) in which it is argued that loyalty, though not a virtue, is the raw material for the virtues and can be expressed and exhibited through them. That argument underpins a number of the claims made in the next section of the present paper.

³ Michalos (1991) provides a refutation of one argument that might be used in an attempt to elevate loyalty to the status of a supreme moral principle.

⁴ One should note this limitation: one need not always be acting out of one's loyalties even when it is possible to do so. Apart from the sorts of examples given earlier, one's loyalty is not shown to be insincere simply because one sometimes gives in to tiredness or a bad mood.

⁵ See the discussion of different possible motivations to duty in Ewin (1990).

⁶ Peters and Waterman (1984, p. xxi).

⁷ One issue that I do not intend to go into here, despite its importance, is that loyalty built up over a time can lead to a blindness, a form of self-deception, that refuses to recognize that the object of loyalty has changed.

⁸ Such a person might have personal loyalties to members of the company as well as having that sort of loyalty to the company, and the two different loyalties might come into conflict. I do not mean to deny the possibility of such a difficult situation. My point is that the two are *different* loyalties; the loyalty to the company, given that it is grounded in that way, does not lead its possessor to cover-ups, but rather away from them.

⁹ An example would be those people who, rightly or wrongly, opposed American involvement in Vietnam because they believed it to be contrary to American ideals.

¹⁰ Let's pretend.

¹¹ The manager might also be my neighbor, my father-in-law, an old school friend, and so on. I might have a number of different sorts of loyalties to the one person, and one source of moral quandary can be when the different sorts of loyalty to one person would lead to different and incompatible actions on the part of the person having the loyalty: my loyalty to him in his capacity as manager of an excellent company of which I am proud to be a member might lead me to blow the whistle when he has a lapse, thus helping to maintain the excellence of the company; my loyalty to him as a personal benefactor of mine might lead me to swallow the whistle. I am not suggesting that loyalty always turns up in a neatly differentiated package so that this sort of problem cannot arise. What I am investigating here are the several natures of what can be, in difficult circumstances, a conflicting package of loyalties.

¹² Again, the obvious example would be some of the opposition to the war in Vietnam, which is to be explained, not in terms of disloyalty to America, but of loyalty (whether or not misguided) to American ideals.

¹³ My personal interests *might* play a part. Simple spite

might make me blow the whistle when I find that I do not get my share of the spoils of corruption, but that is not really pertinent here. That I do not get my share of the spoils of corruption might also shock me into recognition of the fact that it is corruption that is going on, removing from my eyes the scales of a different loyalty that had blinded me to that fact.

¹⁴ See Ewin (1991).

¹⁵ See Phillips Griffiths (1960).

¹⁶ What looks like giving away the shareholders' profits for charitable purposes might, in fact, be very good public relations and help to increase profits. See, for examples, Love (1987, pp. 212–214).

¹⁷ Cf., the Procter and Gamble executive referred to above in note 4.

¹⁸ Procter and Gamble is not an unsuccessful company, and see also Love (1987), especially chapter 3.

¹⁹ It might be interesting to consider whether one could be loyal to a corporation set up simply to make a quick profit, and, indeed, to consider whether one could be loyal to a corporation without wanting that corporation to continue in existence. It seems clear that one could be loyal to a corporation set up for charitable purposes without wanting it to continue in existence in that one might want the corporation to become pointless because of the disappearance of the problems it was set up to deal with.

²⁰ This might be good public relations and improve profitability overall. Alternatively, one might put the price up. Otherwise, management would be being "generous" with the shareholders' money.

²¹ This, of course, is one of the worries about management LBOs: proper loyalties (or anything else motivating management to do their duties) would, on the face of it, lead management to make the cuts in costs and increases in profits, etc., for the shareholders beforehand in such a way as would make the LBO uneconomic. Leaving savings to be made after an LBO to pay the costs of the buyout suggests that management has not been doing its job in the way of caring for shareholders' interests.

²² That the corporation is set up for this sort of purpose as well as for making money matters, because an important part of justificatory arguments about the propriety of loyalty to a corporation (and about other things to do with the corporation) will be arguments to show that what the corporation does, what it is for, is at least morally OK. Making money, as such, is morally OK. What the corporation is for in the other sense, what it does in order to make the money, might not be OK.

²³ Cf., the discussion in Luban (1988).

²⁴ Generosity requires an element of self-sacrifice, and when management acts in a "generous" way on behalf of the shareholders or the corporation it is not their own selves that they are sacrificing.

²⁵ So can members or employees of a corporation. The dishonesty is the corporation's if it is displayed in a dishonest policy adopted by the formal means for decision-making in the corporation; otherwise it is properly attributable to the people concerned. See also French (1979).

²⁶ Cf., points 3–6 in the simple steps to increase loyalty in Grosman (1989, p. 568).

²⁷ Cf., e.g., A. F. Westin, 'Conclusion: What Can and Should Be Done to Protect Whistle Blowers in Industry', in Westin (1981).

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