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GROUNDING THE THEORY OF VIRTUE

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GROUNDING THE THEORY OF VIRTUE

Abstract

Business plays a powerful role in contemporary society, but this increasing role has been accompanied by a growing concern regarding the social and moral impact of enterprising endeavour. One of the greatest challenges of our time is the need to channel entrepreneurial energies in ways that benefit, rather than harm, society. This research contributes to the development of a conceptual framework that addresses the practical issues at the intersection of business and society.

The tension between the realms of business and society has revealed gaps in the management literature on a variety of levels. This research is directed toward the deep-seated assumptions that are commonly seen to govern and motivate contemporary business. The dominant economic and moral theories are no longer convincingly reconciled with observable practices, justifying the search for an alternative lens that can sufficiently bridge the gap. Epistemologically, it appears there is a paradigm shift taking place; a challenge to the set of assumptions, and very purpose, which business is seen to serve. The purpose of this study is to engage this challenge by identifying and outlining an alternative lens for resolving the oft-conflicting realms of business and society. After reviewing prominent contending paradigms, a pre-modern theory of virtue is shown to hold promising characteristics for addressing the present gaps while resolving the shortcomings of the dominant paradigm. This research attempts to answer the following question: How, if at all, does Aristotle's theory of virtue contribute to a better understanding of the strategic and normative issues at the intersection of business and society?

This investigation begins by reviving an Aristotelian theory of virtue that is more dynamic and holistic than implied in recent studies. Aided by the work of Alasdair MacIntyre, Aristotelian concepts have been granted a philosophical grounding and definitional framework upon which contemporary insights are built, and conflicting interests are reconciled. After recasting Aristotle's theory of virtue in this fashion, it is possible to direct this conceptual lens to the study of organisations. A suitable unit of analysis has been found in entrepreneurship. The entrepreneurial process is shown to be amenable to such an exploration, due in part to its distinctive capacity to unify individual and institution, and at the same time, psychological and sociological considerations. Additionally, a rich level of analysis is identified in organisational culture. The cultural paradigm of an organisation provides an optimal setting for an inquiry based on Aristotelian concepts. In

developing and directing the conceptual lens in this way, the methodological parameters of this study are significantly determined.

This study explores the paradigmatic value of the theory of virtue, and attempts to ground Aristotle's theory in contemporary business practice. To this end, an inductive approach develops and compares cultural sensemaking as located in five consultancies. Inductive methods and in-depth fieldwork were employed to obtain a deep understanding of the cultural paradigm of each venture. Comparative case research prescriptions were used for their capacity to provide new insight into phenomenon that has proven elusive to empirical investigation. Individually and comparatively, these five ventures have yielded a number of significant findings and practical implications for viewing business through the lens of virtue.

In response to the research question, key components of a cultural paradigm of virtue are established, virtue *is* located in an organisational setting, and the powerful effect of Aristotelian concepts are studied among comparative contexts. This study was facilitated by the creation of an interactive joint inquiry instrument that is introduced, refined and applied herein. Through an iterative process, traversing frequently between the findings and emerging theory, a grounded approach was employed for divulging patterns and themes within and between specific contexts. As such, this investigation has not only succeeded in grounding the theory of virtue in business, it has shown the unique, practical benefits of this emerging theory for deepening the dialogue and resolving pressing social and moral conflicts.

This investigation makes an original contribution in three significant ways: 1) offering a new interpretation of existing philosophy and scholarship, 2) providing a new synthesis of contexts and concepts, and 3) bringing new evidence to bear on an old issue. More specifically, this research has successfully applied Aristotle's theory of virtue to contemporary business, grounded virtue in organisational culture, and developed its components into a comprehensive paradigm that unifies normative and strategic claims, thus bridging the gap between theory and practice. Finally, in the entrepreneurial process, this research has identified a champion for establishing a revolutionary, pre-modern paradigm of business.

ACKNOWLEDGMENTS

The author wishes to express sincere appreciation to Alistair Anderson and Sarah Drakopoulou Dodd for the supervision they have provided over the years of my doctoral candidacy. Professor Anderson, in particular, has been my primary point of reference and refinement from beginning to end. Somehow, he saw in my inquiry the making of something great, even when few others could; for which he has had to harness the uncertain research potential of this would-be scholar through frequent consultation and countless revisions. On personal and academic fronts, the supervisory support behind this program of study has been more than I could have hoped or asked for. Among others at Robert Gordon University, I also wish to thank the following for their assistance during the course of my studies, in ways both big and small: Seonaidh McDonald, Susan Moul, Hector Douglas, and Justin Greenwood. A final note of gratitude is owed to the five founders (and companies) that agreed to participate in this study. Their openness and honesty were both astonishing and crucial to the success of this project. To the extent that inspiration is gleaned from what was found, it is only because of the practical grounding exemplified in their daily activities.

When I review the research journey of these past years, there are a number of steps that are difficult to explain in purely rational terms. These include what seem to be random curiosities, profound inspirations, serendipitous encounters, chance conversations, and conceptual leaps that have been essential steps in achieving the progress documented in these pages. It would be easy to identify such items as mere strokes of 'luck' or happenstance, yet I believe that it can be better explained by a 'grand design'. For the minor miracles that have enabled the completion of this work, I thank the designer Adam Smith referred to as the "Author of Nature"; Aristotle's "Prime Mover" of the universe. There is no part of this inquiry that God has not played some role in inspiring; no part of this work that God has not provided the resources to pursue. While this study may help explain some small sliver of His grand design, it is only by the grace of God, and by His hand, that I have been able to complete this journey.

Finally, I had little idea what embarking on such an endeavour would mean for those with whom I live and work. My wife Kerry has shown an unconditional belief in the value of my passionate inquiry, even though uncertain where it would lead, or how someone like me could possibly hope to accomplish such a task. My children, Marcet and Oliver, have had to see me spend untold hours doing research work instead of using my time in ways they would deem more worthwhile. My family's support and encouragement has been undying, underestimated and undeserved. I thank them here because without their support this journey could not have been made or enjoyed as it has.

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PREFACE

Personal Introduction

The impetus for this work is both personal and practical. Between 2000 and 2002, I had the opportunity to launch a high-growth venture, serving as Co-founder and President of a web-based marketplace that grew to employ over 35 people while serving the traditional, wholesale automotive sector in the North-western region of the United States. By the time I decided to leave the venture, I felt I had been afforded a unique vantage point for glimpsing some of the best and worst of what capitalism had to offer. I had also accumulated a number of burning questions, many of which dealt with a personal desire to conceptually balance two powerful motives that often seem to compete with one another in business: the pursuit of profit and the pursuit of that which is best for society. The old answers and assumptions to these questions no longer seemed sufficient or plausible to me. Working harder did not seem to solve the conceptual disconnect I felt. If I were to answer these questions, and unify these apparent contradictions, it seemed I would need to find a better conceptual logic for unifying strategic and normative aims. Moreover, the burning questions I'd accumulated seemed to warrant a quest into abstract, theoretical territory. Business practice, while familiar, no longer held the convincing answers I felt it should.

Thus began my quest into the unfamiliar territory of academic research, and this document is as good a map as any for describing the terrain that I've covered since. With entrepreneurial spirit, I dove into the unknown with reckless abandon and a good deal of naiveté. As a research novice, I have found my way only with the relentless illumination offered by Alistair Anderson and others mentioned in the acknowledgements. Along the way, profound intellectual giants like Aristotle have helped me grapple with the pressing questions of life. The following pages pay tribute to the scores of guides that have shown me how to investigate present-day questions and contexts where those questions remain as pressing as ever. This document not only makes a significant contribution by mapping the terrain that I have covered into unfamiliar territory, it has gone a long way toward satisfying this researcher's thirst to find a suitable governing logic for free enterprise.

Stories such as the following can illustrate the types of dilemmas this practitioner-cum-scholar has sought to address:

A Tale of Two Companies

Adam Grant always wanted to run his own company and his dream materialized in 1995 when he founded Blairs Services. The consulting company was established to address the need for outsourced engineering work generated by the local oil and gas industry, and it didn't take long for his network of industry contacts to generate sales leads. Never one to turn down an opportunity, Grant would underbid larger consulting firms, win the contract, and then seek out the qualified staff to service it. He tended to hire opportunistically; the most available were the most likely to be hired. According to Grant, the best new employees took the initiative to train themselves, thus making themselves indispensable to the clients they served, and by extension, to Blairs. Although repeat business seemed elusive, when the oil industry was booming, so were the contracts and Grant eventually employed four managing directors to oversee four divisions of the company and nearly 70 employees.

Aberdeen, Scotland is considered the 'Oil Capital of Europe', and while it has been a pivotal piece of the regional economy, the oil and gas sector has been anything but stable. Industry crises seem to materialize about every three years, often as the result of political and largely 'external' factors. When a crisis hit in 2002, it did not take long for consulting contracts to evaporate and for previously high-flying companies to find themselves struggling to survive. At the fiscal year end, Grant had anticipated £250,000 profit, but instead he faced a loss of similar proportions. He saw no alternative but to cut 20 of his employees, including all four directors (one of which started up a competing firm). Two years on, Blairs continues to struggle as a shadow of its former self, morale has not yet returned and all company ownership has been consolidated under Grant's control where he is determined it will remain. The otherwise buoyant entrepreneur turns cynical when he recalls the crisis,

"2002 was the worst business year of my life. Some of our senior directors in the past have been extremely qualified and capable people, but because they lacked faith in the company, they were not very useful when times got tough. Our people are certainly our greatest asset, but because I've been burnt...I've found they can also be our greatest liability."

Geoscience is a consulting company that serves some of the same oil industry clients, albeit within a different area of specialisation, and with a different approach. You don't need to spend much time at Geoscience to get the sense it is a friendly, comfortable place to work. James Milne founded the company on the basic premise that business should be a vehicle for nurturing "quality of life" and

could simultaneously fulfil staff ambitions, contributing to the local community and yet remain profitable. At Geoscience, interviewing is everyone's job, and it is not uncommon for a candidate to be interviewed by most of the 50 employees before an offer is made. This is because their people are selected as much for subtle character traits and values as for their technical skills. Milne spends an hour introducing new employees to the company, highlighting its history, values and vision for the future. Every six months he meets with every employee individually to reinforce the company's values and to ensure open communication. When the oil crisis hit, however, there was deep concern about Geoscience's survival. Although people looked to Milne for answers, the solution was a joint effort. Every employee agreed to take a voluntary pay cut until the industry recovered. In so doing, Geoscience not only avoided lay-offs, when they emerged from the downturn they were able to take advantage of new opportunities with a full staff, deep loyalty and greater optimism than they had before the crisis began. Motivated by a concern for safeguarding Geoscience's unique culture, Milne has refused outside investments and partnerships, instead choosing to issue share options to every employee in the hope he can eventually hand the company to those who most appreciate Geoscience's distinctive approach to doing business. In this and other ways, Geoscience feels like a tight-knit community in pursuit of a common goal.

The companies contrasted above serve to illustrate two companies that react to crises in drastically different ways. The first company, Blairs, behaves in rationally predictable fashion in the face of economic hardship. If the purpose of a company is to maximize profit, then we should not be surprised when 20 people are dismissed when demand abates. Yet if a company sees itself as a community striving together for the fulfilment of all those involved, as at Geoscience, then we can expect it to stand united for as long as possible, despite, or even because of, hardship. Why is that the case? This seems an important phenomenon, but within the management literature to date, there is little to explain these different approaches to business and divergent reactions to crises.

Those familiar with the work of Alasdair MacIntyre may recognize a similarity between the two consulting companies described above and the ideal types he posits in the form of two fishing crews (1994, p.284-286). In his example, the first fishing crew is solely motivated by economic rewards and when crisis strikes, management feels compelled to respond by dismissing crew members or investing elsewhere. By contrast, the second fishing crew reveals what MacIntyre expects of a virtuous community: a devotion to craft and crew such that when crises hits, the community is able to prevail in a manner completely foreign to the managers of the first fishing crew. MacIntyre contends that this phenomenon supports the basic tenets of Aristotle's theory of virtue. The main

difference between the above tale of two companies and MacIntyre's illustration is that the consultancies are more than hypothetical ideal types; they are actual companies. Because they are real consultancies, these organisations hold all the complexity and richness of a setting inclined to empirically study, and they will be explored in the following pages.

MacIntyre suggests communities like his second fishing crew may still be found: those that live according to 'pre-modern' assumptions and a perspective that is different than the norm. He also asserts that Aristotelian theory applies to a wider range of people and activities than Aristotle could have recognized (1994, p.301). This research is an attempt to identify whether such a theory can be meaningfully located in contemporary business.

Preunderstanding

If 'understanding' refers to the knowledge one develops during research, 'preunderstanding' refers to the prior knowledge, insights and experience which one brings to the research and which shape one's attitude, commitment and approach to analyzing information (Gummesson, 1991, p.50-53). In the interest of full disclosure, this section presents some of my own preunderstanding, as it relates to this research. I am certain that there many more assumptions and experiences which shape who I am and how I think than I could possibly list here. However, as a start, it seems appropriate that the reader should know the following about me:

- I am a 35 year-old male
- I am married with two children
- I am a US Citizen, born and raised in California
- I speak English as a first language
- In my recent past, I have held positions in profit and non-profit sectors
- I have held functional responsibilities in the areas of marketing and management
- I have Co-founded and led a rapid-growth company targeting the vehicle wholesaling sector, and employing over 35 people, in the technology venture cluster of Seattle, Washington
- For the last three years, I have lived in a country village near Aberdeen, Scotland

An interesting element to the practical experience which I have listed above has been that in the role of researcher, I have felt comfortable in the business environments that I have studied, and those I have studied have often accepted me as a fellow businessperson. This has been important, as this research has required an in-depth understanding of particular organisational contexts.

"To write an ethnography requires at a minimum some understanding of the language, concepts, categories, practices, rules, beliefs, and so forth, used by members of the written-about group. These are the stuff of culture, and they are what the fieldworker pursues." (Van Maanen, 1988, p.13)

Still, as an American who speaks a different form of English and carries a different cultural heritage than those he has been studying, I have also at times felt very much a 'foreigner'. This can also be a good thing, as demonstrated in ethnographic studies of native tribes, since it has helped me to ask questions and challenge tacit assumptions that those more familiar with the local culture would not (Van Maanen, 1988). In my similarity and difference from those I have studied, I have been content to assume a role which can be effectively referred to as that of "professional stranger" (Agar, 1980).

Hopefully, this insight into my personal motivations and preunderstanding can facilitate the reader's attempt at interpreting what follows. As Harding (1987, p.9) suggests, research can only be thoroughly evaluated when:

"the researcher appears to us not as an invisible, anonymous voice of authority, but as a real, historical individual with concrete, specific desires and interests." (c.f. in Baszanger and Dodier, 2004, p.129)

Virtue and the Researcher

Along these same lines, the reader is right to expect certain qualities of the researcher that has chosen to study normative content using an interpretive approach:

"An inevitable consequence of this (interpretive) perspective is that the demands for neutrality and an unbiased solution will have to be dropped...any thoughts of a 'value-free' decision will disappear right away. The process of knowledge only allows participants. The behavioural and social sciences become in a radical sense 'moral sciences.' This places greater demands on the capacity for self-insight among researchers since our inability to understand stems from our understanding of ourselves. This may sound radical but Aristotle actually reached more or less the same conclusion." (Molander, 1983, p.237, c.f. in Gummesson, 1991, p.156)

In order to study normative issues or moral development, the researcher must also be found to exhibit a certain level of moral development (Ulrich & Thielemann, 1993, p.880). Research of this variety can demand certain character traits or qualities of the researcher. Those attempting to

use the case study method within an interpretive framework are said to require “empathy”, “flexibility” and “openness” (Yin, 2003, p.59). Furthermore, Silverman (1989, p.24) warns that researchers attempting to use “substantive” or grounded theory will require a certain degree of “analytic courage”. Gummesson (1991, p.114, 162) also reiterates this point by suggesting that interpretive researchers must exhibit “empathy, open-mindedness, sensitivity, integrity and other relevant virtues”.

So intimidating a list of qualities is daunting indeed. In my defence, I can only say that I’ve attempted to apply and refine skills such as these in the course of this investigation. I have done so in the hope that the reader can judge for themselves whether or not I am found to sufficiently possess these virtues. My hope is that my humble attempts in this regard have strengthened and clarified the contents of what follows.

