

## **Excellence: Aristotelian practices of meaning and purpose**

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### **Abstract**

In this paper we argue that conventional models for excellence are too narrow, too internally focused, too instrumental and too functionalist to achieve excellence in dealing with broad emerging socio-economic concerns. We try to show that Aristotle's theory of virtue has useful contemporary relevance and can be developed and used to understand a fuller notion of business excellence.

We develop a qualitative research instrument to discover and illustrate excellence and to establish its modern nature. Our application of virtue demonstrated that purpose was key to achieving excellence. We find that virtue theory can be a useful and practical guide to producing excellence.

Key words; excellence, Aristotle, purpose, theory of virtue.

## **Excellence: Aristotelian practices of meaning and purpose**

### **Introduction**

The purpose of this article is to explore and present an alternative conceptualisation of business excellence. Our argument is simple; conventional ways of seeing, determining and thinking about excellence are too limited in scope to deal with emerging socio-economic priorities. This is not to say that conventional tools and measures such as balanced score cards, six sigma, process re-engineering and the like, are not useful. Rather it is to claim that they, by their very nature, are functional and are necessarily internally focused on instrumental effectiveness. We, in contrast, try to set out a broader framework that encompasses, through notions of purpose, richer, fuller and more complete aspirations of excellence.

In Western culture, the power and influence of business in society is greater than ever before (Crane & Matten, 2004, p.12). Yet as they exist today, the realms of business and society are often seen as different, even competing. They seem to pursue different ideals, in different ways and for different reasons. As public concerns about recent business scandals peaks, some studies indicate a variance in deep-seated assumptions: “The studies by Jackall (1989) and Dalton (1959) uncovered implicit moral norms of organisational role behaviour, which substantially differ from publicly espoused standards of conventional morality” (Snell, 2000, p.270). This concern leads Hendry (2004, p.v) to suggest that, “The challenge of ensuring that the enormous entrepreneurial energies released by today’s free market global economy end up by serving society not destroying it”. One reason why this conflict between the social and the economic is problematic may lie in the tacit assumptions that surround what we consider construes excellence. As truisms, they may become embedded as pervasive sentiments that are so obvious they are beyond debate or discussion (Schein, 1984, p.4). This can make businesspeople appear “morally mute” (Bird & Waters, 1989, p.73, 81): “Many managers exhibit a reluctance to describe their actions in moral terms even when they are acting for moral reasons. They talk as if their actions were guided exclusively by organisational interests, practicality, and economic good sense even when in practice they honour morally defined standards. Moral muteness...prevents creative exploration of action alternatives that might

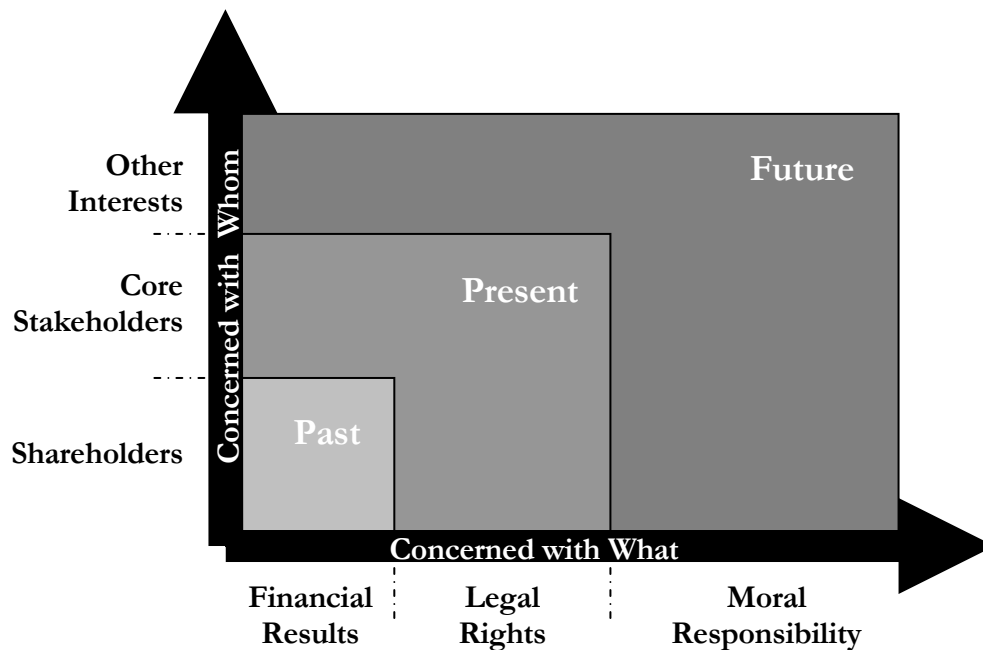
enable the organisation to balance better conflicting demands or to approximate better the highest ideals.”

The dominant paradigm of shareholder interest is powerful and simple. If a corporate manager assumes that the company has been created for the overarching goal of maximizing profits (i.e. shareholder self-interest), then the manager knows the ultimate end they are expected to serve. If their own self-interest is linked to the pursuit of rational, tangible measurements toward that end (i.e. incentive pay), things are reinforced and simplified still further. Many moral and social concerns can be ignored in the pursuit of this simple mandate, at least until they encroach on self-interest. The boundaries, purpose and even methods for fulfilling that purpose are crystallized. Furthermore, the connection between individual interests and the interests of the company are aligned. We can even point to decades of impressive economic successes (with relatively few aberrations) in justification of the utility of this underlying logic. Thus illustrated, the simple focus on self-interest, as if that is all that really matters, seems to pay dividends.

It is in this way that the logic of the marketplace has asserted itself (MacIntyre, 1985; Jackall, 1988; Enteman, 1993), leaving some to claim that capitalism is its own religion (Cox, 1999; Deutschmann, 2001), or that “Capitalism is our business ethic” which carries its own self-contained moral system of beliefs and values (Wolfe, 1993). Mangham puts this well, “Real decision-making power lies within the multitude of social, economic and political units which constitutes our society. Managers increasingly control these units; and it is these units which matter, not individuals and not society at large” (1995, p.188-189). Thus it seems that there are emerging concerns that it is no longer sufficient for managers to think of their responsibility exclusively in terms of generating financial results for shareholders (Paine, 2003). Increasingly, business leaders may feel, or should feel, an accountability that goes beyond their fiscal or regulatory duties, involving the array of stakeholders other than those that own shares in the company. Although contentious, (Friedman, 1970), this suggests that the very *purpose* of

contemporary commercial activity is undergoing a re-evaluation. We try to explain this in Figure 1.