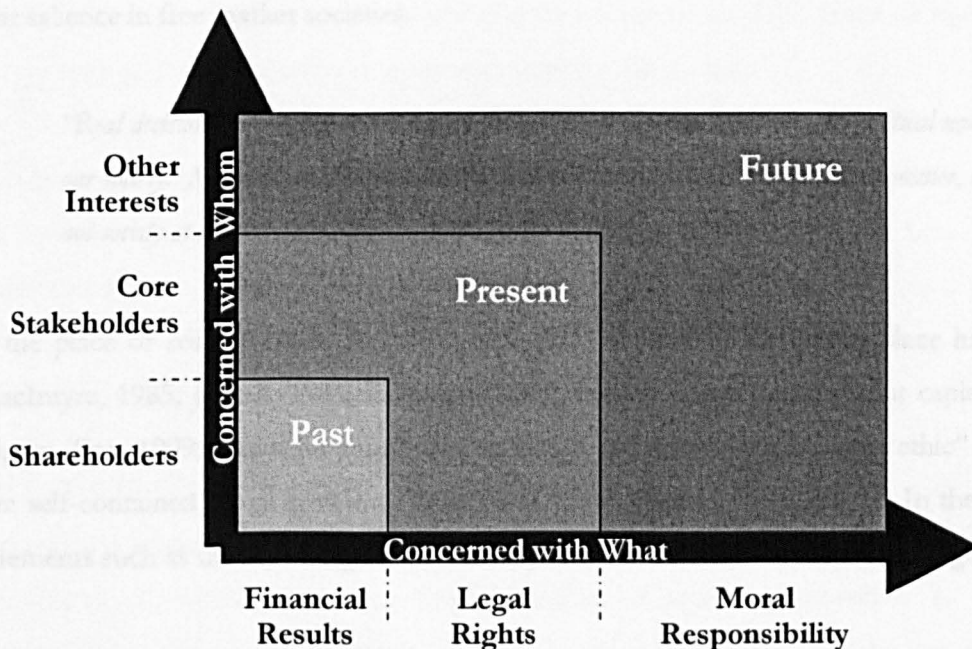
CHAPTER 1

INTRODUCTION

Business and Society: Conflicting Social Realms

This research project has been fuelled by popular and scholarly interest in the shifting motivations behind businesses and the people that lead them. The conceptual map shown below can shed light on an important trend at the heart of recent interests and concerns. No longer is it deemed sufficient for managers to think of their responsibility exclusively in terms of generating financial results for shareholders (Paine, 2003), as tacitly assumed in much of the 20th Century. Increasingly, business leaders feel an accountability that goes well beyond fiscal or regulatory duties, involving a vast array of stakeholders other than those that own shares in the company. While it has long been a contentious issue (Friedman, 1970), this trend also suggests that the very *purpose* of contemporary commercial activity is undergoing a re-evaluation.

The Shifting Purpose of Business



Adapted from Paine, 2003, p.123

Figure 1.1

This trend has caused some to revisit the philosophical underpinnings of capitalism, to define (or re-define) the purpose it is meant to serve. Many scholars begin by pointing at the prominent moral frameworks and presuppositions upon which modern commerce has been built (Etzioni, 1988;

Bowie, 1990; Macdonald & Beck-Dudley, 1994; Whetstone, 2001). Similarly, this is the tack which this research follows, beginning with the philosophical underpinnings of business in an attempt to find a way to understand the purpose of business and explore its value for resolving pressing concerns regarding social and moral issues.

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, and competing, social organisms. They are seen to pursue different ideals, in different ways and for different reasons. At a time when public reaction to recent business scandals is near its peak, classic interpretive 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)

Traditionally, one’s family, religion, traditional context and individual affiliations have served as important guides in the process of moral evaluation, but these factors seem to be losing some of their salience in free market societies.

“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.” (Mangham, 1995, p.188-189)

In the place of religion-based moral frameworks, 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, p.1-2). In the business realm, statements such as the following reveal the unspoken moral biases often found to govern business:

“What is right in the corporation is not what is right in a man’s home or in his church. What is right in the corporation is what the guy above you wants from you. That’s what morality is in the corporation.” (Jackall, 1989, p. 258)

This simple statement can be used to illustrate the three layers of moral referents described in the figure above. If “the guy above you” is the owner or an agent representing the owners, the shareholder theory may well be seen to provide the dominant normative strategy for that environment. Yet members of society do not behave on similar terms. Society is often governed by logic that runs contrary to shareholder theory. When differences exist between business and society on central issues, we should not be surprised to find it difficult to establish a common criterion for making moral judgments.

One of the reasons that this conflict is problematic is that it often takes place on the level of tacit assumptions that are rarely verbalised. Items on this level may achieve the status of a truism, becoming 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.”

Such findings reiterate the vastly different assumptions that can exist between the realms of business and society. It suggests the moral criteria that exist in one realm of life have no relevance in another, or have so tentative a link in the other that it is not worthy of discussion. Bird and Waters (1989) go on to conclude that in practical terms, the inability to engage in dialogue on moral issues can be detrimental to both organisations and individuals.

The Research Question

The growing influence of business, relative to the rest of society, seems to heighten the need for a common moral philosophy that can unite the realms of business and society. In Western society, discussions have begun to reflect the central role which commerce has assumed (Solomon, 1993). For decades, and from a variety of fields, scholars have speculated that as business organisations dominate the social sphere, their moral biases will similarly be imposed on society (Tawney, 1975; MacIntyre, 1985; Polyani, 2002; Bobbitt, 2002). And while shareholder theory has proven effective for the growth of free market systems, many fear it is unsuitable for the rest of social life. The

persistent problem has been in identifying a better moral compass, one that can satisfy and align social interests with commercial interests.

The size and potential impact of the issues encapsulated in this problem cannot be understated. In his recent book, Hendry (2004, p.v) suggests that the following could be deemed “the biggest and most important challenge facing our society today”:

“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.”

This research is an initial step designed to identify the issues, evaluative criteria, possible solutions and emerging theory for addressing this challenge and deepening the discussion which seeks its resolution. A more refined research question will be presented at the end of chapter three, but for now, the inquiry guiding this research is this: Can we identify a theory for moral adjudication capable of resolving the current conflicts facing business and society?

CHAPTER 2

REVIEW OF THE LITERATURE

Introduction

This chapter serves as an overview of the extant literature central to this line of inquiry, offering a summary and critical review of the relevant scholarly discourse. *Table 2.1* shows some of the key subject areas that provide the literature background for this investigation. This table begins by presenting some of the prominent management strategies used by managers in the application of business ethics. To facilitate an exploration of the assumptions of the modern business paradigm, these normative strategies are presented with the dominant philosophical roots associated with each.

Moral Perspectives for Management

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

Table 2.1

Because these normative strategies derive their capacity for moral judgment from underpinning, moral schools of thought (Hasnas, 1998, p.26), relevant moral frameworks have been listed (and loosely attributed) beneath each strategy. And because each of these moral frameworks imply a particular set of deeply-held assumptions on the nature of the world and human beings (Crane & Matten, 2004, p.79), these schools have been further underpinned by relevant moral philosophies. In this way, the central literature for this inquiry has been outlined, and the common management strategies for guiding practitioners in ethical analysis are explicitly linked to their oft-concealed, philosophical roots.

This literature review begins by looking at the area where the realms of business and society intersect, the point where the shifting purpose of business has been most poignant. The chapter

will then hone in on the field of business ethics, beginning with the applied strategies posited above, and proceed to discuss the merit and limitations of each, at the level of their foundational roots. Finally, this chapter considers some of the more promising paradigmatic contenders for resolving the contradictions and shortcomings attributed to the normative strategies, moral frameworks and moral philosophies currently in use.

The Ongoing Debate

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. Friedman's oft-quoted statement is indicative of a neoclassical paradigm which tends to deny business motives beyond the fiduciary utility they are expected to serve.

"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by our corporate officials of a social responsibility other than to make as much money for their stockholders as possible." (Friedman, 1970)

Statements like this suggest that corporate decisions are rationally conceived and are only meant to concern themselves with narrowly-defined business objectives (Moore, 1999, p.331). If corporate objectives are made based purely upon rational, economic criterion, then we are led to make additional assertions:

"We cannot and must not expect formal organisations, or their representatives acting in their official capacities, to be honest, courageous, considerate, sympathetic, or to have any kind of moral integrity. Such concepts are not in the vocabulary, so to speak, of the organisational language-game." (Ladd, 1970, p.115-116)

So construed, commercial activity is a territory removed from the common moral standards governing the rest of life. This is the same tacit logic responsible for what is still the norm in many corporations and the business schools that train their future leaders (Buchholz & Rosenthal, 1998, p.169). This neoclassic perspective, often referred to as shareholder theory, has been attacked on a number of fronts, yet it still boasts one of the simplest, strongest claims regarding what it is that business is for and who it is to benefit (Etzioni, 1988, p.2). For over 30 years, critiques have attempted to dethrone this prevailing wisdom, yet an alternative successor has yet to be established (Etzioni, 1988, p.3; Solomon, 1993; Hampden-Turner & Trompenaars, 1994).

Critics of this pervasive logic continue to grow in number and prominence. They deride the individual greed (Coutu, 2003) and abuses of corporate power and societal imbalance (Fukuyama, 1995) that seem to have been sanctified during the reign of neoclassic shareholder theory. It is easy to see why this simple, straightforward argument appeals to many (particularly shareholders). However, as soon as one admits the possibility of defining corporate objectives more broadly than shareholder value, this logic becomes insufficient (Solomon, 1993, p.47; Moore, 1999, p.331; Handy, 2002). Thus, there is a growing awareness of the need to re-evaluate the purpose and role that business plays in relation to society and other diverse stakeholder groups (Wood & Logsdon, 2002). It appears that much of the battle to be waged between these competing perspectives will be on the field of 'purpose', and the winner may obtain the right to (re)define the governing assumptions of business.

"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." (Drucker, 2001, p.18)

"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." (Handy, 2002a, p. 51, 52)

Critics of the dominant neoclassic perspective 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). Philosophers have argued that the one central question we need to answer in studying business morality is how organisations can be designed to facilitate moral behaviour (Donaldson, 1982). Business ethicists have also weighed into the debate, concluding that (paradoxically) profits are often like happiness: a goal that is best obtained when not directly pursued (Bowie, 1991, p.59; Solomon, 1993).

Much work remains to be done in delving into the ontological and moral underpinnings of business. This is an area that has been largely avoided while the modern debate on business and society has been primarily concerned with regulating the *symptoms* and scandals resulting from the logic imbued by the dominant profit mandate (Etzioni, 1988; Solomon, 1993; Paine, 2003). The competing normative theories of business ethics skirt the issue of purpose; they have a primary

concern for *who* will benefit from corporate resources rather than *why* those resources are being pursued.

It is at this time, and in this environment, that we are witnessing a number of factors that exacerbate the tension between business and society. This inherent tension seems magnified as we move toward a global business environment, the increased transparency and centrality of a knowledge-based economy (Starbuck, 1992), the rapid pace of innovation, and an increase in the degrees of separation between disparate stakeholder interests. Each of these trends seem to have amplified the tension to the present, a time where the social impact of business can no longer be ignored (DeGeorge, 1999). Moreover, the larger social context (of which business is but a part) is itself struggling to find a more suitable purpose and moral agreement (MacIntyre, 1985). In other words, this research is directed toward a problem that is both pervasive and pressing.

Business Ethics

Amid calls to expand the narrow rationale of shareholder theory, scholars have begun to revisit the moral underpinning, and purpose, of commercial activity. Academics from the relatively young field of 'business ethics' have taken a prominent role in addressing these problems. One of its leading representatives defines 'ethics' as follows:

"The study of morality, a systematic attempt to make sense of our individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life." (DeGeorge, 1999, p.20)

In an attempt to apply this study to commercial activity, 'business ethics' has been defined as:

"Moral rules, standards, codes, or principles which provide guidelines for right and truthful behaviour in specific situations." (Lewis, 1985, p.382)

The field of business ethics has grown at a rate that seems commensurate with the frequency of publicised corporate scandals. Starting from relative obscurity some 25 years ago, business ethics has progressed from something which sounded like an contradiction of terms, then an irrelevant topic, before arriving at its present place as a topic which no corporation can afford to ignore (DeGeorge, 1999, p.7). Ironically, although the discipline has become entrenched in most business schools, it has failed to make the expected impact in terms of management practice

(Stark, 1993, p.38; Soule, 2002, p.114). Given the practical shortcomings of management that inspired much of the initial interest in the topic, the field of business ethics has not yet had its desired effect. While as a theoretical concept, ethics has received a lot of attention, in practical business dealings carried out by those untrained in philosophy, the concept is often deemed too abstract and confusing to apply (Hasnas, 1998, p.19).

Normative Management Strategies

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 2.1*, the three major normative moral strategies are shareholder theory, stakeholder theory, and social contract theory. The growing inadequacy of shareholder theory has already been discussed, but the other management strategies warrant further attention. Each have begun to establish themselves in 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), and in highlighting the capacity of companies to provide an equilibrium function (Venkataraman, 2002).

The introduction of stakeholder management theory is largely attributed to Freeman (1984). In simple terms, he defines a ‘stakeholder’ as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (1984, p.46). Stakeholder theory is thus concerned with a seemingly infinite array of interests such as those represented by the following: shareholders, employees, suppliers, communities, industries, government, society, competitors and the natural environment. Understandably, deciding which stakeholder requires management attention in particular decisions becomes a difficult analytical task involving a complex map of competing interests (Carroll, 1993, p.69-73). To aid in making these judgments, it has been suggested that attributes such as the “power”, “legitimacy” and “urgency” of stakeholder claims be used to decide who managers *should* pay attention to (Mitchell et al., 1997, p.854). In this way the search for balanced interests in stakeholder theory holds conceptual coherence, even if it has often failed to satisfy competing interests in practical terms (Goodpaster, 1991, p.69).

Smith (2003, p.86) claims that the fundamental difference between shareholder theory and stakeholder theory “is that the 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 represents one prominent effort to temper it by encouraging managers to act in the interests of all relevant stakeholders, including but not limited to shareholders.

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, p.128). 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).

Both stakeholder and social contract theory are criticised for falling victim to the same underlying assumptions embodied in shareholder theory (Buchholz & Rosenthal, 1998, p.129): a) society is nothing more than the sum of atomistic individuals, and b) the universe can be explained by mechanistic formulas. Social contract theory and stakeholder theory cling to the same Enlightenment faith in individualism and the rational capacity of mankind, despite what we know about the impact of social context and affection typically associated with moral evaluations in business (Etzioni, 1988; Bauman, 1993). According to such criticism, as long as these assumptions remain intact, all three normative strategies for dealing with business conflicts are doomed to fail, since the richness of the business-society relationship cannot be explained on such terms.

Furthermore, Soule (2002) disapproves of normative strategies on philosophical grounds, pointing out that a) they present moral issues as limited to concerns of ‘ethical obligation’ in business, and b) by themselves, they are insufficient for making moral judgments. Soule suggests that managers that hope to make moral evaluations using these management strategies can only do so via reference to the philosophical underpinnings implied by a given strategy.

“It is apparent that (they) are not moral theories in and of themselves. Rather, they are morally agnostic management strategies. Asserting that (they have) moral standing- that managers are morally obliged to

follow one or the other- requires an argument based on moral and not a strategic reason. For example, this is what Evan and Freeman (1995) do when they appeal to (Kant's) respect for persons as a reason why stakeholder theory is morally required." (Soule, 2002, p.115)

Finally, none of these theories suggest a credible challenge to the dominant purpose behind contemporary business: the profit motive. Each of these three theories starts from the assumption that the profit motive is the pre-eminent motive behind all commercial activity. They suggest the need to consider other 'interests' and 'obligations' in its pursuit, but the primary purpose of business remains firmly intact. In order to grapple with these deeper issues, we need to consider the moral frameworks and hidden assumptions that underpin each of these normative strategies.

Moral Frameworks

Business ethicists indicate the importance of returning to deeper levels of philosophical abstraction in order to identify the required logic to support normative judgments (Hasnas, 1998; Soule, 2002, p.115). For Soule (2002, 114-115), moral frameworks include guiding philosophies such as: Aristotelian theory, Kantian deontology, American pragmatism and social contract theory (while a normative management theory shares the same name, social contract theory is sometimes posited as a moral framework as well). To these, we may add egoism and utilitarianism, two schools of thought that are often seen to guide contemporary business practice (Crane & Matten, 2004). Indeed, more than any other moral framework, egoism provides the most direct link to the pervasive profit motive (Bowie, 1991).

For this particular research initiative, there is limited incremental benefit in describing every moral framework in detail. To facilitate comparison, one prominent and promising framework has been chosen to represent each of the moral philosophies delineated at the beginning of this chapter: consequentialism, deontology and traditional teleology. Egoism has been chosen as the moral framework representing consequentialist thought, justified by the dominant nature of this framework in the context of contemporary business (Bowie, 1991). The other consequentialist moral framework, utilitarianism, has not been chosen since it seems less prominent (and less promising) than egoism for establishing itself in commerce. While utilitarianism does acknowledge the many competing interests found in business practice, it is frequently criticised for requiring complex quantifications and formulaic calculations that are ill-suited for addressing typical business dilemmas (Crane & Matten, 2004, p.84-86). In what follows, egoism will be

treated as the consequentialist paradigm that presently dominates commercial activity and which contending paradigms will attempt to depose.

The following literature review will present a critical analysis of three contending paradigms that seek to address the research question at the heart of this research. Two of the chosen contenders are seen to represent deontological moral philosophy (one 'traditional' and one contemporary), and one represents the teleological perspective. The process by which each were selected will be considered in the next chapter. What follows is a detailed comparison of these competing perspectives with a particular emphasis on the foundational moral philosophy on which each has been built.

Conclusion

To recap this debate, it seems more is being expected of business as a result of the growing prominence it holds relative to the rest of society. Corporate scandals have highlighted the problems that result from continued attempts to employ traditional neoclassical assumptions in the modern social context. While these scandals are *practical*, and have spurred the development of the scholarly field of business ethics, the proposed solutions that this field has presented have been largely *philosophical*. The search continues for a sufficiently practical philosophy that can convincingly alter dominant assumptions.

To this researcher, the current dilemma seems similar to one faced in Hawaii at the end of the 19th century. As legend has it, trading ships introduced snakes and rats to the island's ecosystem, and these invasive species began to have a harmful affect on the island's valuable sugar cane crops. The mongoose was known to fight and kill venomous snakes, so it was deliberately introduced to the Hawaiian ecosystem in order to reduce the snake population. Unfortunately, what the people introducing the mongoose did not consider was that the mongoose is active by day while most snakes are active at night, so the plan was not as effective as hoped. The mongoose is generally deemed to be one of the biggest pests introduced to Hawaii for the harmful effect it has had on the island's fauna. This has become a classic example illustrating the capacity of mankind to introduce new problems while attempting to resolve existing ones.

This story underscores the importance of conducting solid research in attempting to find a plausible solution. Otherwise, research in the area of business ethics may similarly provide the wrong solutions, to the wrong people, in the wrong way, for the wrong reasons, and in so doing

further complicate the pressing dilemma at hand. The following literature review considers some of the recent solutions that have been presented for applying an alternative set of philosophical solutions for addressing the practical moral and social concerns in business.

CHAPTER 3

CONTENDING CULTURAL PARADIGMS

Introduction

In the ongoing search for normative guidance, much of the preceding discussion indicates the need to reconsider the underlying purpose and deep-seated assumptions of business. Furthermore, there remains a significant gap between scholarly discourse and practitioner experience when it comes to moral issues (Stark, 1993; Soule, 2002), so the following aims to consider possible convergence points between these two perspectives. What the business ethics enterprise “has not produced is a Kuhnian-style ‘overarching paradigm’ as a governing principle for business ethics ‘puzzle solving’” (Collier, 1998, p.624). What follows is an attempt to address this challenge by positing the research problem in terms of a paradigm shift; a re-evaluation of the underlying assumptions we have used to understand business.

Cultural Paradigms

Kuhn’s (1970) notion of the scientific paradigm is commonly referred to for its capacity to explain scientific progress as an ongoing sequence of theoretical consensus punctuated by revolutionary shifts. Building on this notion, scientific observations depend on the conceptual frame through which reality is viewed, yet a breakdown occurs when reality becomes unintelligible as viewed through the assumptions of existing theories. As those theories are bent to accommodate the gaps between theory and observation, existing theories gradually lose credibility and a new conceptual interpretation is sought. Practitioners for whom these gaps prove most problematic begin to search for a new contender that not only explains the anomalies that have arisen, but also the observations that were explained by the previous paradigm. During the revolutionary period, new contenders are debated until a new paradigm is accepted; a new lens is established which allows scientific concepts and reality to relate to one another in a more meaningful way.

Kuhn’s discussion of scientific revolutions and progress has been the subject of prolonged debate. Key issues in this debate derive from the difficulty in empirically defining what constitutes a paradigm, or what makes a contending paradigm better than its predecessor (Arditi, 1994, p.603). These contentious issues are beyond the scope of this document, since what will be considered in the following is different in scope and focus than that which Kuhn was concerned. For purposes of this discussion, Kuhn’s key contribution is his capacity to explain the process by which knowledge is

seen to develop through “a succession of tradition-bound periods punctuated by non-cumulative breaks” (Kuhn, 1970, p.208). Despite concerns regarding the misappropriation of his concepts, this is one area of his work which he acknowledges as broadly applicable and reflective of growth in many disciplines (Kuhn, 1970, p.208).

Whereas Kuhn’s scientific paradigm is not meant to impinge on the reality it seeks to explain, a *cultural paradigm* necessarily affects the reality it interprets. According to Ardit (1994, p.603), “The difference between a scientific and a cultural paradigm is crucial, however: a scientific paradigm is a purely epistemological construct; a cultural paradigm is both an epistemological and an ontological construct.”

The term ‘cultural paradigm’ has also been used in the study of organisational culture. Although Ardit spoke of a broader social context, Schein (1984, p.4) uses the term cultural paradigm similarly in what he describes as “a set of interrelated assumptions (about humankind, nature, and activities) that form a coherent pattern” and which fashions an organisation’s view of itself and its environment (Johnson, 1992)¹.

Johnson (1992) and Schein (1992) share a similar view of the various layers of cultural composition, reserving the word ‘paradigm’ for references to the most foundational layer of organisational culture, that of core ‘assumptions and beliefs’. This layer is typically more difficult to identify, explain or alter than the more readily discernable layer of espoused ‘values’, yet when properly understood, these assumptions provide a more authentic picture of cultural reality. This research is primarily concerned with these deep-seated cultural assumptions, the taken-for-granted beliefs that reveal stark differences between competing paradigms.

Among those assumptions that make up the cultural paradigm of an organisation, perhaps the most significant is the purpose for which it is created. This purpose is sometimes reflected in espoused statements of ‘vision’ or ‘mission’, but more often than not, it is an unspoken mandate that is tacitly operationalised. Ironically, while organisational purpose is one of the few things

¹ The use of the term cultural paradigm here is not meant to be confused with that used by Haugh and McKee (2004). Their use of the term applies to ‘values’, or mid-level cultural elements, whereas the term is used here in a manner consistent with Ardit (1994) and Schein (1992), primarily concerned with a set of deep-seated ‘assumptions’.

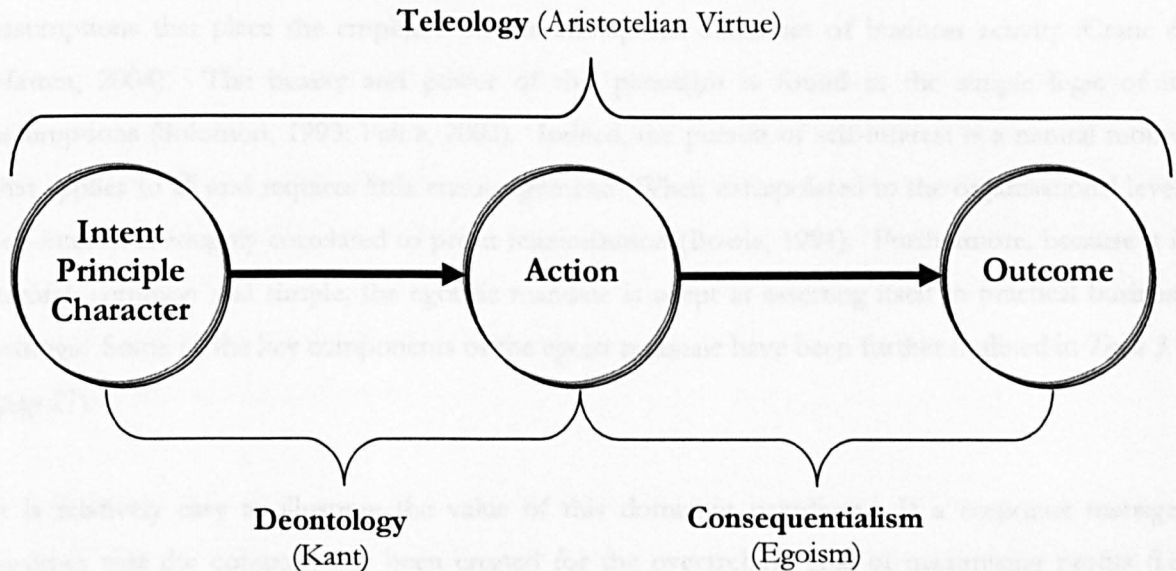
which we can expect to find embedded in every corporate activity, it is often imperceptible among internal documents and marketing material. Like other assumptions, the purpose may be treated as axiomatic; it is so self-evident that there seems no reason to question or discuss it. Indeed, it is this very feature that makes assumptions more powerful, and less pliable, than the espoused values of a given organisation (Schein, 1984).

The following begins by looking at three analytical components utilized in making moral evaluations; then proceeding to critically locate the dominant paradigm of business as it relates to contending perspectives, highlighting the differentiating analytical foci of each. In this way, four competing paradigms are presented. Each are seen to carry their own set of assumptions and imbue distinct purposes in the organisations they are applied toward. Each paradigm, in its own way, seeks to address the social and moral concerns across business theory and practice.

Moral Assessment: Three Components & Three Moral Philosophies

The following diagram (*Figure 3.1*) paints moral assessment as divisible into three main components. These components are often used to differentiate traditional moral philosophies (Crane & Matten, 2004), as each theory has its own preferred point of focus. Against this picture, two prominent types of modern moral philosophy are presented (consequentialism and deontology) and the pre-modern perspective known as teleology has been added.

Moral Philosophies and Foci



Adapted from Crane & Matten, 2004, p. 80

Figure 3.1

Prominent in modern times have been deontological theories that focus on governing *actions* based upon a principle of ‘duties’ or ‘rights’ (à la Kant or Locke). We will consider Kantian deontology in greater detail later, as well as a more recently introduced representative of the deontological perspective. Within consequentialist moral philosophy, the two key theories are utilitarianism (à la Bentham and Mill) and egoism (à la Adam Smith)². Both theories are primarily concerned with the *outcomes* of a decision, but utilitarianism attempts to calculate ‘the greatest good for the greatest number of people’, while egoism focuses on outcomes for the individual decision-maker. In what follows, we will focus on egoism as responsible for some of the dominant assumptions underlying modern business (Bowie, 1991). Teleology has fallen largely out of favour since the Enlightenment era, but Aristotelian virtue is one prominent representative of this school of moral philosophy. Teleology is traditionally associated with purposeful *intent*, or *character*, but this perspective is also concerned with the other major components of moral evaluation (Koehn, 1995).

² Solomon (Solomon, 2004) has asserted that Adam Smith was a proponent of virtue ethics. While a close reading of *Theory of Moral Sentiments* suggests that there may be an element of truth in this assertion, Smith is more commonly associated with egoism, largely based upon the formative economic theory contained in his *Wealth of Nations*. While some have noted that Adam Smith was the first to apply virtue to the realm of commerce, his notion of virtue was markedly different than that of Aristotle’s, particularly as related to matters of purpose (Calkins & Werhane, 1988). Thus, as relevant to the present study, Smith is more typically and appropriately associated with egoism. This discussion is taken up in greater detail on pages 36-37.

The Dominant Paradigm

Business practice, especially the American variety, has largely sanctified consequentialist assumptions that place the emphasis on the anticipated outcomes of business activity (Crane & Matten, 2004). The beauty and power of this paradigm is found in the simple logic of its assumptions (Solomon, 1993; Paine, 2003). Indeed, the pursuit of self-interest is a natural motive that applies to all and requires little encouragement. When extrapolated to the organisational level, self-interest is roughly correlated to profit maximization (Bowie, 1991). Furthermore, because it is natural, common and simple, the egoistic mandate is adept at asserting itself in practical business settings. Some of the key components of the egoist rationale have been further outlined in *Table 3.1* (page 27).

It is relatively easy to illustrate the value of this dominant paradigm. 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 have already been significantly crystallized without even perusing a job description or induction manual. Furthermore, under this scenario, 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. Empirical inquiry into this effect will feature prominently in subsequent chapters.

The challenges to this dominant paradigm are many and growing. While egoistic views seemed to fit for most businesses most of the time, the traditionally ascribed purpose of business has been outgrown (Handy, 2002a). A disturbing array of recent scandals is too easily sanctioned by the rational logic of the dominant paradigm (Sims & Brinkmann, 2003). Organisations and their employees are increasingly pressured to disregard the egoistic mandate, and profit maximization, as misguided (Drucker, 2001) and even counterproductive (Bowie, 1991). While most agree that it is *necessary* to pursue financial results, it is no longer deemed *sufficient* as a justification for meaningful and sustainable work. The modern business institution has shown itself to be a powerful engine for

social benefit and with that power seems to have grown an implicit social responsibility (Paine, 2003).

Business practitioners and scholars alike require an alternative conceptual framework for grappling with complex social and moral issues. Some have claimed that what we are experiencing is a mere shift in values (Paine, 2003), but this research suggests that it might be conceived as something much deeper: a direct challenge to the taken-for-granted purpose, and other assumptions, by which business is conducted. It is as if the tectonic plates of the business world are scrambling to find a secure place to settle. A paradigm shift is underway; contemporary commercial activity requires a steadier ground on which to build.

The persistent difficulty, however, is not in identifying the inadequacy of the egoistic business mandate, but in establishing a suitable alternative, and soon. To some, the inadequacy of the existing paradigm justifies a re-evaluation of the prominent moral frameworks and logic upon which modern commerce has been built (Macdonald & Beck-Dudley, 1994), yet the prominent moral theories of our times have offered unconvincing and often conflicting views (MacIntyre, 1985). The search for a more appropriate paradigm continues (Bowie, 1991; Etzioni, 2003).

Criteria for an Adequate Moral Philosophy for Business

There are some basic requirements that any sufficient moral perspective should satisfy if it hopes to resolve the shortcomings of the existing theories addressing the commercial domain. Soule has specified the following criteria: “comprehension”, “contextual relevance” and “comprehensiveness” (2002, p.115-7). From his list, this study subtracts “specificity” because it seems problematic (and not particularly edifying) to attempt to draw a line between those issues that have moral content and those that do not. Soule’s focus is somewhat narrower than that considered here. One intrinsic challenge when studying such topics in business is “the inherent difficulty of classifying what is moral and what is not.” (Schein, 1966, p.12). Furthermore, on the grounds of his comprehension and relevance criterion, a standard of specificity will add undue complexity where common sense should prove adequate. It seems that morality has a role in more areas than business ethicists often assume, and as soon as we draw a line that excludes certain issues, we are certain to find reason to make an exception. Each of Soule’s remaining criteria warrants some explanation and expansion.

Comprehension

For any moral philosophy to hold value in the pragmatic world of business, it must have relevance to the issues, dilemmas and actions of real life (Cohen, 1995; Horvath, 1995). At the same time, any defensible and robust moral philosophy must have sufficient theoretical grounding to withstand scrutiny and allow refinement by continued exposure to competing ideals and traditions (MacIntyre, 1985; 1994). In order to be meaningful, it must be understandable to rational persons (Stark, 1993; Soule, 2002, p.116), across every level of company bureaucracy, without discrimination by criteria such as class, gender or race. Finally, because individual contexts vary greatly, within and between corporate divisions and levels of hierarchy, the moral principles that will prove most successful are those that maintain relevance to all without losing contextualisation to each.

Relevance

For a moral philosophy to be sufficiently wedded to the objectives of a given institution, they need to be intricately tied to and derived from the purpose of the company and the practices it supports (Soule, 2002, p.117). This will assure that in every way, the moral guidance such a paradigm affords can be tied in a relevant manner to the business at hand. A complete perspective will not only be derived from and in support of institutional goals, but will simultaneously seek to accomplish the specific needs of each individual and the broader needs of the social setting in which the institution operates (Solomon, 1993, p.163). In this way, the best moral philosophy will be judged for its capacity to consider relevant business dilemmas, as associated with particular people, institutions and tradition(s).