### The Shifting Purpose of Business



*Adapted from Paine, 2003, p.123*

*Figure 1*

It seems then, if our argument is correct, that excellence has to involve much more than business efficiency, involve more people and can be framed as responsibility. All this suggests that we should be concerned with the purpose of businesses. Indeed, critics of the dominant neoclassic perspective of profits first and foremost, claim that it is nothing less than the very purpose of business that needs to be addressed (Etzioni, 1988; Bowie, 1991; Warren, 1996; Handy, 2002a). Neoclassic economics rose to prominence in the 1930's (Kirzner, 1997) and has championed the view that the primary purpose of a corporation is the maximization of shareholder profit. This neoclassic perspective, often referred to as stakeholder theory, makes one of the simplest, strongest claims about what business is for and who should benefit (Etzioni, 1988). Put simply, it asserts that shareholders interests are a businesses primary, if not only concern. But Druker (2001:18) claims, "To know what a business is, we have to start with its purpose. Profit and profitability are...crucial—for society even more than for the individual

business. Yet profitability is not the purpose of, but a limiting factor on business enterprise and business activity.” Handy (2002a: 51, 52) builds on this, “To turn shareholder’s needs into a purpose is to be guilty of a logical confusion, to mistake a necessary condition for a sufficient one. The purpose of business...is not to make a profit, full stop. It is to make a profit so that the business can do something more or better”. Thus, if defining corporate objectives more broadly than shareholder value, perhaps aspiring to something that can be recognised as excellent, the logic of profit alone becomes inadequate (Solomon, 1993; Moore, 1999; Handy, 2002). Consequently there is a growing awareness of the need to re-evaluate the purpose and role that an excellent business plays in relation to society and other diverse stakeholder groups (Wood & Logsdon, 2002).

Of course, this issue of the narrowness of stakeholder theory is not new and has been explored in other ways. Moreover it may already be clear that we are proposing a moral framework that will encourage businesses to produce excellence, but we want to assert that without broad guiding principles, attempts to address excellence by internal management techniques, will not succeed in anything other than excellence in some specific aspect of the business. By their very nature, systems, for example quality, are narrow and hence functionally directed. So whilst excellence in quality, or some other aspect is achievable, excellence in its fullest sense is unreachable, and lies beyond the scope of a functionalist approach. Further, we acknowledge the critique of idealism; that although powerful as theoretical concepts, in practical business many moral frameworks will seem too abstract and vague for any practical use. Our argument is that although difficult, a sound moral framework provides much more than altruism. Moreover, in generating excellence, the conventional measures of success are produced almost as a by product of excellence itself. We shall return to this later, but it may, nonetheless be useful to set out the underlying arguments of alternative views for comparison.

Hasnas suggests the search for a way to connect abstract theoretical philosophy with practical business actions has resulted in what might be termed “intermediate level” principles (Hasnas, 1998, p.20), or normative management strategies (Soule, 2002). These normative theories are

used as practical tools for facilitating moral analysis in business. As suggested in *Table 2*, the three major normative moral strategies are shareholder theory, stakeholder theory, and social contract theory.

<b>Normative Management Strategies</b>	Shareholder	Stakeholder	Social Contract			
<b>Moral Framework</b>	Egoism (Adam Smith)	Utilitarianism (Bentham; Mill)	Socio-Economics (Etzioni)	Pragmatism (Buchholz & Rosenthal)	Social Contract (Donaldson & Dunfee)	Kantian Deontology (Bowie)
<b>Moral Philosophy</b>	Consequentialism		Deontology			

*Table 2 Moral Perspectives for Management*

Smith (2003, p.86) claims that the fundamental difference between shareholder theory and stakeholder theory is that “stakeholder theory demands that interest of all stakeholders be considered even if it reduces company profitability”. In this way, stakeholder theory does not eliminate the profit motive as the driving corporate mandate, but tempers it by encouraging managers to act in the interests of all relevant stakeholders, including but not limited to shareholders. Similarly, social contract theory asserts that the modern corporation can no longer act as if the profit motive is its only obligation. Simply put, this normative management strategy suggests a new contract between business and society, one that contains an obligation to work for social as well as economic betterment (Buchholz & Rosenthal, 1998). Proponents of this theory for business ethics emphasize a broad range of responsibilities to consumers and employees, and contend that there is both empirical and normative value to this approach (Donaldson & Dunfee, 1994). Each view may be present in modern management practice, and the stakeholder approach, in particular, has made some strides in “broaden(ing) management’s vision of its roles and responsibilities beyond the profit maximisation function to include interests and claims of non-stockholding groups”

(Mitchell et al., 1997, p.855). However, both stakeholder and social contract theory are criticised for falling victim to the same underlying assumptions embodied in shareholder theory (Buchholz & Rosenthal, 1998): a) society is nothing more than the sum of atomistic individuals, and b) the universe can be explained by mechanistic formulas. Moreover, each view can present a manager with irreconcilable demands, how is it possible to weigh up whose interest should be served? Indeed as Etzioni (2003) suggests, most choices require more than rational information processing; decisions are based largely on values and emotions.

To try to set out this dilemma in its philosophical context, and to examine the assumptions and impacts, we present the implicit assumptions and characterisations of competing paradigms in table 3 below. This intended to illustrate how purpose becomes a critical issue in excellence and show how well the virtue paradigm helps resolve the problems.