Comprehensiveness

Once the relevance of the paradigm can be established, it is important that it be applied in a broad fashion to contribute usable insight to every potential issue that may arise. A suitable moral philosophy for business will apply to common, everyday routines as well as new and novel situations (Tsoukas & Cummings, 1997, p.666). It will hold meaning for guiding actions as well as nurturing the right kind of actors-- *doing* as well as *being*. It will be concerned with motivating more than proper action and resulting outcomes, it will also focus on the intention to act and the right kind of personal qualities. In this way, moral behaviour will be more static and have a lasting impact beyond incentive periods and codes of conduct while maintaining applicability for meeting the needs of novel circumstances.

The purpose of a given institution represents the unifying focus of all that is done. Still, the culture of the best companies will need to reflect that to be fully human requires more than rational analysis. Morality is one of those “irrational elements” that can yield surprisingly positive benefits (Etzioni, 1988). According to Johnson (1993, p.187), “We need an imaginative rationality that is at once insightful, critical, exploratory and transformative”. As such, a moral philosophy addressing the whole person will not only constrain bad behaviour and condone good behaviour, it will accommodate the potential to create new possibilities. Too much of the business ethics enterprise has been couched in restrictive terms, and the capacity of ethics to inspire and empower individuals and companies, by spirit and letter, has been overlooked (Kjonstad & Willmott, 1995). Given that aspirational, goal-oriented language is already so familiar in business, a moral strategy that acknowledges the possibility of moral and creative ideals seems consistent with the achievement orientation of business (Solomon, 1993). A comprehensive moral perspective should contain restrictive as well as liberating possibilities.

Contending Paradigms

Some notable attempts have been made to challenge the egoistic paradigm. Each seeks to accommodate normative claims in spite of a “deeply ingrained habit of thought that continues to depict scientific methods and procedures as capable of separating...factual context from evaluative goals” (Frederick, 1992, p.91). The first of the paradigms we will consider is not yet complete, but like those that follow it, it attempts to unite the descriptive and the normative. While it succeeds in challenging the assumptions of the dominant paradigm, it has not been cast as a comprehensive challenge of egoism, but will serve as perhaps the most compelling and clear representative of the deontological perspective.

A Kantian Perspective

In strict terms, egoism favours the good (rational self-interest) over what is ‘right’ while deontological theory favours what is right regardless of the egoist’s good. This alone suggests how differently these two camps can view the same issue. They both share the Enlightenment emphasis on individual autonomy and elevate the role of rational thought in human judgment, but in other ways, these are drastically opposing viewpoints.

Norman Bowie (1991, p.19) insists that the egoistic paradigm is insufficient and that an “ethical paradigm” needs to be considered. In a conceptual argument to this effect, he points out the shortcomings of egoistic assumptions, dwelling at length on the flawed purpose which it imbues

upon organisations and individuals. Instead, he suggests a solution akin to Frank's committed altruism (Frank, 1988), going on to construct an alternative perspective based on his interpretation of Kantian deontology. According to Bowie, the primary purpose of business should be to provide "meaningful work for employees" (Bowie, 1991, p.20). His Kantian model is expanded considerably in his book *Business Ethics: a Kantian Perspective* (1999), from which much of what follows has been gleaned.

While Bowie is clear on the need to challenge the self-interested mandate of organisations, his model is not presented as a wholesale replacement of the assumptions of egoism. He attempts the somewhat less ambitious goal of demonstrating that "Kantian moral theory has something significant to say about the prohibition of certain acts in business and about the positive obligations that executives in the business community owe to corporate stakeholders" (1999, p.3). With this focus on negative and positive duties, he presents a theory that is more limited in scope than other moral theories while more lithe and rich than a mere system of rules. He applies the Kantian perspective insightfully to the employee-employer relationship, yet it seems we must wait for additional treatments of other stakeholder groups (some instalments have since been provided) before this project is developed as a unified paradigm. Still, Bowie's model is included here as a prominent representative of an important school of moral theory.

Bowie (1999) organizes his case based upon three formulations of the categorical imperative. Briefly, he equates the *universalisability* formulation as a guide for justifying what is morally permissible in market interactions, the *respect for persons* formulation as a business obligation to provide meaningful work to employees, and the *moral community* formulation as an obligation to instil democratization in the workplace. According to Bowie, Kant does a better job of justifying a number of 'good' business practices, such as participatory management, than do other ethical theories.

According to this perspective, people have free will and the rational capacity to make judgments between what is right and wrong, and ought to be given the autonomy to do so. Kant insists that each person should be deemed a rational creature entitled to an equal measure of dignity and autonomy. In his "kingdom of ends" (Kant, 1998, 4:434), construed by Bowie as a model for the modern organisation, every employee is deemed equal. Business is viewed as a system of equal rights and defined duties.

True to Kantian doctrine, the motive of the decision-maker is seen to be of central importance, and is given prominent place in Bowie's account. Thus, providing meaningful work in order to increase profit will corrupt the moral motive and may do more harm than good. Doing something right may facilitate the desired ends, yet importantly, that is not meant to provide a justification for right action.

In summary, Bowie claims to have outlined a "minimum but universal market morality" for justifying business activity from a Kantian perspective (1999, p.173). Still, Bowie is honest about the limitations of his inquiry. He asserts that consequentialist and teleological theories can reasonably attempt something similar. Moreover, he acknowledges the need for market obligations beyond the scope of what is provided by Kant, the categorical imperative or the guidance of his book.

In his book and in a subsequent publication (Reynolds & Bowie, 2003), a Kantian approach is justified based upon the following criteria: a) it is largely consistent with ordinary morality or moral intuitions such as 'the golden rule', b) it is consistent with other traditional moral philosophies (e.g. consequentialism and Aristotelian virtue), c) it is consistent with certain "enlightened" management practices, and d) it is universally applicable independent of situational contexts. Upon reflection, however, we have reason to question the practical validity or value of such justifications. Firstly, if the standards he cites have proven insufficient for typical business use, then a Kantian perspective that is consistent with them may be just as insufficient. Moreover, there remain major contradictions between his and other moral philosophies (as will be highlighted later). Furthermore, for those "enlightened" management practices that Kant does endorse, there seem at least as many that he would not (e.g. Bowie (2000) acknowledges that Kant would reject many forms of charismatic, servant or transformational leadership). A stronger justification would demonstrate the practical use of Kantian theory in the daily judgment of ordinary employees. The challenge at that juncture would not be to show that a Kantian lens can calculate a moral minimum approximating that of other approaches, but that such calculations are *more effectively reached* or can otherwise be used to derive *better* judgments than other approaches. Only then will we have identified a Kantian paradigm worthy of contention in business theory and practice.

Deontological perspectives are often criticized for being utopian or requiring onerous philosophical abstractions that are too unwieldy for use by a typical practitioner (Soule, 2002). An intrinsic difficulty in mounting a challenge from the deontological perspective is linked to its emphasis on doing what is right against a dominant backdrop that views such obligations as an unrealistic

constraint. Unfortunately, Bowie has not yet provided us with a better backdrop in the form of a comprehensive new set of assumptions. This leaves us to struggle to apply his model within a consequentialist context that contradicts its basic assumptions. Doing one's duty may seem impractical when it competes with the logic of the profit mandate. Bowie suggests that the purpose of business be redefined as providing "meaningful work for employees" (Bowie, 1991, p.20). Yet if providing meaningful work conflicts with efforts to maximise profits (as seems likely), Bowie provides no convincing logic for guiding managers toward an amenable resolution.

For the time being, this Kantian perspective provides a blueprint for the moral justification of certain business activities. Yet while Bowie has succeeded in making Kant more accessible, it remains unlikely that ordinary practitioners will want, or know how, to apply such a model.

The Socio-Economic Paradigm

Next we shall consider a contending paradigm which has become established to such a degree that it is easier to evaluate its claims next to the dominant paradigm. Partially, this is because it is a recent contender designed for this very purpose and which applies elements of abstract moral philosophy to the business domain in selective fashion. In many ways, it may be seen as an attempted merger of the dominant egoistic paradigm and the deontological theory discussed above.

According to Amitai Etzioni (2003, p.107), "There are now two fundamentally different paradigms of social science." The first is the egoistic, neoclassical paradigm. The second has been developed from the ideas in his book *The Moral Dimension* (1988), where he mounts one of the most direct intellectual challenges to the underlying assumptions of the egoistic paradigm in what he refers to as the "I and We" or "socio-economic" paradigm. Simply put, Etzioni attempts to infuse the dominant model with a moral, value-laden dimension. In this way, his project can be seen as a response to Jones' (1983) call for a business paradigm that integrates business and society on normative, descriptive and prescriptive levels. Both Etzioni and Jones see 'social control of business' as the requisite solution for addressing conflicts at the intersection of business and society. Some of the key differences between Etzioni's assumptions and those of the dominant paradigm are outlined in *Table 3.1*.

Etzioni's socio-economic paradigm certainly represents a different way of looking at the world and, accordingly, challenges key egoistic assumptions. According to this perspective, people have two or

more goals to pursue: self-interest and the moral commitments established by one's community (e.g. society). These are positioned as internally conflicted "utilities", pulling individual decision-makers in opposing directions. Only by heeding the influence of moral commitments, which imbue short-term interests with a long-term perspective, are individuals deemed capable of persevering over time.

According to the egoism already described, people have a limited capacity to reason. As asserted by the socio-economic paradigm, this intellectual limitation typically forces actors to make sub-rational decisions (Etzioni, 2003). Where Kant might suggest that actors *shouldn't* pursue egoistic ends, socio-economics insists that actors can't, or typically don't, pursue such ends in the manner egoism suggests. Instead, socio-economics suggests that most choices require more than rational information processing; decisions are based largely on values and emotions. This is because deliberation of rationally-calculated outcomes is too inefficient for practical use.

As indicated in the very label Etzioni uses to refer to this paradigm, the "socio-economic" perspective presents a conflicted reality. Inherent conflict is found at various levels of the "social capsule" in which business operates (Etzioni, 2003, p.116). The collective and the individual are given equal standing, while drawn as perpetually in conflict. Self-interest conflicts with moral commitment; rational outcomes battle values and emotions; people are socially determined and determining; political power counteracts economic power. According to this paradigm, unregulated competition is a path to self-destruction, so government needs to defend rules and prevent violence. When in doubt (which seems an imminent prospect), the paradigm subtly prefers the "socio" over the "economic".

Highlighting these conflicts may provide the needed dose of reality that can eventually lead to a coordinated resolution, but thus far in socio-economics, the conflict is what is salient. The most fundamental of these conflicts is revealed in the socio-economic claim that deontology can be added to self-interested pursuits as a corrective mechanism (Swanson, 1992). Such a combination assumes that the key assumptions underlying diverse moral philosophies are compatible. This is a questionable if not fundamentally flawed proposition from the perspective of philosophy (MacIntyre, 1985), and in practical terms, it creates a complicated mixing of moral theories that pushes the benefits of the paradigm even further from the realm of practice.

As if acknowledging the potential stalemate of this merger, Etzioni's logic subtly requires rationally-derived pleasures to acquiesce to value-derived duties in an unrealistic hope for peaceful coexistence (Swanson, 1992). Etzioni (2003, p.117) claims that "deontological conceptions set the context within which utilitarian orientations- pleasure, self-interest and rationality- are operative". So rather than attempt to replace the simplistic power of self-interest, socio-economics mediates (Shaw & Zoller, 1993) and subsumes self-interest by placing it on a morally just playing field. Self-interest is thus permitted and encouraged within the bounds of political governance and socially-determined obligations.

Socio-economics has attempted the difficult task of harmonizing opposing facets of economic reality, but does a better job of highlighting the opposition than it does in providing a harmonious way forward. Socio-economics knowingly sacrifices precise direction in the quest for greater scope (Etzioni, 1988, p.16). It may more accurately depict business reality than egoism (or deontology), and such a view may prove suitable to theoreticians and policy-makers, but it seems woefully ambiguous for business practitioners. We await attempts to ascertain whether the claims of socio-economics are borne out in institutional practice (Shaw & Zoller, 1993).

In her critique of socio-economics, Swanson asserts that both it and the dominant paradigm are flawed from the perspective of human experience in context, concluding that neither approach is "based upon assumptions about individual nature which capture the complexities of human behaviour within business institutions" (Swanson, 1992, p.552). Egoism offers a mandate that simplifies the way forward through complex waters, whereas the perpetual tensions within socio-economics seem simply to confirm that the water is murky and turbulent.

Contending Paradigms

Feature	Dominant Egoistic Paradigm	Bowie's Kantian Perspective	Etzioni's Socio-Economic Paradigm	Aristotle's Virtue Paradigm
<i>Moral Framework:</i>	Egoism	Deontology	Pleasure + Duty (utilitarianism within deontology)	Theory of Virtue
<i>Type</i>	Consequentialist	Deontological	Deontological and Consequentialist	Traditional Teleology
<i>Organisational Purpose:</i>	Maximize shareholder value	Provide meaningful work for employees	Sustainable competition	Excellence of a specific practice and people
<i>Individual Purpose:</i>	Pursue self-interested desires and interests	Self-realization	Individual self-interest within collective moral commitments	Excellence of a specific practice and people
<i>Business Is...</i>	A system of competitive individuals	A system of defined rights and duties	A competitive sub-system of society	A shared community with noble aspirations
<i>Point of Focus:</i>	Rational outcomes for autonomous decision-makers	Reasonable principles for right action	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 have free will and the autonomous, rational capacity to make right judgments	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	Individuals should voluntarily participate according to a common moral code	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	Intentional morality; Duty, respect and fairness	Contained competition; Responsible autonomy	Purposeful morality; Practical wisdom; Individual character
<i>Analogous Maxim:</i>	"He who dies with the most toys wins"	"Do as you would be done by"	"Let's have a clean fight"	"It's not just whether you win or lose, it's how and why you play that matters"
<i>Common Label:</i>	Efficiency	Moral Obligation	"I and We"	Excellence
<i>Change Agent:</i>	N/A (dominant)	Corporate Manager	Public Policy	Entrepreneur
<i>Social Ideal:</i>	Achieving Society	Just Society	Stable Society	Flourishing Society
<i>Elevated Ideal:</i>	Self-interested, rational and autonomous individuals	"Kingdom of ends"; equal autonomy under equal obligations	Collective morality keeps competitive individuals in check	Noble citizens pursuing collective aims with integrity

Source: Author's synthesis

Table 3.1

The Virtue Paradigm

The contending paradigm that we will next consider is a representative of the teleological perspective. Specifically, we will consider Aristotle's theory of virtue as the most promising representative of this pre-modern category of moral theory (MacIntyre, 1985, p.118). The virtue perspective casts an entirely different light on many of the pressing issues facing modern business, as suggested in *Table 3.1*. It may seem odd to suggest that so ancient a perspective can serve as a

new, even revolutionary, paradigm. Only based upon the relative difference between it and the dominant paradigm is such a claim justified.

First, a word of warning seems appropriate. To attempt such an exploration, it will require the recovery of concepts, terms and perspectives that have largely lost their meaning (MacIntyre, 1985, 226) during (and as a result of) the reign of egoism and prominent moral philosophies. To the scholars that have become accustomed to these prominent theories, knowingly or not, this view of the world may seem as foreign as the ancient Greek context from which it has been excavated. Still, it is hoped that in the following extension of the Aristotelian framework provided by MacIntyre (1985), the theory of virtue will be developed such that we can begin to honestly explore its paradigmatic value. This extension begins by seeking an Aristotelian answer to the question: What is the purpose of business?

Aristotle is renowned for his determined investigation of matters pertaining to purpose, although his primary concern was the political sphere of the Athenian city-state. He was particularly interested with unifying conduct toward an ultimate ideal that would result in the simultaneous flourishing of the city-state and its citizens. 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. The virtuous, teleological end is very different from that which egoism or other consequentialist theories are directed.³

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). As such, it is morally reprehensible to purposefully act upon immoral or purely self-interested motives. The theory of virtue suggests that without virtuous purpose, our

³ Some have attempted to meld the teleological perspective with that of egoism. According to Sternberg (2000, p.42), for example, the teleological purpose of business is cast as an extension of Friedman: “maximizing owner value over the long term by selling goods or services”. Thus, it is important to note that not all teleological pursuits are virtuous pursuits. Aristotle’s virtue is antithetical to such an emphasis on external rewards.

institutions may find themselves limited, not by their capacity to achieve desired outcomes, but by the size of the outcomes they seek to achieve.

Only when we have defined a virtuous purpose for our institutions can we begin to establish the excellent qualities to support such a mandate. The virtues are 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).