**Table 3. Competing Paradigms (Source: Crockett, 2005)**

<b>Feature</b>	<b>Dominant Egoistic Paradigm</b>	<b>Etzioni's Socio-Economic Paradigm</b>	<b>Aristotle's Virtue Paradigm</b>
<i>Moral Framework:</i>	Egoism	Pleasure + Duty (utilitarianism within deontology)	Theory of Virtue
<i>Type</i>	Consequentialist	Deontological and Consequentialist	Traditional Teleology
<i>Organisational Purpose:</i>	Maximize shareholder value	Sustainable competition	Excellence of a specific practice and people
<i>Individual Purpose:</i>	Pursue self-interested desires and interests	Individual self-interest within collective moral commitments	Excellence of a specific practice and people
<i>Business Is...</i>	A system of competitive individuals	A competitive sub-system of society	A shared community with noble aspirations
<i>Point of Focus:</i>	Rational outcomes for autonomous decision-makers	Community, state and socially-determined individual values	Character of socially and morally-bound citizens
<i>Concept of Human Beings</i>	People are actors with limited knowledge and objectives and can only be expected to pursue self-interest	People make decisions based less on rational outcomes; more on values and emotions	People are social creatures responsible for developing reason and moral character
<i>Assumption:</i>	The market sets the context for rational individuals to pursue their own goals	Society sets the means by which individuals may pursue their own goals	Practice, institution and tradition set the context for individuals to make practical judgments
<i>Descriptors:</i>	Competition; Efficiency	Contained competition; Responsible autonomy	Purposeful morality; Practical wisdom; Individual character
<i>Analogous Maxim:</i>	"He who dies with the most toys wins"	"Let's have a clean fight"	"Its not just whether you win or lose, its how and why you play



			that matters”
<i>Common Label:</i>	Efficiency	“I and We”	Excellence
<i>Change Agent:</i>	N/A (dominant)	Public Policy	Entrepreneur
<i>Social Ideal:</i>	Achieving Society	Stable Society	Flourishing Society
<i>Elevated Ideal:</i>	Self-interested, rational and autonomous individuals	Collective morality keeps competitive individuals in check	Noble citizens pursuing collective aims with integrity

We turn now to our solution, excellence through purpose, as explained by Aristotle in his theory of virtue. The virtue perspective casts an entirely different light on many of the pressing issues facing modern business, as suggested in *Table 3*. Despite its grounding in ancient philosophical theory, the primary appeal of the theory of virtue is its practical application. Aristotle applied his theory to the political city-state of Ancient Greece in an attempt to balance the competing demands of individual, institutional and societal interests, but much of the logic still holds for the competing social spheres of our time (Wijnberg, 2000). Aristotle’s notion of purpose was concerned with unifying conduct toward an ultimate ideal that would result in the simultaneous flourishing of the city-state and its citizens. Surely as an aspiration of excellence, that fits the modern firm well. Aristotle referred to this end-state of the human quest as a *telos*, or aspirational ideal. The key to understanding the teleological perspective is wrapped up in considerations of purpose, because purpose is the one guiding ideal upon which all intent, action and outcomes are seen to be evaluated and implemented; the process is redeemed and justified by the collective, noble objective.

Aristotle saw virtues as those qualities that advance the purpose and specific practice of a given institution, but that is not all: “Human excellence (virtue) will be the disposition which makes one a good man and which causes him to perform his function well” (Aristotle, 1976, 1106a20-b9). Aristotle asserts there will be certain specific qualities that result in the

simultaneous flourishing of individuals and organisations. These excellent qualities, or *internal goods*, are defined by and put to the service of institutional purpose. Organisational excellence is meant to be valued in its own right as intrinsically worthwhile; never merely the means to external rewards. Much of what passes as corporate virtue in our current climate is nothing more than enlightened egoism (Frank, 1988), or acting excellent for self-interested reasons. It is also important to note that there are major differences between traditional virtues and the values of our day (Himmelfarb, 1995). Firstly, not all values are 'good'. Without a paradigm that can accommodate normative claims, we have insufficient tools for discerning which values are right and which are wrong. For instance, some traditions may thrive upon a shared value of 'bribery'. To the extent that it is a shared value among peers and partners, it can actually serve as a lubricant for facilitating business transactions and desired outcomes. Yet, bribery could never be deemed a virtue because it is morally wrong, as judged not only by Aristotelian theory, but all major ethical theories (Reynolds & Bowie, 2004, p.277). Additionally, values are relatively autonomous. In themselves, they possess no requisite link to any larger objective or regulating mechanism. This becomes problematic when values conflict with each other or with the assumptions of their institutional setting.

A teleological purpose, according to Aristotle, is akin to a perfect aspiration; it remains perpetually out of reach, but the actor, act and institution flourish in its service. A virtuous purpose is thus intangible, but it is also socially and morally bound. The teleological purpose of a given practice, by Aristotelian accounts, must be rooted in (and in support of) individual, organisational and societal interests (MacIntyre, 1985). "This is a paradigm which focuses on community, roles, and virtues. It addresses the dynamics of how organisational culture and personal character intertwine. This paradigm offers a theoretical basis for integrating business ethics into organisational studies and also offers a systematic framework for the popular concern with a morality of being and not just a morality of doing. It stresses the interconnection between professional and personal identity" (Horvath, 1995, p.504). "Taking virtue ethics seriously does not merely give us additional insights into business practice. It

can play a far more serious role in business ethics by inviting us to re-evaluate and revise the notions of choice, act and outcome implicit in other ethical concepts and by offering an alternative understanding of them” (Koehn, 1995, p.538). Indeed, the Chairman and Chief Executive of one of the world’s largest companies, General Electric, has employed “virtue” as one of four guiding themes he intends to focus on during his term in office (Gunther, 2004). So virtue, although couched in rather abstract terms, also seems to address practical issues.

### **Methodological approach and methods**

It is all very well to make these rather grand sounding exhortations and broad claims, but these may seem quite disconnected from the every day realities of business. Our problem is how can we convince others of the practical value of virtue ethics? A secondary problem is that things like virtue, purpose, even excellence itself, are vague and nebulous. How can we establish how and indeed, if, they might exist in a modern business? Our solution was to get out of our philosophical armchair and first devise a method of translating the metaphysical terms into something both meaningful and understandable in everyday business. In other words, do these concepts exist in practical business and how do people understand them? As we will explain later, we first devised a research technique which made the metaphysics readily comprehensible for our respondents. Our second task was to try to see how, and if this impacted upon the business. We decided that consultancy business would be a good place to look at excellence; they seem to enjoy a mixed reputation and are subject to particular tensions between satisfying clients and their own profitability. We eventually purposefully selected six entrepreneurial, (i.e. operated by the owners) firms where we could get good access to owners and staff. Our methodology was largely qualitative because the study was exploratory and we wanted to understand what was going on. Our literature review, although not reported here because of length restrictions, had indicated that the phenomenon we were interested in lay in the company’s culture. This became our focus, establishing the nature of the sampled companys’ culture. Similar research methods have proven effective elsewhere

(Uzzi, 1997) in exploring complex social phenomenon through comparative case analysis featuring entrepreneurial settings.