For any given practice, 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. As will be considered in detail later, Aristotelian logic distinguishes such action as the mere simulacra of virtue. To act virtuously for the sake of increasing external rewards (e.g. profit or competitive advantage) severs the link to a proper purpose, taints moral character and intent, and disqualifies the authentic virtue of the action. Genuine virtues are justified on teleological purpose and applied, intentionally, via individual character.

By this account, mankind is considered a social animal with specific roles to fill. Excellence requires a habitual disposition to choose the good demanded by, and balanced between, these different roles. To maintain the integrity of the whole life, individuals must take it upon themselves to exercise character and practical wisdom, based on ‘facts’ as well as ‘values’, in particular circumstances. Importantly, autonomous individuals cannot define their own roles apart from the social traditions and ongoing narrative of a contextual setting.

While Aristotelian notions of virtue are all but forgotten in the modern market society, values are not. The renewed interest in organisational values and culture indicate a thawing of purely rational and mechanistic conceptions of the workplace in favour of a virtue perspective (Solomon, 2004). Furthermore, the suggested benefits of shared values imply that individualistic notions of self-interested workers may also be giving way. However, it is 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). To be a moral virtue, a quality would need to be understood as capable of building individual character as required of a virtuous purpose. Unlike values, Aristotelian virtue is directed toward what is best for a given practice and carries strategic as well as normative weight.

Additionally, values are relatively autonomous. In themselves, they possess no requisite link to any larger objective or regulating mechanism. This is problematic when values conflict with each other or with the assumptions of their institutional setting. For example, what happens when the same organisation holds strongly to the value of creativity as well as frugality? These can conflict when the creative costs attributed to product design begin to exceed the expectations of a company that considers itself frugal. There may be a tacit understanding within an organisation that when the two conflict, employees should error on the side of frugality, but the values themselves do not contain any intrinsic mechanism for breaking the stalemate. With virtues, such connections are more explicitly prioritized by purpose. Values lack the purposeful link and conceptual weighting which lend virtue its pragmatic power. Virtues are meant to be exercised in practical judgments, habitualized with frequent use and gradually adopted as a stable part of one's character. "A person may value courage, but never do anything brave or heroic. Whereas one cannot possess the virtue of courage unless he or she has done something courageous" (Ciulla, 1999, p.166). Thus, any genuine account of the virtues must be linked to a virtuous purpose, and exercised in practice, if it hopes to avoid deterioration to the status of mere values.

Paradigmatic Contenders and Criteria

What has been attempted here falls well short of an 'apples to apples' comparison between contending paradigms. As should be clear by now, each paradigm has its own unique affiliation to moral philosophy, methods of interpretation, and preferred direction for application. Both Bowie and Etzioni claim to be at the beginning stages of developing their respective models, so added clarity may be found in future instalments. Charting these paradigms in this way is simply meant to facilitate the discussion and ongoing search for a revolutionary alternative. To include the key

features of four such ideal types in these few pages, I have not detailed the important variations and further claims of each.

In egoism, we find a simple yet powerful mandate that has proven insufficient for complex issues of the modern marketplace. To guide our efforts in evaluating the contending paradigms, it is helpful to return to three criteria proposed by Soule (2002) for such a purpose: *comprehension*, *relevance* and *comprehensiveness*. If we are to find a suitable alternative, it will need to contain a powerful mandate and satisfy criteria such as these.

Of these paradigmatic contenders, this research suggests that Aristotelian virtue conceptually satisfies Soule's three criteria and provides the best answer to the question: What is the purpose of business? The theory of virtue addresses purpose as part of a comprehensive set of paradigmatic assumptions. It provides the necessary criteria for defining a virtuous purpose, but because it requires particularity, or *relevance*, it does not attempt to prescribe one. Virtue provides the recipe by which any organisation can define its own purposeful excellence. As evaluated by the three components of moral analysis displayed previously (*page 17*), Aristotelian virtue is just as focused on outcomes as are consequentialist theories, but the way in which that outcome is defined is materially different, as explained by its intrinsic concern for moral, social and even historical dimensions.

"Virtue ethics is sometimes described as emphasizing the character traits of the agent, while utilitarianism concentrates on outcomes and deontological ethics on the act itself. However, this description of virtue ethics is somewhat misleading because outcome and act are central to the workings of a virtue ethics such as Aristotle's." (Koehn, 1995, p.533)

Furthermore, according to Koehn (1995, p.534), virtue is just as concerned as deontological philosophy with the act itself. Also aligned with Kantian deontology, virtue places a high value on pure motives, although Aristotle uniquely highlights the moral character of the actor in such evaluations. In these ways, teleological virtue is seen to offer insights overlooked by consequentialist and deontological philosophies (Koehn, 1995), offering the best of each without the insufficiencies of either (Macdonald & Beck-Dudley, 1994, p.622). In this way, the theory of virtue is certainly the most *comprehensive* of the three.

Egoism boasts a compelling practical mandate, and only the virtue paradigm offers a similar promise in the form of a solitary guiding objective, or purpose, to aid in *comprehension*. On one level,

defining a virtuous purpose is more difficult as it calls for accommodating the interests of specific individuals and collective interests. One size cannot be construed to fit all. Yet once this mandate is established, the potential for conflicting interests is reduced because virtue is cast as a single objective that subsumes individual interests within a common, voluntary aspiration. Unlike egoism, which asserts that we cannot expect individuals to pursue more than their own interest and desires, virtue assumes that individuals can and should use their decisions to imbue business activity with something more. What virtue lacks in generalisation and predictability, it makes up for in relative meaning, or *relevance*. Unified by a common teleological ideal, organisations are expected to excel in a way that satisfies moral and social criteria for human flourishing.

Kantian ethics is theoretically persuasive and provides a blueprint for determining the most basic, universal principles by which business should be conducted. Yet the technical interpretation it requires, and its inability to differentiate between particular and exceptional contexts, dent its *comprehension* and *relevance* for practical application. This model has identified certain 'enlightened' management practices, while an Aristotelian lens requires an enlightenment of the *raison d'être* of the commercial endeavour, making it much more *comprehensive*. Bowie has made a significant contribution, as has Frank (1988), in highlighting the vital importance of motives and doing the right thing in the right way for the right reasons. In this manner, Kant departs drastically from the dominant paradigm, yet is in wholehearted agreement with Aristotelian virtue, which adds concern for the right context and character.

Compared to egoism, socio-economics does indeed present a more complicated picture of the social setting in which decisions must be made, and one that is more *comprehensible* than the Kantian model. The system of conflicting interests may depict reality with great accuracy. Unfortunately, the strength of the egoistic paradigm is the weakness of socio-economics: there is no clear mandate for deciding between conflicts in a practical business setting. The confusing system of inherent conflict it presents could be absolved if it came with a code for deciphering how it should be made operational, but it is not clear if such a key exists or is intended. In contrast, a virtue paradigm acknowledges these competing interests and unifies them at the deepest, most *comprehensive* level of all: that of purpose. In making this core assumption an explicit guide, conflicts between reason, values and principles are significantly mitigated.

Virtue elevates the excellent ideal and thus avoids the levelling tendency of deontological ethics (Koehn, 1995). Deontological theories are compelling for their ability to capture what is common

among all members of a given community, but unfortunately, they lack the ideological power to inspire actors to live beyond this realm of obligation. Bowie has acknowledged that there is something “inspiring” about expositions on Aristotelian virtue (1999, p.4), a claim that is hard to apply to Kant’s obligations. Virtue is meant to be a voluntary aspiration to live above the moral minimum. One of the greatest strengths of Aristotelian virtue is its capacity to continually inspire individuals and communities toward a better potential than they will ever achieve, and thus avoid the passive tendencies of theory concerned with what applies universally, albeit unremarkably. Deontology points to ordinary duties while virtue points to an extraordinary good, one that requires the actor to actively work toward its development. Virtue would have companies set their aspirations on excellence rather than generally-applicable expectations.

True, this particularization does distinguish the theory of virtue from other moral philosophies. Yet the virtue paradigm gains its practical *relevance* by being intrinsically tied to a specific practice and three vital groups of stakeholders (i.e. individuals, institution and society). The basis for selecting and balancing these stakeholders will be covered in greater detail later. For now, it seems appropriate to suggest that the further virtue is abstracted from a given social context, the more *comprehension* and *relevance* seems lost in the trade-off, until virtue begins to resemble the passive principles of a deontological ethic abstracted from particular purpose. As a result, the purpose and specific virtues of a practice require relative specificity (Solomon, 2004) and a keen sense for practical implications. It seems the one element of Aristotelian virtue that does hold a *comprehensive*, universal appeal across all contexts is the paradigmatic framework itself. Unfortunately, it is this very facility to serve as a sense-making and sense-giving framework that has been most neglected during the reign of egoism and post-Enlightenment theory. The true power of Aristotelian virtue is not in individual virtues or the useful habits it can be used to generate; it is in the purposeful meaning and conceptual alignment it imbues on a given social context.

Conclusion

To sum up our discussion of contending paradigms, the egoist values what is good (rational self-interest) over what is right, Kant values what is right over the egoist’s good, socio-economics mediates the egoist’s good with what is right, and virtue sees no difference between the right and *the* good of a given practice. In the debate for an alternative paradigm, this discussion has begun by identifying a compelling purpose for business endeavours, and satisfying the criteria of *comprehension*, *relevance*, and *comprehensiveness*. This has been accomplished, not by creating some new model, but by considering the profound wisdom of ancient Greece. This project contributes to the debate by

suggesting alternatives to the organisational purpose and other assumptions avowed by egoism. In Aristotle, we may find a pre-modern paradigm that offers more convincing answers to our modern dilemmas.

“There is growing consensus that people today need a new paradigm to move beyond the traps of conventional thinking. In truth, we may need to rediscover and renew an old paradigm, one deeply embedded in traditional wisdom.” (Bolman & Deal, 2001, p.42)

Revised Research Question

The original research question queried whether we could identify an adequate theory for moral adjudication between the oft-conflicting realms of business and society. In virtue, this project has identified a promising contender. As such, a revised research question reads as follows:

How, if at all, does Aristotle’s theory of virtue contribute to a better understanding of the strategic and normative issues at the intersection of business and society?

Purpose Statement

The above research question is instructive in shaping the following summary statement designed to describe the motivating aim of this research:

The purpose of this study is to explore the applicability of Aristotle’s theory of virtue for business. In attempting to ground this theory, and in order to explore the plausible value of this paradigm for addressing the pressing issues at the intersection of business and society, an inductive approach is used to develop and compare the mechanisms for cultural sensemaking found in five comparable organisations.

Toward this end, the following section begins by delineating Aristotle’s theory of virtue in detail.

CHAPTER 4

ARISTOTLE'S THEORY OF VIRTUE

Before attempting to ground the theory of virtue, and explore its application to business, it is necessary to delineate some of its key components and distinctive features. In what follows, Aristotelian concepts are considered for their potential value and logic in addressing the competing interests, assumptions and values at the intersection of business and society. Because of the relative obscurity of these concepts and the novelty of the attempted application, the following will attempt to describe Aristotelian concepts in detail while philosophically and historically rooting the theory as a paradigm akin to those we've already considered.

Aristotelianism is philosophically the most powerful of pre-modern modes of moral thought. If a premodern view of morals and politics is to be vindicated against modernity, it will be on something like Aristotelian terms or not at all. (MacIntyre, 1985, p.118)

Among those moral frameworks labelled 'teleological', Aristotle's theory of virtue represents the most promising and comprehensive. 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 in an attempt to balance the competing demands of individual, institutional and societal interests. Much of the logic he developed, however, still holds profound implications for the competing social spheres of our time (Wijnberg, 2000). The following discussion of virtue is developed in the interest of outlining and recapping some of the relevant fundamentals of Aristotelian thought, much of which has been drawn from his *Nichomachean Ethics* (1976).

Aristotle was concerned with doing and being according to a given *telos*, or purpose for life. Acknowledging this purpose in our social settings requires an intellectual and moral agreement toward collective aspirations (MacIntyre, 1995). Virtue is seen as excellence in pursuit of a specific purpose and in fulfilment of one's role as a citizen of something greater than oneself. To reiterate a distinctive claim of the theory of virtue mentioned previously:

"So therefore... the excellence (virtue) of man will also be the state which makes a man good and which makes him do his own work well." (Aristotle, 1976, 1106a20-b9)

Virtue is also deemed an excellent pursuit for its own sake, conveying its own sufficient rewards. The virtuous person will habitually exercise the intellectual and moral excellence that can sustain their best individual and collective aspirations. An important element is required to navigate and balance these interests between groups and between each other, and this is found in 'practical wisdom'. In this simple summary of some key Aristotelian concepts, one can begin to see how it is that the citizen, city and tradition may all be found to flourish. Conflicting interest groups are seen as united toward a common ideal, and their capacity to reach respective interests is systematically extended by this pursuit. These concepts will be considered in greater detail later.

Virtues During the Enlightenment

Adam Smith had much to say about virtue and its effect on the people who made up free market economies. Although many of his thoughts on free markets are contained in *The Wealth of Nations*, it is in his earlier book, *The Theory of Moral Sentiments*, where he formulates the bulk of his thoughts about the virtues and the moral character of mankind (Calkins & Werhane, 1998). To Smith, the "man of most perfect virtue" is the one that...

"joins, to the most perfect command of his own original and selfish feelings, the most exquisite sensibility both to the original and sympathetic feelings of others. The man who, to all the soft, the amiable, and the gentle virtues, joins all the great, the awful, and the respectable, must surely be the natural and proper object of our highest love and admiration." (Smith, 1986, p.108)

Smith had a keen recognition of the difficulty in discriminating between self-interested passions and greed. He claimed that seeking to find the right balance would necessitate "the best head joined to the best heart. It is the most perfect wisdom joined with the most perfect virtue." (Smith, 1986, p.135). Although speaking about a generalised person, not particularly one in business, he has in the following statement suggested where this balance finds its best harmony: "the wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest of his own particular order or society" (Smith, 1986, p.141). Ironically, this is not the side of Smith that is generally acknowledged today. In Smith's *Invisible Hand*, the capitalist experiment has found a suitable justification for the unabashed pursuit of self-interested behaviour, and that behaviour seems, over time, to have obscured the balancing conditions assumed in Smith's original writings (Calkins & Werhane, 1998).

Albert Hirschman (c.f. Maitland, 1997) has presented the case that the Enlightenment moralists saw commercial society as a moralising force. It is an odd twist, then, that although the capitalist *system* is so popularly attributed to the founding thoughts of Adam Smith, the virtuous *spirit* that he optimistically associated with individuals, and their conduct, is less well known. Outside certain academic circles, many business practitioners might be surprised to know that Adam Smith had anything to say about virtue, or that virtue ever held so esteemed a position within the early concepts of capitalism. Yet, as Griswold (1999, p.179) points out,

"Virtue occupies Smith's attention throughout The Theory of Moral Sentiments and is the chief topic of an entire section (Part VI). Virtue is the 'natural object of esteem, honour, and approbation'; it is that on which moral evaluation focuses (VII.i.2). 'Virtue is excellence, something uncommonly great and beautiful' (I.i.5.6), and that excellence concerns primarily the perfection of self, though we also speak of virtuous or vicious action or conduct. Morality is to be understood primarily in terms of an ethics of character."

"Much of Smith's ethical theory consists in discussion of specific virtues and of the characters who embody them. The cardinal virtues for Smith are self-command, prudence, benevolence, and justice. ...Although Smith provides no complete list of the virtues, some candidates are certainly excluded, most obviously those he associates with the 'futile mortifications of the monastery.'" (Griswold, 1999, p.202)

One of Smith's archetypal characters is the warrior-hero, a magnanimous and masculine individual who was also an archetypal character, or representative, of the ancient Greek notion of virtue. In this, as in other ways, Smith's conception of virtue reflects that of a much earlier philosopher, Aristotle. It is thus possible to see the truth in what Joseph Schumpeter (1954, p.184) suggested: "*The Wealth of Nations* does not contain a single analytic idea, principle, or method that was entirely new in 1776." What Smith did do, however, was turn "a classical virtue theory into a case for the virtues in commerce" (Calkins & Werhane, 1998, p.50).

Aristotle's notion of virtue is widely interpreted as a "highly functional performance in respect to a specific purpose" that "renders good the thing itself of which it is the excellence and causes it to perform its function well" (Aristotle, 1976; MacIntyre, 1985). This logic is similar to Smith's idea, that virtue aligns us with our proper form and is a means whereby we cooperate with the plans of the 'Author of Nature'. However, one area in which they differ significantly is in the ultimate end or purpose which the virtues serve. Whereas Aristotle saw a preconceived ultimate end tied to the

teleological conception of our humanity (MacIntyre, 1985), Smith imagined virtuous action as being justified by our concern for rewards and their utility. For this Smith is accused of re-describing Aristotelian virtue “to produce a practical theory devoid of a *telos*” (Calkins & Werhane, 1998, p.55). This is an important distinction, because, using Smith’s notion, exercising prudence in one’s business dealings could be construed to serve the egoistic utility of increasing one’s reputation or wealth. For Aristotle, prudence is a goal that carries its own justification and is pursued for its intrinsic value. For Smith, the end seems to justify the means whereas Aristotle judges particular actions based upon ends, means and a given actor’s motivating intent.