To select companies, we employed purposeful, “theoretical” sampling (Strauss & Corbin, 1998) in the hope of finding diverse or “polar types” (Pettigrew, 1990, p.275), based upon a set of similar criteria. To this end, several companies were approached for participation in an “entrepreneurial culture study”, careful not to use language that would unduly reveal an interest in ethical, moral or social issues. In this way, this study meant to remain honest about the chosen level and unit of analysis while avoiding the pitfalls of social desirability bias (Fernandes & Randall, 1992) and heightened concerns surrounding sensitive material that may be divulged (Vardi & Weitz, 2004). Table 4 below describes our selected sample.

Table 4, The sample; consultant companies

	<b>IP Systems</b>	<b>Blairs</b>	<b>Global</b>	<b>Praxis</b>	<b>Geoscience</b>
<i><b>Founder(s)</b></i>	2 Co-founders	1 Founder	2 Co-founders	3 original Co-founders; 2 remaining	2 original Co-founders; 1 remains
<i><b>Year Founded</b></i>	1988 (19 years old)	1995 (12 years old)	1987 (20 years old)	1991 (16 years old)	1990 (17 years old)
<i><b>Employees</b></i>	Approx. 40	Approx. 34	Approx. 86	Approx. 43	Approx. 48
<i><b>Industry Sector</b></i>	Technical consulting and offshore inspection software	Project management & design engineering	Corrosion engineering consultancy	Technical consulting specializing on SAP software	Technical consulting specialising in geology and geophysics
<i><b>Primary Clientele</b></i>	Oil & gas operating companies	Oil & gas drilling companies	Oil & gas operating and service companies	Oil & gas operating companies	Oil & gas operating companies

To minimize cultural complexity, organisations were targeted that were relatively small, yet large enough to be able discern cultural elements. One benefit of studying entrepreneurial firms is the relative ease with which individual (founder) values can be identified and associated with the purpose and culture of the organisation. The entrepreneurial culture is a particularly accessible unit of analysis because it represents a critical stage in the development of an organisation: individual, purpose and social context (all central elements in an Aristotelian paradigm) are at once merged, while their prior autonomy is yet discernable. The boundaries

between entrepreneur and venture are blurred (Carland et al., 1988), as are those between the venture and the industry it serves (Santos & Eisenhardt, 2004). A comparative case research method (Eisenhardt, 1989; Brigley, 1995) was adopted in this study to facilitate the identification of theoretical patterns within and between idiosyncratic settings. Case research accommodates the need for naturalistic coherence of particular settings, yet by adding multiple site locations, comparative techniques can further contextualise and explain those settings while improving the prospects for transferability of findings (Brigley, 1995, p.223).

Table 5 summarises our research techniques. As can be seen we were trying to capture much of what was happening, much of what was understood as the culture of the companies by tapping into the respondents' understanding. In this way we were quite confident that we had a fair and reasonably complete picture.

**Table 5 Summary of Data Collection Techniques**

<i>Data Collection Method</i>	Description	Sample Criteria	Internal Respond-ents	External Respond-ents	Time Required
<i>Interviews</i>	Semi-structured, in-depth interviews (including interactive joint inquiry exercise)	Internal respondents were selected from across hierarchical levels, disciplinary functions and seniority	56	9	Between 1-4 hours each
<i>Exit Survey Questionnaire</i>	1-page, standardised surveys were issued to assist in obtaining comparable data on culture, training, job satisfaction, etc.	All respondents participating in interviews (and 4 additional respondents for added clarification)	59	3	~15 minutes
<i>Observation</i>	Observation of individuals and teams conducting standard office duties; Participation (when invited) in company retreats, task-forces and social gatherings				~3 weeks per company
<i>Documentation &amp; Material</i>	<i>Below is a sample of the types of documentation and other material obtained from each company</i>				

<i>Historical/Archived</i>	Initial company plans; Statements of vision, mission or values
<i>Internal</i>	Company presentations; Business plans; Internal communications; Process documents; Induction materials; Customer surveys
<i>External</i>	Sales and marketing material; Local and industry press; Competitor material


### **Capturing Culture**

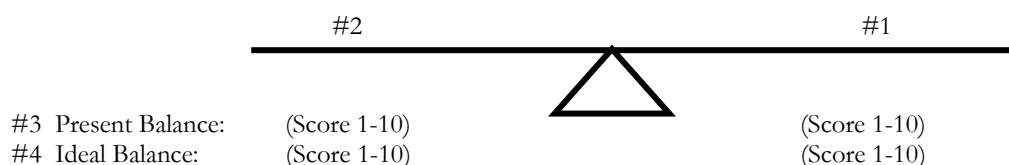
By Aristotelian logic, there is an important distinction between the ‘internal’ and ‘external’ goods of a given practice (MacIntyre, 1985, p.188-190). The internal goods, or virtues, of a given practice are those infinite and often intangible qualities which work toward the good of the practice and those people involved in its pursuit (e.g. ‘determination’). The external goods are those tangible rewards, always in finite supply, which one competes against another to gain (e.g. ‘profit’). To make the critical differentiation between internal and external goods, an interactive exercise was employed for working collaboratively with respondents in deciphering an organisation’s cultural paradigm. The objective was to enable respondents to think about, describe, reflect upon and prioritize the balance of ‘goods’ within an organisation’s culture. To operationalise these concepts, we asked respondents to describe “excellence” and “success” at their company. These terms were meant to represent common business terminology, and serve as a proxy for Aristotle’s obscure language of ‘internal’ and ‘external’ goods. In this way, this research built on Whetstone’s study (1995; 2003) which found ‘excellence’ to be roughly equivalent to the ‘internal goods’, or virtues, required of managers. Through a sequence of probing and searching, the interviewer helped respondents to divulge hidden assumptions, dependencies and priorities embedded in their specific organisation’s ethos. The exercise is described below in Table 7.

An additional research instrument, facilitating the transferability and comparability of data between respondents and organisations, was developed as an exit-survey questionnaire. This

one-page survey was issued to each respondent at the close of the extensive interview to allow respondents to record, and prioritise, answers to standardised questions such as: “How long have you worked here?” and “Who are the primary shapers of culture at your company?”. The results of these surveys were used to corroborate, and are explained by, the rich qualitative descriptions gathered for each organisation. Despite the extended time required for each interview (sometimes four hours), over 65 employees and ex-employees were led through the joint inquiry exercise. Usefully, each respondent grasped the two initial questions with minimal prompting and without requiring the interviewer to provide definitive guidance. Because respondents placed less tangible, infinite (non zero-sum), value-laden terms on the 'excellence' side of the scale, and measurable, finite (zero-sum) items on the 'success' side of the scale, the questions seemed to have been understood in a way approximating Aristotelian conceptions.

Table 6, Interactive Joint Inquiry Exercise

<div>#5) Correlation &amp; Causation</div> <div></div>	
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- 1) *What does excellence look like in your venture?* (This question ascertains specific 'Internal Goods')
- 2) *How does your company measure success?* (This question seeks to identify 'External Goods')

Answers for questions #1 and #2 above were placed on either side of a see-saw that was now drawn beneath the two columns on a flipchart.

- 3) *Which side of the see-saw is presently weighted heaviest at the company?* (This question asks respondents to attribute a relative, numeric weighting to each side)
- 4) *Where should the venture ideally place the emphasis?* (This question was asked to ascertain if respondents assumed equal weighting as the ideal, and to see how closely they estimated their organisation was, relative to their perceived ideal)
- 5) *Is there any correlation between the two sides, and if so, which comes first?* (This question explicates the respondent's logic and was used to explore the developmental sequence and dynamic between the sides)

## Results and discussion

Respondents did not indicate that either the success or the excellence side was 'better' or the more desirable of the two, so this inquiry seems to have avoided a common bias that often plagues studies involving normative content (Fernandes & Randall, 1992). Because of the relative novelty of these questions, we have some confidence that the responses were genuine and unrehearsed. Generally speaking, the respondents were intrigued by the exercise and many seemed to learn something new about their own organisation by grappling with the relationship between the opposing sides of the scale created from their own responses. Furthermore, this exercise significantly mitigated researcher bias by requiring the respondents to independently create lists of internal and external goods in their own words. Once these lists were placed on the scales, respondents provided a numeric weighting to each side in order to indicate which was given highest priority in their particular cultural context. This inductive approach was meant to assure contextual value without unduly imposing the researcher's own language and meaning. We first present our exit survey results, these are relatively concise but depict key differences.

**Table 7, Comparing Exit Survey Findings**

<i>Exit Survey Questions</i>	<b>IP Systems</b>	<b>Blairs</b>	<b>Global</b>	<b>Praxis</b>	<b>Geo- science</b>
<i>1. Which of the following best describes what motivates this company? (1-3)</i>					



<i>Efficiency</i>	<b>2.27</b>	<b>2.33</b>	<b>1.62</b>	1.91	<b>1.64</b>
<i>Responsibility</i>	<b>2.00</b>	2.11	2.15	<b>2.18</b>	<b>2.18</b>
<i>Excellence</i>	<b>1.80</b>	2.00	2.69	2.73	<b>3.00</b>
<i>2. What would you estimate this company places the highest priority upon? (1-2)</i>					
<i>Short-term Gain</i>	<b>1.70</b>	1.22	<b>1.08</b>	N/A	<b>1.09</b>
<i>Long-term Value</i>	<b>1.44</b>	1.78	<b>1.92</b>	N/A	<b>1.91</b>
<i>3. When moral/ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)</i>					
<i>The Resulting Outcome</i>	<b>2.73</b>	2.56	<b>2.77</b>	<b>1.82</b>	<b>1.82</b>
<i>Doing the "Right" Thing/Action</i>	<b>2.00</b>	2.44	<b>2.69</b>	<b>2.64</b>	2.55
<i>Being the Right Kind of Person</i>	<b>2.22</b>	1.78	<b>1.62</b>	<b>1.64</b>	<b>2.18</b>
<i>4. Please put the following stakeholders in the priority you feel this company assigns them (1-5):</i>					
<i>Employees</i>	2	2	1	1	1
<i>Owners (Directors)</i>	3	3	3	3	3
<i>Community</i>	4	4	5	4	5
<i>Environment</i>	5	5	4	5	4
<i>Client</i>	1	1	2	2	2
<i>Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)</i>					
<i>5. How would you rate the morale at this company at this time?</i>	<b>3.45</b>	<b>4.44</b>	3.54	N/A	3.77
<i>6. How would you rate this company's reputation in the marketplace?</i>	<b>5.45</b>	4.00	<b>3.92</b>	N/A	4.64
<i>7. How would you rate your own job satisfaction at this time?</i>	4.73	<b>4.39</b>	4.96	<b>5.41</b>	4.95
<i>The following questions were asked of every respondent except the founder:</i>					
<i>8. How long have you worked at this company?</i>	3.64 years	3.03 years	<b>2.32 years</b>	4.89 years	<b>5.63 years</b>
<i>9. How many times a month, on average, do you interact with the founder:</i>	<b>~30</b>	~28	~22	<b>~5</b>	~12
<i>10. How committed would you say you are to this company?</i>	5.33	<b>5.13</b>	<b>5.50</b>	N/A	5.20
<i>11. How would you rate this company's commitment to your training and development?</i>	<b>3.11</b>	<b>4.88</b>	<b>4.86</b>	N/A	4.50
<i>12. Regarding the communication of company culture and values at this company....</i>					
<i>12a. How consistent would you say the founder(s) are?</i>	<b>4.44</b>	4.75	5.45	N/A	<b>5.80</b>
<i>12b. How clear would you say the founder(s) are?</i>	<b>4.11</b>	4.63	4.59	N/A	<b>5.40</b>
<i>N= 55 people; Highest scores in black; Lowest scores in grey; Delineated as effectively equal if within +/- .05</i>					

These summary findings should be read with a few caveats. The respondents selected were meant to represent every division, function and level of seniority in the company, and particular attention was made to select respondents that others had named as ‘primary shapers of culture’ (including the founder(s)). On average, 24% of the employees in each company participated in the in-depth interview portion of this study. Secondly, a full page of standardised questions was presented to all companies but Praxis. This is because Praxis was the first company where fieldwork was conducted, and it was not until after the visit to Praxis that the researcher was able to identify additional questions for illuminating relevant topics. Furthermore, the numbers represented above are aggregate figures and conceal some of the variances between individual respondent answers. The primary purpose of this table is to facilitate cross-company comparison. To this end, answers in grey and black are meant to highlight the most extreme differences between aggregate company responses.