Modern Notions of Virtue

“When we now speak of virtue, we no longer think of the classical virtues of wisdom, justice, temperance, and courage, or the Christian ones of faith, hope and charity, or even such Victorian ones as work, thrift, cleanliness, and self-reliance. Today, virtue is often understood in its sexual connotations of chastity and marital infidelity. Indeed, the philosopher Leo Strauss commented that one of the great mysteries of Western thought is, ‘how a word which used to mean the manliness of man has come to mean the chastity of women’.”
(Himmelfarb, 1995, p.15)

In the realm of commerce, the word virtue has lost its purchase as a practical notion within the free-market economy, despite its rich history. Virtue is often viewed with the sort of nostalgia that we attribute to the Puritanical values of a distant era, one remote and with limited relevance to our own. MacIntyre (1985, p.226) concludes “the dominant lists of the virtues have changed, the conception of individual virtues has changed and the concept of a virtue itself has become other than what it was.”

Still, recent years have seen something of a revival of, and interest in, Aristotelian virtue and its unique properties for addressing social and business issues (Whetstone, 1995; Dyck & Kleyson, 2001, p.564). In the contemporary business environment, however, virtue is rarely recalled along lines resembling the holistic blueprint left by Aristotle.

Postponed

When mentioned, virtue and the character qualities that it represents are often spoken of as traits to employ after more urgent economic and other issues have been resolved. For example, it is not uncommon for corporations to encourage their workers to put in unreasonable hours for a few

years with the understanding that there may be a convenient time to dwell on the other aspects of a whole life at some point in the future.

On a macro-level, this logic is perhaps most succinctly described in the words of John Maynard Keynes, as found in his 1930 essay *Economic Possibilities for our Grandchildren*. He asserts that once the “economic problem” of the human race had been addressed, we would then be free...

“to return to some of the most sure and certain principles of religion and traditional virtue—that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable...(that) we shall once more value ends above means and prefer the good to the useful. But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair, for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.” (Keynes, 1972, c.f. in Moore, 2003, p.43 (emphasis added))

While the language is perhaps exaggerated, the point he is trying to make is clear. Interestingly, Keynes’ prediction points to a time 25 years from now when we can revisit notions of “traditional virtue”. Yet as Moore (2003, p.43) remarks,

“I doubt, however, that in 2030 we will lay down avarice and usury and precaution and take up again the principles of traditional virtue; avarice is too embedded, institutionalised and hence legitimised, for that to happen.”

For the individual business manager or for the market environment on a larger scale, it is not easy to change habits and perceptions that have been postponed for so long in favour of a consequentialist concern for what is “useful”. In many cases, the “economic problem” is never satisfactorily addressed, leading to infinite postponement of these less tangible aspirations.

Hijacked

“We have in short, adopted a “market mentality,” as Karl Polanyi termed it some years ago, that reifies the economic institutions we have created, turning them into forces we no longer believe we can control or even resist, but at the same time making of this necessity a moral virtue.” (Wuthnow, 1996, p.55)

In this sentiment we can see how we may have extended Smith's *Invisible Hand* rationale too far. While it may be true that we *need* to pursue our own self-interests, it is a very different thing to assume that this need can override all other needs, regardless of the context and conditions.

A related concern is expressed when considering recent statements by practitioners and scholars. Corporate social responsibility, business ethics and even virtue are increasingly flaunted in corporate communications, but these are often viewed suspiciously by the public. Admirable sentiments seem imminently vulnerable to accusations that they are selfishly motivated; examples of doing the right thing for the wrong reasons. What seems to be motivated by a genuine concern for others may instead be motivated by the need for good PR or a higher share price. Aristotle (as well as Kant) would find fault with such practices as lacking pure intent. What appears to be virtuous behaviour may simply be the simulacra of virtue being put to the use of self-interest or greed (MacIntyre, 1985, p.196). Some disapprove of such behaviour as mere "enlightened egoism" (Crane & Matten, 2004, p.83), or using virtue in the service of vice (Moore, 2003). Yet in a social system where the outcome of the action is placed above the character of the actor, this behaviour is easy to condone or even congratulate.

Diluted

Contemporary proponents for applying Aristotelian concepts to the modern business context have noted the entrenched nature of the prominent moral philosophies of our day: consequentialism and deontology. Philosophers acknowledge that they are not entirely satisfied with the moral reasoning encapsulated in these prominent schools of moral thought (Donaldson et al., 2002). Louden (1984) goes so far as to suggest that a virtue perspective needs to be included in any adequate moral evaluation. Yet the modern task of defending a theory of virtue against the assumptions and contentions held in these moral philosophies seems a lifelong task (Hursthouse, 1997, p.237). Indeed, the differences between the traditional teleological perspective and these more prominent moral philosophies are typically deemed so deep that to hold one view, one must abandon the others as incommensurable.

An alternative tact has been employed in what Whetstone (2001, p.101, 110, 112) calls "an interactive tripartite approach" that combines elements of teleology, consequentialism and deontology:

“For a more balanced ethic, all three ethics perspectives are needed. The reality of complex issues suggests a need for developing a practical, user-friendly decision model combining act-oriented approaches with attention to the virtues and vices of human character. In practice, a complete ethic needs to be person-centred and act-focused, dynamic as well as static, developmental and decision-focused and contextually adaptable.”

In other words, Whetstone suggests that we can take the best of all three moral philosophies in order to build a moral super-philosophy. Incommensurability is not seen to be an issue, despite what proponents of a “strong virtue ethic” might say (Whetstone, 2001, p.102). Indeed, this approach seems to acknowledge the strength of the prominent moral philosophies, but asserts that ‘If you can’t beat them, join them’.

In scholarly circles, this approach seems to be increasingly common. Those that adhere to the “strong” view of Aristotelian virtue may find that they need to remain satisfied to hold a marginalised, minority viewpoint outside the mainstream literature. On the other hand, it is fairly easy to conceptually mix and match the most promising components of virtue, deontology and consequentialist theory into a grid that covers all the foci of moral reasoning. This is an approach that is particularly popular in business ethics textbooks, as utilised by Hosmer (1994) in his prescription of 10 principles that are hoped to guide the decision-maker, or in DeGeorge’s (1999) multiple “Steps of a General Moral Analysis”. Such approaches do not require consequentialist or deontological logic to be deposed, just added to. If a list of questions can help any student to arrive at the ‘right’ answer, then adding a question that considers the ‘character’ of the actor or the particular context of the issue, may provide the additive element that deontological and consequentialist questions overlook. If comprehensiveness is the goal, this seems the preferred way forward for many scholars.

Unfortunately, the primary reason that the pressing moral issues in business haven’t been solved by deontology and consequentialist theory seems less to do with comprehensiveness than it has to do with its capacity to meaningfully translate to practical application (Stark, 1993). In fact, creating long lists of moral criteria for making business decisions seems likely to push the practical value of such criteria beyond the reach of the typical employee and the common moral dilemma. Beyond the philosophical case against mixing incommensurable paradigms (Kuhn, 1970), such attempts also beg the question: If the average business person cannot adequately incorporate one moral philosophy into their business dealings, how will they wield three at once? Moreover, if the theory of virtue contains the best of deontology and consequentialism while avoiding their limitations

(MacDonald & Beck-Dudley, 1994), then such attempts seem unnecessary. Combining the best of all moral philosophies certainly has significant intellectual appeal, but in practical terms, diluting Aristotelian virtue in this way seems more likely to confuse and abstract the discussion from organisational reality.

Recalled

On the increasing number of occasions when we see virtue used within the Western commercial enterprise, with anything close to the meaning historically associated with the term, it is often in lament of its absence. The concept retains enough meaning that some have begun to hark back to it for the benefit of our present-day commerce and society. However, because the concept has transmuted, unless we use a rigorous philosophical framework in its recovery, any revived concept of virtue seems susceptible to the same mutations that it has fallen prey to since the Enlightenment.

Speaking of the market as a regenerative source of the virtues, Maitland (1997, p.21) asserts that “virtues” such as trustworthiness, self-control, sympathy and fairness are in fact being nurtured by present marketplace activity where they serve to “lubricate the workings of a market economy”. In this way Maitland joins others (Machan, 1999) who see the value in the historical concept of virtue, yet optimistically claim it is alive and well in current business practice.

In a less sanguine treatise on the topic, *Trust: the Social Virtues and the Creation of Prosperity*, Francis Fukuyama (1995, p.362) offers a bold prediction:

“Now that the question of ideology and institutions has been settled, the preservation and accumulation of social capital will occupy centre stage.”

In his critique of the current economic order, Fukuyama pronounces that our liberal democratic political system, as joined with the free-market economy, is the best solution that we and other cultures have been able to identify. It has survived the relative failure of communism, social engineering and all the other ideological perspectives that history has produced. He claims that how we must now turn our attention to the third interdependent pillar of a successful cultural order: the social capital on which politics and the economy rely.

"It has been argued that the market itself constitutes a school for sociability...but sociability does not simply emerge...(it) is dependent on prior habits, traditions and norms, which themselves serve to structure the market. (1995, p.356)

Fukuyama speaks of the social virtues that may best serve to defend and replenish the stock of social capital in individualised countries like the United States. Fukuyama (1995, p.351) offers the following list of social virtues, contending that without them we cannot incubate individual virtues or sustain liveable communities: trust, honesty, reliability, cooperativeness, a sense of duty to others, self-sacrifice, pride and charity. At a time when the economic prowess of capitalism was near its peak, Fukuyama acknowledges that his concerns may appear to be sounding a false alarm. Nonetheless, he cautions that the depletion of social capital, and the absence of the virtues that build it, will have dire consequences. His logic suggests that a depletion of social capital can occur without triggering any of the financial, competitive or other prominent measures, permitting the depletion to go unnoticed for long periods of time. Yet Fukuyama (1995, p.321) warns that once the social virtues are gone, it may be difficult or impossible to replenish their stock. This argument clearly places virtues at the centre of a healthy society, but agrees with others (MacIntyre, 1985, p.194) in highlighting the susceptibility of the virtues to competitive forces and institutions.

Importantly, lists of virtuous attributes, such as Fukuyama's and Maitland's, are akin to loosely defined personality traits. These 'virtues' lack the philosophical grounding and Aristotelian flavour which MacIntyre offers in the recovery of virtue which he has championed.

MacIntyre and the Recovery of Virtue Theory

"Alasdair MacIntyre is generally regarded as the most interesting, influential, and provocative figure in moral philosophy today." (Mangham, 1995, p.181)

Alasdair MacIntyre has been one of the most prominent of those seeking to rebuild a meaningful notion of Aristotle's theory of virtue for our modern context. MacIntyre has contributed a foundation upon which scholarly efforts can develop and apply this teleological perspective.

The Virtue Framework

In his seminal work, *After Virtue*, MacIntyre (1985) argues that in every culture, in every tradition, there emerges particular "characters" who assume the role of moral ambassadors for their given environment. These are the individuals that embody the goals and aspirations of a given society.

Most, if not all, members of a given tradition respect them for their victories over conflict and revere them through stories passed down to future generations. After painstakingly tracing the identity of these “heroes” through a wide array of historical periods, MacIntyre (1985, p.228) offers the following assessment of our present place in history: “the bureaucratic manager- the essential instrument for organising modern work - and their social kindred become the central characters of modern society”.

MacIntyre’s disparaging views of business and the characterisation he makes of the ‘bureaucratic manager’ have been a significant part of the reason his treatise has been abandoned, rather than extended, by scholars in the field of business ethics. Those that agree with his analysis (Dobson, 1997), as well as those that find fault with it (Wicks, 1997), are similarly left to question the mere *possibility* of MacIntyre’s conception of virtue within the context of contemporary business. From his intellectual base in moral philosophy, MacIntyre has not attempted, in a concerted or direct fashion, to apply his conception of virtue to the business ethics enterprise (Dobson, 1997, p.125). Both his reluctance to engage in business ethics, and his caustic mannerisms, are summed up in his decision to decline an invitation to address a conference on business ethics, giving as explanation that he wouldn’t attend a conference on business ethics “for the same reason that he wouldn’t attend a conference on astrology” (Beadle, 2002, p.49). In reviewing MacIntyre’s limited treatment of virtue for application toward business, it is noted that his critical views have been at the forefront (Dobson, 1997; Beadle, 2002), leading some to claim that, for purposes of extending his Aristotelian concepts to the business domain “MacIntyre is, in a sense, his own worst enemy” (Moore, 2002, p.19).

Still, there are many in the field of business ethics that see in MacIntyre’s work a unique and much-needed voice (Horvath, 1995; Mangham, 1995; Collier, 1995; 1998; Moore, 2002; *In Press*). Although a vocal critic of the bureaucratic manager, the corporation and capitalism in general, MacIntyre also acknowledges the possibility for a new type of character for our times. According to Mangham (1995, p.199),

“MacIntyre’s new character would be a person with a purpose (a narrative quest), embedded in his/her community, deploying his/her virtues within a tradition that both sustained and was sustained by these same virtues.”

This is a small part of the larger case that MacIntyre makes for redeeming the meaning behind the concept of virtue. His starting premise is that when we consider virtue today, we consider a confused and fragmented notion of Aristotle's concept, one that has been unnaturally pulled from contextual meanings over hundreds of years. MacIntyre revisits the concept as it existed in the tradition and intellectual discourse of Ancient Greece, going on to discuss how such a paradigm may or may not apply in contemporary society. Along the way, he has arguably done more to discourage the application of virtue to business than he has encouraged such a project, still there are a growing number of scholars that have gleaned important elements from MacIntyre's recovery of Aristotelian theory.

"MacIntyre's contribution puts flesh on the bones of virtue ethics in a way which makes it more possible to apply such ethics to the organisation." (Collier, 1995, p.145)

To clarify the construct of virtue as drawn by MacIntyre, we must first review his definition of four key tenets central to the theory of virtue: *practice, virtue, institution* and *tradition*.

Practice

A core tenet of MacIntyre's case is that a meaningful notion of virtue must be grounded and defined in the context of a given practice. MacIntyre (1985, p.187) defines 'practice' as:

"Any coherent and complex form of socially established co-operative human activity through which goods internal to that form of activity are realised in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goals involved, are systematically extended."

So complicated and obtuse a definition begs for a practical application. Since the virtues are contextually dependent and variable, we cannot consider what is excellent, or virtuous, without first identifying a given practice. MacIntyre offers the game of chess by way of illustration. In the practice of chess-playing, there are certain 'internal goods' that, when possessed and exercised, result in excellence. Chess is the practice; the virtues are the particular types of excellence required by the practice of chess-playing. The excellencies of chess may include: "a certain highly particular kind of analytical skill, strategic imagination and competitive intensity" (MacIntyre, 1985, p.188). In these internal goods, the player may

find a new set of reasons for winning on a particular occasion, “for trying to excel in whatever way the game of chess demands” (p.188). On the other hand, the ‘external goods’ of chess-playing are readily identified in the form of prestige, status and perhaps a trophy or monetary prize. Both types of goods are natural, desirable outcomes associated with participation in the game of chess.

Virtue

With this understanding of what is meant by ‘practice’, we can proceed to MacIntyre’s (1985, p.219) definition of the ‘virtues’ as:

“Those dispositions which will not only sustain practices and enable us to achieve the goals internal to practices, but which will also sustain us in the relevant kind of quest for the good, by enabling us to overcome the harms, dangers, temptations and distractions which we encounter and which will furnish us with increasing self-knowledge and increasing knowledge of the good.”

Returning to our analogy of the chess-player, using this definition, we can identify the monetary prize awarded for winning a game as an ‘external good’ while identifying the strategic imagination required as an ‘internal good’, or virtue, for its capacity to sustain the practice and participant in the game of chess.

A clarification is needed here about the meaning of ‘the good’ in MacIntyre’s definition of virtue. MacIntyre uses this phrase as did Aristotle, referring to an ultimate end or *telos* which is an end unto itself. However, he also borrows from the medieval conception of a quest, because this has become an important metaphor for the practices of our day. This leads to a construct of ‘the good’ as that which integrates the good of a particular life into the overall patterns of a tradition informed by a common quest. In other words, there is an intrinsic social aspect to all true virtue in that it can only be understood (or provide understanding) within a given culture shaped by a shared conception of the narrative journey underway. This is important because references to ‘the good’ contain an intrinsic link between the individual’s actions and the wider interests of society.