Based on Aristotelian logic, we would expect virtuous companies to be most motivated by notions of *excellence*, a *long-term view* and *being the right kind of person*. In this study, respondents indicate that these descriptors fit Geoscience better than any other company. The antithesis of Aristotelian virtue is represented by a consequentialist concern for *efficiency*, *short-term gain* and *the resulting outcome*. Respondents suggest that these are apt descriptors for IP Systems (relative to other companies). Deontological concerns, conveyed in terms of *responsibility* and *doing the right thing*, represent something of a middle category between virtuous and consequentialist notions. Respondents indicate that Praxis is the closest approximation to the deontological ideal.

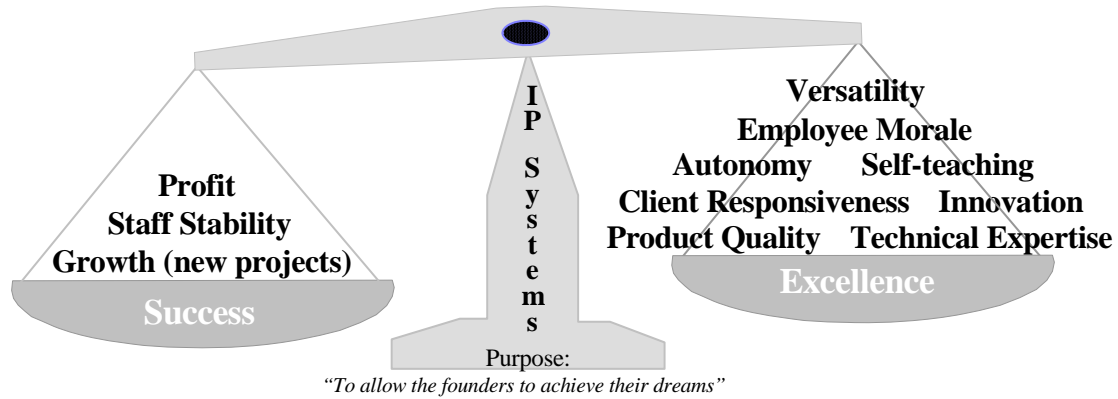
The interactive exercise produced more detail. It may be recalled that we asked respondents to describe practices so that we could capture culture. This was to establish if virtue existed and some measure of its impact. Interestingly, there were three items that respondents placed interchangeably on either side of the scales, or on both sides simultaneously. We see these as “intermediary goods”, namely: staff morale, customer satisfaction, and industry reputation.

Initially, these were deemed a methodological problem. Upon reflection, however, these items provide an unanticipated insight. Each can be construed as an inter-relational good that links the three groups of 'stakeholders' incorporated in the virtuous purpose of an organisation: individuals, institution and social environment. "Staff morale" connects individuals to an institution; "customer satisfaction" and "reputation" connects the institution to stakeholders in the external environment. As such, these are seen to represent something of a stand-alone category of items that have the potential to satisfy ambitions on either side of the scale. Moreover, in practical terms, these goods may provide a balancing or levelling effect between the two sides.

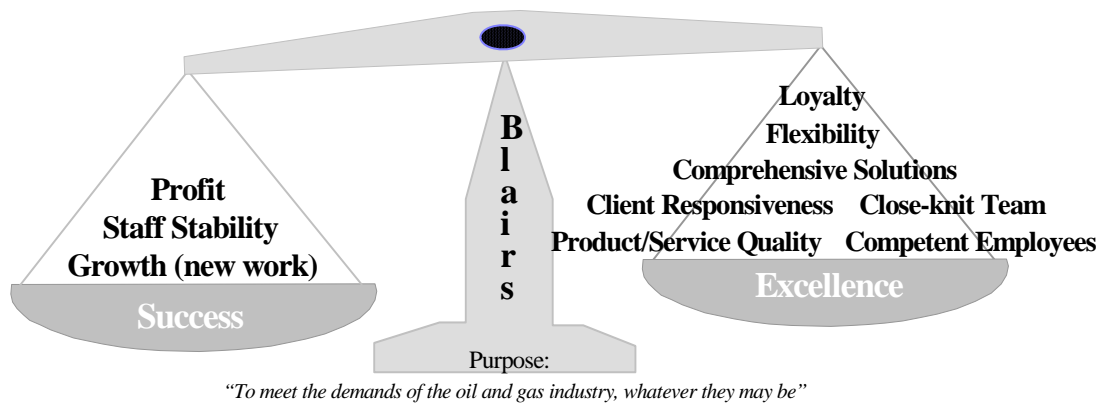
Drucker (2001) insisted that the purpose of business is not profit maximization, but "to satisfy the customer". Viewed through the conceptual balance described above, customer satisfaction is an intermediate good that does indeed provide a better governing rationale than profit maximization. These intermediary goods are more conducive to measurement than internal goods and may serve as a surrogate purpose (albeit not meeting the demands of a virtuous telos), unifying and balancing the venture more adequately than any of the items restricted to just one side of the scale. Yet, importantly, focusing on one or more intermediary goods (as does Drucker) proves insufficient for those who seek to tilt organisational ethos toward virtue.

**Figure 8 : Comparing Organisational Ethos on the Scales**

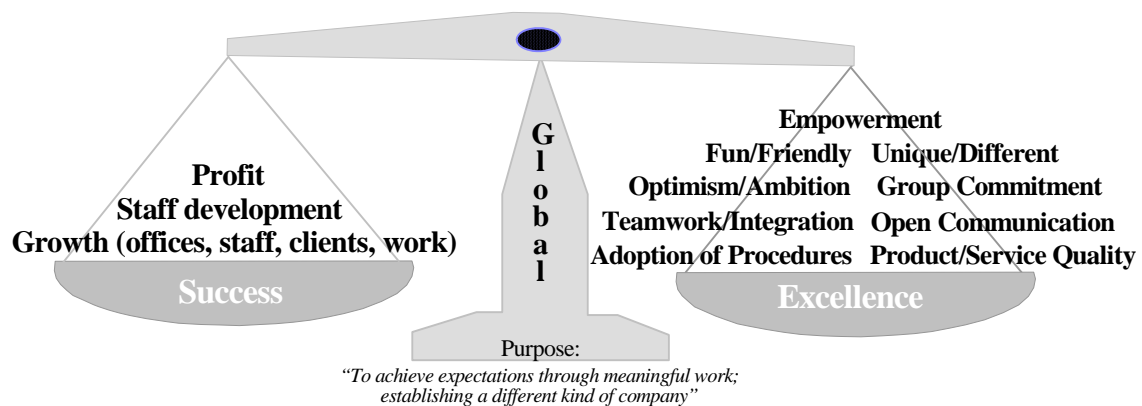
### IP Systems



### Blairs



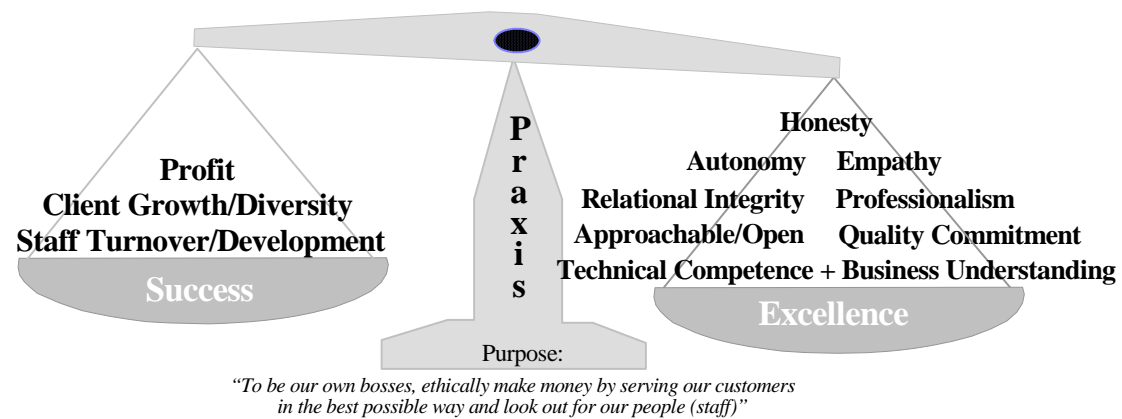
### Global



Global is the largest, most geographically dispersed of the sample and revealed the greatest disparity between informant responses. This disparity helps explain why the two sides of

Global's scales are nearly balanced, but it also hints at some possible levelling effects or ethos dilution associated with firm size.

## Praxis



## Geoscience

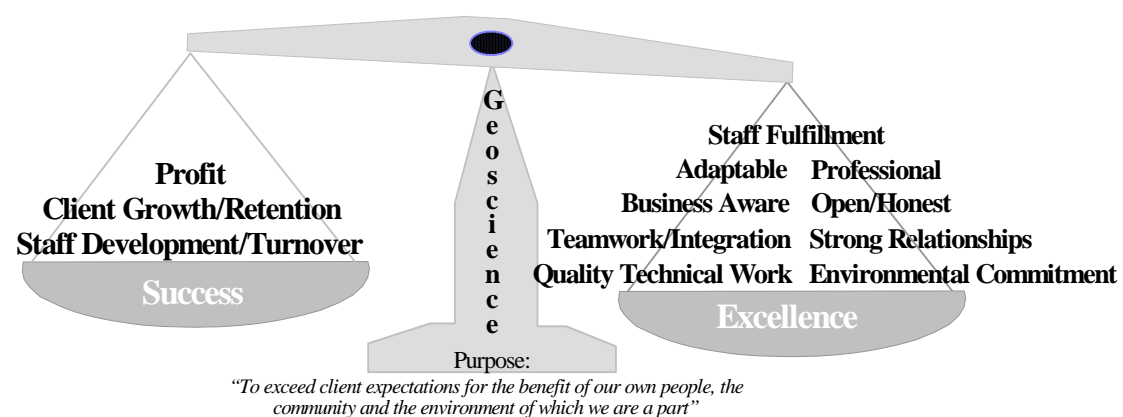


Figure.8

As the scales indicate, each company finds its own unique balance on these conceptual scales. While there was almost unanimous consistency among which items to list on the success side, there was substantial variance between the items each company chose to place on the excellence side. Among the excellent qualities offered by respondents, each company seemed to name one or two prized qualities (e.g “loyalty” at Blairs; being “unique/different” and “adopting procedures” at Global; “staff fulfilment” and “environmental commitment” at

Geoscience). While these “company” qualities were deemed pre-eminent at individual companies, they were not mentioned by similar companies in the sample. This finding underscores the importance of specific excellence as defined by, and applied within, particularized contexts

Every respondent acknowledged the interdependency of the lists they created on either side of the scale. Not only were extremes rare (e.g. nobody rated success as '10' and excellence as '0'), the majority saw the ideal to be a perfect or near perfect balance (success rating '5' and excellence rating '5') between the two sides. This suggests some success in avoiding a social desirability bias, since neither side of the scale was deemed normatively superior among the contexts studied. The vast majority of respondents asserted that the organisation would be more likely to achieve success by focusing on excellence, rather than the reverse corollary. A few saw the correlation going the other way (from success to excellence). A very few (approximately 5%) suggested something of a virtuous cycle might result, whereby a company could focus on excellence, and thus generate success, which would then lead to a heightened capacity for more excellence, and so on, ad infinitum. One respondent, a salesman with limited educational qualifications, who had worked in the oil industry for over 35 years, put it this way: "I think the sequence is important. I think you need to start here (excellence) to get there (success) which will come back and shape here (excellence)".

Finally although we are very, very cautious about drawing any conclusions about causation, it is worth considering the relative performance of the companies in Figures 8 and 9

Figure 8, Company performances.