Such a concept recalls the operation of Adam Smith’s *Invisible Hand*. But as mentioned already, Smith’s notion lacks the teleological link (and explicit social motivation) found in Aristotle’s rationale. MacIntyre’s concept highlights the interplay between the micro and the

macro; the independent and interdependent nature of both individual and society. In these terms, such assumptions are inextricably embedded into the virtuous purpose of any community or institution.

Institution

Just as the virtues find their meaning in and through the practice they inhabit, it is important to note that practices differ from the 'institutions' they reside within. Simply put, the institution is the community setting, or organisation, within which a practice is cultivated. This notion, however, reveals a deeper meaning when we pause to consider the 'balance' between the practice and the organisation in which the practice resides. MacIntyre (1985, p.194) goes on to suggest, "No practices can survive for any length of time unsustained by institutions. The ideals and the creativity of the practice...the co-operative care for common goods of the practice...is always vulnerable to the competitiveness of the institution".

By way of illustration, consider the practice of chess-playing as supported, in a given community, by the local Chess Club. In so doing, we can identify the institution that the practice of chess-playing depends on, and without which, the institution would have no reason for existing. Such an illustration captures the interdependent relationship between practice and institution in a way that may also be extrapolated to businesses.

Tradition

To complete our brief sketch of MacIntyre's conceptual framework we need to describe his notion of 'tradition'. Tradition represents the societal background within which all institutions, practices and virtues must, by their very nature, reside.

By MacIntyre's account, each of these concepts relies on the other. The tradition is the broader cultural quest in which each person lives, the institution is the collective body that houses particular people and practices, the virtues are the excellent qualities which those people and practices require if they are to be fulfilled. The above definitions also highlight the vulnerability and threats which a given practice is subject to, due largely to the interdependent nature of a social context drawn in this way. It is difficult to conceive any practice severed from its institution. Similarly, there is no virtue that can be viewed apart from its tradition. So construed, the nurturing of virtue is largely contingent upon the practice, institution and tradition which provide a developmental context for virtue.

"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.504,505,524)

In this study, MacIntyre's development of Aristotelian concepts has been essential. Key concepts, such as purpose, have been significantly refined for a modern context through his exposition. Yet perhaps the greatest benefit that has been gleaned from MacIntyre's work, for the purposes of this study, is a clearer understanding of the various layers of the social context in which virtue is developed, as well as the dynamic logic by which these oft-competing layers are balanced. This logic will be expanded upon in the following chapter.

Having sketched some of the key Aristotelian concepts defined by MacIntyre, it is now possible to begin shaping the theory of virtue into a conceptual lens which may be applied to the commercial domain. In this way, following the example of Adam Smith, this research intends to apply the concept of virtue to the context of the marketplace. However, this initiative, unlike Smith's, will be careful to cast virtue as part of a complex, dynamic paradigm comprised of central components such as that represented in Aristotle's notion of *telos*.

CHAPTER 5

SHAPING AND DIRECTING A CONCEPTUAL LENS, OR WORKING THEORY, OF VIRTUE

“Virtue theory may be used to re-conceive our fundamental understanding of management.”

(Dyck & Kleysen, 2001, p.561)

Introduction

This chapter attempts to identify the necessary elements of Aristotle’s theory of virtue, as interpreted by MacIntyre (1985), required to relate the theory to contemporary business practice. In what follows, MacIntyre’s framework is used to develop a new conceptual lens for identifying organisational virtue before considering some of the important methodological implications for directing and employing such a lens.

According to MacIntyre, the language and concepts of ancient Greece are all but forgotten (1985, p.226), and even if virtue is being practiced in a modern business context, those practicing it may not know it (1994, p.301). An added challenge is to make the important distinction between virtue with pure intent as opposed to the simulacra of virtue, or virtue for the ‘utility’ it offers. In order to do so, we need to understand how employees relate to one another and to their social context; how they set their priorities and what criteria they use when applying them. Importantly, we must know the reasons *why* they do these things; the motivating intent behind their judgments and actions. Despite the size of such a challenge, and MacIntyre’s bleak outlook on its prospects, there have been some promising developments in the literature to encourage the grounding of the theory of virtue.

An increasing number of management scholars have been drawn to Aristotelian concepts (Tsoukas & Cummings, 1997), often fuelled by dissatisfaction with existing theories for addressing the social and moral issues of business. The value of Aristotelian concepts such as purposeful *community* (Warren, 1996; Manville & Ober, 2003), *social virtues* (Fukuyama, 1995; Maitland, 1997), *social teleology* (Sternberg, 2000; Tsoukas & Cummings, 1997), *practical wisdom* (Tsoukas & Cummings, 1997; Machan, 1999), *narrative* unity (Mangham, 1995; Collier, 1998), individual *character* (Hartman, 1998; Solomon, 2004), business as a *practice* (Collier, 1998; Moore, 2002), and *virtuous organisations*

(Solomon, 1993; Collier, 1995) have all been explored, highlighting their applicability to management scholarship. In the popular business press, Aristotle has also had a warm reception through concepts like *excellence* (Peters & Waterman, 2004), *habits* (Covey, 1992; Collins & Porras, 2000), *character* (Covey, 1992) and *virtuous organisations* (Morris, 1997). The word virtue has even regained a place in the business vernacular of some prominent companies of late. In one notable example, the Chairman and Chief Executive of one of the world's largest and most admired companies, General Electric, has employed "virtue" as one of four guiding themes he intends to focus on during his term in office (Gunther, 2004).

Despite this growing recognition of the value contained in Aristotelian concepts, making the virtues empirically observable in management theory and practice remains problematic (Dyck & Kleyson, 2001, p.564). Even critics of virtue acknowledge that such an approach would be compelling if it could be shown to be more practical than other theories (Boatright, 1995, p.359). But if it cannot "be systematically applied to both individual moral and political questions", it will ultimately prove no more effective than consequentialist or deontological theories (Crisp & Slote, 2003, p.24). Addressing this challenge, Dyck and Kleysen, (2001) have proposed re-conceiving management activity, using Aristotle's four traditional virtues, in the style of Mintzberg's 'roles' or Fayol's 'functions'. To facilitate future research, Shanahan and Hyman (2003) have developed an ethics scale instrument (based on Solomon's (1999) list of 45 virtues) for measuring business virtues. Cameron, Bright and Caza (2004) have sought to make a causal link between an ethos of virtue (based upon 'universal' virtues gleaned from the psychology literature) and organisation performance. Lists of the virtues have been suggested for their application to business in general (Maitland, 1997; Solomon, 1999), to certain types of business (Pellegrino, 2002; Mort et al., 2003), to certain disciplines like marketing (Murphy, 1999) and even to certain circumstances (Seeger & Ulmer, 2001). Dissatisfied with these studies, this research contends that virtue is a richer theory than has been explicitly or tacitly implied. This research finds little credence in studying virtue the way we typically study traits, values, roles or functions. Moreover, any attempt to apply a pre-defined list of 'universal business virtues' risks doing so at the expense of the conceptual and practical power which Aristotelian concepts were meant to express.

Aristotle's theory of virtue is both larger and more particular than tacitly assumed by many of the empirical studies cited above. First, consider the size and scope of the theory. If the theory of virtue represents a new moral and cultural paradigm (Crockett, *In Press*), then it offers a different way of looking at the business world, one that is in many ways incommensurable with management

theory rooted in scientific rationalism (Tsoukas & Cummings, 1997) and contemporary moral theory rooted in Enlightenment ideals (MacIntyre, 1985). Without seeing individual virtues as part of a holistic set of Aristotelian assumptions, efforts will continue to posit components of the theory within the incommensurable assumptions of the dominant paradigm, thus failing to accommodate the demands of either.

There have also been those authors (Solomon, 1993; Collier, 1995; Moore, 2002) that have attempted to outline an Aristotelian perspective, a holistic way of re-framing the practice of business and the institutions that contain them. This holistic fashion seems most consistent with the letter and spirit of Aristotle's writing, and it is along similar lines, toward the creation of a new (or renewed) language and logic for business that the present study is primarily concerned. By applying the theory of virtue to the realm of business, without decoupling it from central Aristotelian concepts, this research hopes to expand upon the work of those authors that see in virtue the promise of a holistic paradigm.

"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)

While there is some agreement that Aristotelian concepts deserve a renewed place in contemporary business, the application of MacIntyre's framework, as the vehicle for doing so, is yet the subject of debate. Beadle (2002) claims that attempts to employ MacIntyre's framework to the business domain are guilty of misappropriating his work. At the same time, others place MacIntyre at the centre of renewed attempts to apply Aristotelian concepts to business (Collier, 1995; 1998; Moore, 1997; 2002; 2005), claiming that MacIntyre's work contains critical elements that are necessary for making such an extension possible (Moore, *In Press*). Still others (Solomon, 1993; Morris, 1997), and particularly those that have written on Aristotelian concepts for a practitioner audience, largely marginalise MacIntyre from the discussion. These authors seem to treat MacIntyre's work as interesting, but because he is so contentious a representative from the ivory tower of moral philosophy, his contribution is not seen to be relevant or essential for coherently translating Aristotelian concepts to business practice.

This research finds a middle ground between the quite literal use of MacIntyre featured in Moore's enterprise (2002; 2005; *In Press*), and those that claim MacIntyre's work is too philosophical or critical (Wicks, 1997; Beadle, 2002) to move the discussion forward. This means that the following use of MacIntyre is based largely on the spirit and definitional framework found in MacIntyre's work, but takes certain liberties to adapt his work in directions not yet considered. A departure from a strictly literal use of MacIntyre is present in this study, due both to the novelty of the chosen application and the aim to empirically ground the theory of virtue in practice. MacIntyre's rich framework was meant to apply to "any coherent and complex socially established cooperative human activity" (1985, p.187), yet some creative license is necessary, and justified, if we are to utilise his framework to move the discussion forward in order to achieve a better understanding of the unique "cooperative human activity" known as business.

Shaping a Lens for Understanding Virtue

To appreciate the basic contentions of the theory of virtue for application toward business, we must first consider the *raison d'être* for which businesses are created. This ultimate purpose is seen to guide and justify each act and actor in context. Aristotle's central concern for distinguishing proper 'ends' from 'means', as we will see, is drastically at odds with consequentialist notions that assert the pre-eminence of tangible results. Thus, Aristotelian purpose is the first orchestrating element of the theory of virtue to consider.

Purpose (telos)

Aristotle referred to the ultimate end-state of the human quest as a *telos* (MacIntyre, 1985). Although often neglected in modern philosophy, teleology pre-dates Aristotle and explains things by reference to their distinctive ends, or ultimate purposes and aspirations. Sternberg (1996; 2000) contends that institutional purpose is critical for focusing and differentiating an institution, thus making a case for using a teleological perspective to determine what constitutes proper moral judgment, conduct and agency in a business setting. Without a teleological perspective, she suggests (1996, p.57), institutions may find themselves falling into a moral hazard: either aspiring to an improper end or aspiring to a proper end in the wrong way. To determine the *telos* of an organisation, Sternberg (1996, p.55) suggests we ask some key questions: What is the institution primarily for? What objective does this institution achieve best? What objective serves to differentiate this institution from all others?

Importantly, Aristotle was more than merely teleological. His theory of virtue asserts that one cannot make adequate judgments without first acknowledging the teleological purpose one aspires to as a citizen of a given social context (MacIntyre, 1985; Collier, 1995). For Aristotle, a community with a virtuous *telos* will be rooted in, and in support of, the interests of at least three different 'stakeholder' groups: individuals, institution and the larger tradition in which it is based. MacIntyre (1985) re-casts this sentiment for the present day, imbuing virtue with a compounding quality that systematically extends 'the good' for individual and collective lives as part of a common quest. In other words, there is an intrinsic social aspect to virtue; it can only be understood (or provide understanding) within a given culture shaped by a shared narrative journey. So construed, the perceived antagonism between individuals and the wider interests of society is significantly resolved (Solomon, 2004) at the deepest, most meaningful level of all, that of teleological purpose.

In understanding how business organisations may be seen according to a virtue perspective, it becomes clear that studies attempting to make a causal link between universal virtues and "performance" (Cameron et al., 2004) miss a central point of Aristotle's theory: we should never confuse the teleological 'end' with mere 'means' or external rewards (e.g. profit or other performance measures). In a vicious institution, industry or society, the virtues may obstruct performance (MacIntyre, 1985), but that is not the point. If a virtue is genuine, it is pursued in its own right and not because of any external reward it may generate. This is counterintuitive to the faith in the consequentialist paradigm that pervades modern business practice (Etzioni, 1988). Yet to consider institutional communities along Aristotelian lines, we must start by dismissing the pervasive logic that the purpose of business is to maximize profit.

Secondly, let us consider the particular nature of Aristotle's theory. Part of what makes the theory of virtue so practically powerful is its particularistic nature. This is starkly different from theories that prescribe a moral minimum for governing all moral judgments (Collier, 1995, p.144). Rather, the virtues required of a given practice cannot be defined or employed without consideration of a particular social context, to include the institution and tradition in which virtue is exercised (MacIntyre, 1985). For this reason, we must be wary of studies that impose a list of universal virtues onto an organisational context. Although it is tempting to do so, virtues cannot be studied the way we study generalized values or personality traits. Virtues are qualities that are inherently contextual, and it is not yet certain which virtues, if any, are generally applicable and practically meaningful across organisational contexts.

Aristotle provides a universal theory, but does not define a universal set of rules to apply across contexts. This is one of the main points of departure between his and other moral philosophies. Within virtue,

“There is a natural alliance between theory and a fine-tuned judgment of the particular circumstances of life; rules, standing in the middle, deliver neither the overall understanding nor the fine-tuned judgment.”
(Nussbaum, 1999, p.178)

Aristotle tends to place the burden of moral judgments on the reasoning and character of individual agents; those in direct contact with particular settings and practical issues. After teleological purpose, this leads us to a second neglected component of the virtue paradigm.

Balancing Mechanisms (phronêsis + character)

“A central virtue therefore is phronêsis (generally someone who knows how to exercise judgment in particular cases) and without which none of the virtues of character can be exercised.” (MacIntyre, 1985, p.154)

MacIntyre’s exposition on the social context of virtue, and the means by which virtue is seen to unify and balance competing layers of that context, is particularly relevant in the present application of the theory of virtue. A ‘practical wisdom’ is needed to operationalize the organisation’s purpose. In this way, individual discernment is responsible for balancing different types of goods (e.g. ‘internal’ versus ‘external’) as well as arbitrating between competing virtues (e.g. ‘internal’ versus ‘internal’) as required of a particular circumstance. In other words, practical wisdom arbitrates between ‘profit’ and ‘innovation’, just as it does between ‘innovation’ and other excellent qualities like ‘determination’. In the practice of business, practical wisdom is particularly valuable as both a virtue and an enabler of the other virtues. Often the fields of management and business ethics have sought to identify a ‘Golden Rule’ for universal application. Instead, virtue calls for the balancing logic of a ‘Golden Mean’ for discerning the best action, and the best motivating purpose, for the best actor, located in a given situation. Unlike rules, which are often rigid or quickly outdated, balanced judgment is inherently practical, particular and pliable.

Practical wisdom is not enough to connect purpose to purposeful action. An intervening quality is also required, and readily provided, in Aristotle’s notion of ‘character’. Individual character is the

imprint left on an actor by repeated struggles with moral judgment in practice. Character may yield strong predictors of future action, but it is not so stable or fixed that it should preclude someone from acting 'out of character' in particular circumstances (Solomon, 2003). Just as espoused values are refined by practice until they are proven and adopted as taken-for-granted assumptions (Schein, 1984); practical wisdom (a virtue in its own right) is the mechanism that galvanizes the virtues, through habitual practice, until they collectively form what is known as character. Institutional *telos* finds its way to action through the practical wisdom of the individual, as modified by that person's character. As with purpose, the orchestrating element of balanced judgment plays a central role in virtue.

Accordingly, purpose and balanced judgment are two pivotal components of a dynamic theory of virtue. They possess indispensable properties for unifying, governing and harmonizing the other components of the theory. One possible reason that these orchestrating components have been neglected could be that these are often viewed as abstract metaphysical notions. Yet the common goal of a company and the daily judgments it faces are inherently practical matters. Consequently, in Aristotelian terms, the gap between theory and practice is not as wide as may be expected. As this working theory is developed, the orchestrating components of purpose and balanced judgment will be of primary concern.