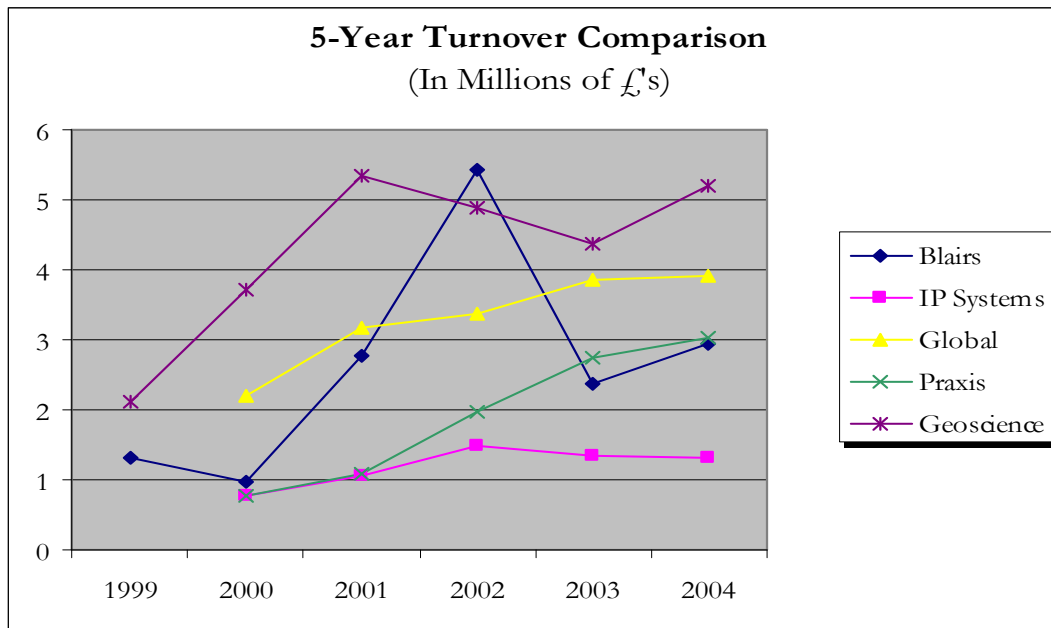
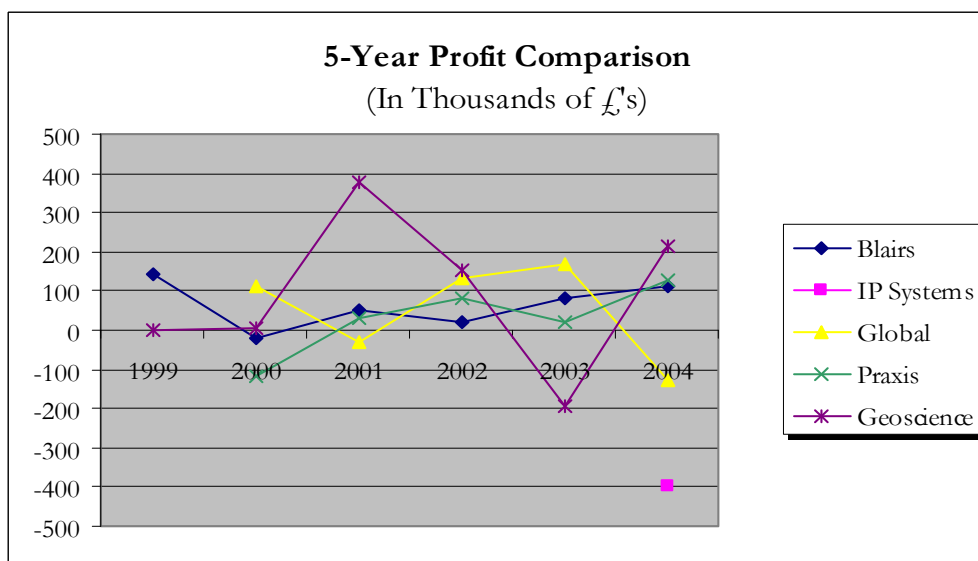


Figure 9 Company profits.



## Conclusions

As the total profitability figures indicate, Blairs (one of the companies tipping most toward 'success') still boasts the highest percentage of profitability over five years. Although the most recent data suggests that companies that tip toward 'excellence' have claimed the greatest profitability percentages, that does not imply that they will do so over a prolonged period of time. Without trying to read too much into so limited a set of data, there are a few

ways to interpret such findings. Perhaps focusing on 'success' works well in the short run, but generates weak profits (or losses) when pursued for three or more years. On the other hand, perhaps by focusing on 'success' it is possible to amass enough profits to make up for weak profits over a prolonged period of time. Finally, one can also interpret this to claim that if a company can focus on 'excellence' for the long-term, they will find they can do so without sacrificing profitability. Given the limitations of the data, and apparent ambiguity of the results, no definitive conclusions can be drawn from this data.

We can make some propositions about features associated with the companies leaning toward the 'virtuous' end of our virtuous ethos continuum. The following signposts have been identified as signalling excellence:

- a) A clear sense of purpose, and shared motivation, toward a virtuous ideal
- b) An organisational culture that features high morale and job satisfaction
- c) Extensive screening of staff, including a concern for value and character orientations
- d) Strong priority placed on the art of the consulting craft, previous experience to hone that craft and ongoing professional development
- e) Low staff turnover and longer terms of employment
- f) Minimal differentiation (structurally and socially) between the founder(s) and the most junior employees
- g) Greater likelihood that founder(s) share company ownership with staff
- h) Strong emphasis placed on employee motivation and personal development
- i) Wider social perspective: decisions and behaviours reveal principled, other-centred rationale
- j) Long-term perspective: reasoning, validated by actions, in support of more than short-term gains
- k) Modified or limited emphasis on consequences, efficiency and tangible 'success'
- l) Dominant emphasis on character, responsibility, and less tangible 'excellence'



With all the standard caveats about attributing cause and effect using the methods and sampling featured in this study, it is tempting to attribute a performance correlation to companies on the more virtuous end of the continuum, namely:

Such companies are likely to achieve high levels of profitability over time

Paradoxically, those companies that ranked their ethos as *least* focused on ‘success’ proved the *most likely* to achieve the highest levels of success, at least in terms of the most recent profitability figures. These companies appear to boast a satisfied, empowered work force capable of achieving greater levels of profitability than those companies primarily concerned with success. Furthermore, based on the most recent profit figures, those focused least on ‘excellence’ were also least successful in financial terms.

So, we have established that it is possible to apply an ancient idea about excellence into the modern business environment and have shown how the constituents of virtue theory still have profound meaning, not least for the respondents in our study. Importantly, we have been able to demonstrate that the idea of excellence is rich in producing meanings and purpose for some companies. Consequently we conclude that excellence itself is worth striving for and that companies who do so are more likely to be able to face the future’s competing demands.

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