Directing this Lens to the Exploration of Organisational Behaviour

Vardi and Wiener (1990; 1996) and Vardi and Weitz (2004) have approached the study of organisational behaviour in a unique fashion, establishing themselves as leading scholars in the emerging area of 'organisational misbehaviour'. The conceptual model they have developed, however, is instructive for research on the whole spectrum of organisational behaviour (Vardi & Wiener, 1996), and for the development of a working theory of virtue in particular. For the research at hand, there are two particularly promising features of the conceptual model they present. While it does not seem edifying to discuss their entire model here, these two features will be discussed for the valuable precedent they offer to this present study.

First, Vardi and Wiener's model "expands" upon previous studies (Trevino, 1986) that attempt to link individuals and situational contexts by introducing "an overall normative-instrumental model of work motivation" (Vardi & Wiener, 1996, p.153). This approach emphasises the identification of *intentions* behind organisational behaviour at a time when many studies on organisational behaviour have focused on anticipated outcomes rather than moral reasoning (Weber &

Wasioleski, 2001, p.80). Given Aristotelian concerns for 'purposeful action' and distinguishing 'ends' versus 'means', the emphasis this model places on intent is helpful for the present investigation.

Furthermore, the conceptual model Vardi and Wiener present attempts to remedy a perceived oversight in the literature by highlighting the relationship between organisational culture and individual motivation (Wiener & Vardi, 1990, p.295). Individual and institutional factors are key determinants of organisational behaviour, and both are also central to organisational sensemaking (Weick, 1995). For these reasons, they will be considered together in the working theory developed herein.

In corporations, it has been suggested that ethical reasoning may hinge more upon organisational factors than it does on the moral development of an individual manager (e.g. Trevino, 1990; Fraedrich et al., 1994). However, much of the prior research in the field has been content to focus on large corporations (Trevino, 1990; Sims and Keon, 2000). For this reason, prior research may have overlooked organisational contexts where personal characteristics play a more central role. Indeed, we can expect individual actors to play a larger role, even to represent *the* primary factor, when we turn to study the organisational culture of a young company (Schein, 1992, p.2). Unlike later stages of company development, entrepreneurial ventures are associated with the individual founder(s) and often appear moulded in the likenesses of these people in a manner foreign to large, established corporations. Since our study is equally concerned with the personal factors and organisational cultures that influence moral evaluations, entrepreneurial ventures provide a uniquely suitable unit of analysis.

Unit of Analysis: Entrepreneurship

The entrepreneurial process encapsulates the capitalist system in a form that is particularly accessible to research, providing an ideal stage for understanding the interplay of values, intentions and behaviours on a miniature, or primitive, stage. It is analytically appealing because of the proximity of identifiable founder values to the measurable artefacts of organisational culture. The fact that the entrepreneur and the organisation are so closely identified with one another carries methodological implications that will be explored in subsequent chapters.

Besides the accessibility benefits of directing a working theory of virtue to the study of entrepreneurial ventures, there are a number of additional reasons that make this unit of analysis a reasonable choice.

Ideological Considerations

The theory of virtue contains certain concepts and presuppositions which prove particularly appropriate for investigating societal points of origin.

“Here and elsewhere we shall not obtain the best insight into things until we actually see them growing from the beginning.” – Aristotle

According to MacIntyre (1985, p.194), the author of our modern virtue framework, investigating the creation of new organisations may also prove uniquely appropriate:

“The making and sustaining of forms of human community—and therefore of institutions—itself has all the characteristics of a practice, and moreover of a practice which stands in a peculiarly close relationship to the exercise of the virtues.” (Emphasis added)

Aristotle’s concepts, if valid, should apply to companies of all types, sizes and life-stages. Yet given the complexity and novelty of such an application, this project applies this conceptual lens to the inception point, or microcosm of capitalism, found in entrepreneurship. Within capitalism, the entrepreneurial process represents a unit of analysis that is dynamic, foundational and ultimately practical. Using MacIntyre’s extension of Aristotelian concepts, any given practice can be located within a given institution and tradition. A graphical depiction of the entrepreneurial context for virtue is presented in *Figure 5.1* which posits entrepreneurship as a socially-bound process.

Entrepreneurial Virtue in Context

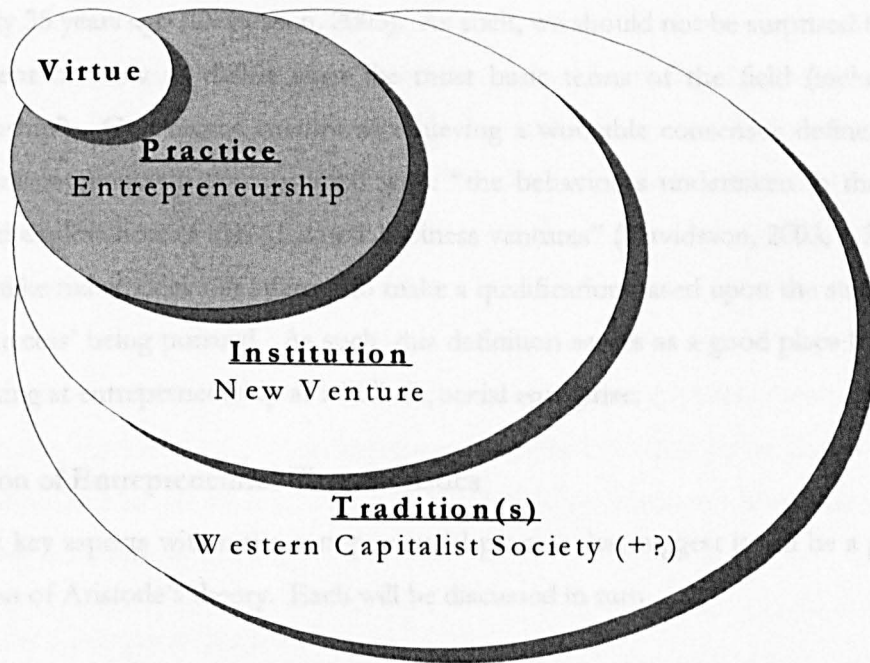


Figure 5.1

In MacIntyrean terms, virtue sustains the practice of entrepreneurship, all individuals involved, and even the possibility for future virtue. The purpose of entrepreneurship is thus defined by the balanced interests of individual, venture and tradition in an equation where each of these interests are meant to find their proper equilibrium. Although it adds complexity to MacIntyre's contextualisation, in order to accommodate the increasingly global economic order, the above diagram implies that we may envision entrepreneurship as impacted by more than one tradition. This is an important adaptation, for while it reflects the multiple social contexts in which a practice is contained, it also underscores the difficult challenge of finding a conceptual framework that unifies potentially rival traditions. Aristotle offers a more viable moral philosophy than most for resolving conflicts between traditions, in part because his theory pre-dates many of the ideological deviations that have influenced distinct regions of the world.

Aristotle's contextual model benefits greatly here from a MacIntyrean framework which attempts to map the social interdependence of key stakeholder interests. Such a model places the diverse array of stakeholders (interests affecting or affected by entrepreneurship) into a finite, manageable number of basic social groupings.

Entrepreneurship is relatively young as a scholarly field within management, having been established approximately 35 years ago (Davidsson, 2003). As such, we should not be surprised that there is yet little agreement on how to define even the most basic terms of the field (including the term 'entrepreneurship'). One recent attempt at achieving a workable consensus defines the scholarly domain of entrepreneurship as concerned with: "the behaviours undertaken in the processes of discovery and exploitation of ideas for new business ventures" (Davidsson, 2003, p.384-385). This definition, unlike many, does not attempt to make a qualification based upon the stated motivations or type of 'success' being pursued. As such, this definition serves as a good place for this research to begin looking at entrepreneurship as a holistic, social enterprise.

Consideration of Entrepreneurial Characteristics

There are six key aspects within the entrepreneurial process that suggest it will be a promising area for application of Aristotle's theory. Each will be discussed in turn.

Unity of Person and Process

Cultures begin with leaders who impose their own values and assumptions on a group. In young organisations, one must focus primarily on leadership behaviour to understand cultural growth. The major impact on culture formation is still the founder leader. (Schein, 1992, p.1, 252, 228)

The discovery and exploitation of new ventures begins with the creative capacity of individual(s). Entrepreneurship is the sparkplug of capitalism, and it is typically the imagination of the founder that provides the first spark. Like no other stage in the development of the company, it is difficult at this point to draw a clear line between the individual and the organisation; between the creator and the created. With Gartner (1985), we are led to invoke Yeat's (1956) question, "How can we know the Dancer from the Dance". This helps to explain why the founder wields such an important influence over the company during its initial development. The entrepreneur is in a unique position to define the purpose of the business, as well as the formal and informal processes involved in that pursuit (Schein, 1992, p.212). Furthermore, research has shown a strong correlation between 'higher' stages of moral development and two of the differentiating traits held by the entrepreneur: organisational commitment and person-organisation fit (Valentine et al., 2002), both important factors in understanding organisational behaviour (Vardi & Wiener, 1996).

Phillips (1995) concludes that moral responsibility is important in a business environment, in fact he finds that moral responsibility has the biggest impact "in cases where it is present but personal

responsibility is absent” (1995, p.556). By his estimation, it is precisely during times when moral culpability is greatest that we need people to feel and act as if they were personally accountable. This presents an interesting insight when applied to entrepreneurship, because in new and small firms, personal responsibility plays a disproportionately large role, relative to mature and bureaucratic organisations (Longenecker et al., 1989). To extrapolate Phillips’ statement along these lines, we may logically contend that in realm of commerce, moral responsibility can have a major impact in the entrepreneurial context.

The entrepreneur is typically very aware of their connection to, and reliance upon, the social setting within which they operate. Still, the entrepreneur’s motivations tend to be drawn from personal, individual values and beliefs (Schein, 1992). Like Aristotle’s virtuous citizen, the entrepreneur is *internally* driven, but *externally* focused.

Centrality and Pliability of Purpose

“Nietzsche said that those who have a Why can endure any How, but it is the Why that is difficult.”

(Handy, 2002, p.108)

Perhaps even more important than *who* is responsible for the company’s growth at its initial stages, it is critical to define and establish *why* the company has been created. It is at the initial stages of the company that a purpose or mission will be truest to its founder’s intentions and at this stage purpose may prove more prominent than at later stages. Founding purpose not only serves to focus efforts and limited resources, it contains what Poggi (2001) refers to as “ideological power”, an ingredient that can be used to inspire. Purpose, sometimes translated into strategic vision, often serves as the most valuable resource that the company possesses for the persuasion of investors, partners, and employees to join the endeavour. The purpose is used to establish the company direction, priorities and structure for anticipated growth (Schein, 1992).

No complete view of an organisation’s present can ignore the initial purpose which the company was originally formed to serve (Kimberly, 1979; Lawrence, 1984). Entrepreneurship is a critical stage at which new institutional purposes are brought to life and put to use...for good or ill (Baumol, 1990). Prior research makes it clear that company formation has a lasting impact on its strategy (Boeker, 1989; Harris & Ogbanna, 1999), capacity to change (Ogbanna & Harris, 2001), structure and processes (Schein, 1992), guiding values (Boeker, 1988; Schein, 1992), capacity for collective sense-making (Martin et al., 1985), and societal impact (Brenkert, 2002). One can see a

moral component to each of these considerations, yet the moral facet of entrepreneurship has not been a significant focus of scholarly interest (Vyakarnum et al., 1997) despite calls like the following:

"We do not know at the present time what makes an entrepreneur more or less ethical in his dealings but obviously there are few problems of greater importance for future research." (McClelland, 1961, p.331)

Like the Aristotelian notion of an ultimate *telos* that remains beyond reach, the entrepreneur's purpose is subject to constant change, requires flexibility and persistent refinement, and is often directed toward a destination that is beyond what the entrepreneur should expect in purely rational terms (Baron, 1998). The element of risk in launching a company is due, in part, to the uncertain result that effort can be expected to accomplish. Regardless, entrepreneurial ventures tend to set their sights on achievements beyond what is explained by rational calculations of what limited resources could be expected to produce. In this way, new ventures embark on a clear yet elastic quest toward destinations unknown, and the ambitious challenge and uncertain nature of such a quest can serve to unify and inspire those involved in its pursuit.

Autonomy

Founding members have great freedom within the new ventures they create. Given the typically limited size of these companies, individual founders are endowed with a disproportionately large and direct potential to impact many internal and external stakeholders. One way to explain entrepreneurial impact is by viewing a founding member as someone endowed with a great degree of autonomy with which to make important decisions, either for good or ill (Baumol, 1990). As Wolfe (1997) contends, we should not be surprised to find that forms of work that are more under the worker's own control increase people's sense of moral responsibility. Recent research also indicates that personal autonomy can be an important factor in empowering representatives of the company to make strong moral decisions in troublesome business situations (Lovell, 2002, p.75).

The virtues of character are primarily attributed to individuals, not companies. The nascent enterprise is uniquely identified with individual(s), and as such, provides a unique opportunity for the founder(s) to demonstrate both intellectual and moral virtue unfiltered by collective votes and complex bureaucracies.

Lack of Formal Structure

The process of creating a new venture is generally understood to be relatively free of structural, procedural or even moral guidelines of a formal variety (Schein, 1992). One economist uses this characteristic to explain the social strength of new ventures, as well as their capacity to yield insight for anthropological studies:

“Anthropology, it is true, tends to focus on societies where the division of labour is fairly limited, while economics deals with societies where the division of labour is relatively advanced. There is, of course, a certain irony in this view that apparently ‘primitive’ social systems offer the best solution to the co-ordination problems of modern technological societies. The ‘primitive’ society requires strong social systems, because it has no formal system of law.” (Casson, 2000, p.21-22)

The informal guides of these ‘primitive’ organisations are typically embedded in the process of institutional and cultural maturity (Schein, 1992). There is anecdotal reason to suggest new ventures effectively trade-off the efficient systems and procedures of their mature counterparts to gain greater enthusiasm and commitment among employees. Organisational charts, if they exist, are subject to drastic and constant change. Business processes tend to be created only on an ‘as needed’ basis. Certain industries may prescribe codes of conduct, as well as protocol, but it still remains for the new venture to adopt and internalise these or create their own alternatives. Entrepreneurship is less a system of rules than it is a way of life (Carr, 2003). Beginning with something of a ‘clean slate’, entrepreneurs are left to establish and act on those standards which they deem appropriate for the success of the venture.

The way entrepreneurs learn also lacks the formality commonly associated with larger enterprises. Smilor (1997, p.344) notes that learning is both critical and distinctive in entrepreneurial endeavour: “Effective entrepreneurs are exceptional learners. They learn from experience. They learn by doing. They learn from what works, and more importantly, from what doesn’t work.” Harrison and Leitch (2005, p.364-365) characterise entrepreneurial learning as a dynamic process that is experiential; alters the character of future behaviour; is individual (albeit embedded in a social context); and is transdisciplinary, not limited to traditional functions and structures. Entrepreneurship is an “emotionally-laden” and traumatic learning process, often due to the frequent and prolonged crises associated with new business venturing (Cope & Watts, 2000).

Moral Crucible

"It is through conflict and sometimes only through conflict that we learn what our ends and purposes are."

(MacIntyre, 1985, p.164)

Some authors note the intrinsic goodness of entrepreneurial behaviour (Hood, 1996; Maitland, 1997), some suggest that entrepreneurship is a morally reprehensible activity, and others state that it contains the capacity for either (Baumol, 1990). One thing there is a growing scholarly consensus about is that the moral issues faced by entrepreneurs are distinctive (Vyakarnum et al., 1997), and the entrepreneurial process can represent something of a crucible for intense moral conflict (Bucar & Hisrich, 2001). Each of these claims will be considered in detail here.

Studies have shown that the moral frontier navigated by the entrepreneur is a distinctive domain. Personal moral frameworks are often put to the test during times of intense conflict, uncertainty and novelty, all of which are characteristic of new business creation (Vyakarnum et al., 1997; Bucar & Hisrich, 2001). While research on moral and ethical issues in business has predominantly focused on large corporations, there is a growing literature which demonstrates that the issues faced by entrepreneurial founders and their companies are substantively different than those of their larger counterparts (Longenecker et al., 1996; Vyakarnum et al., 1997; Bucar & Hisrich, 2001). Entrepreneurs exhibit slightly 'higher' moral reasoning skills (based on Kohlberg's (1976) stages) than managers or members of the general population (Teal & Carroll, 1999). Research (Longenecker et al., 1989) indicates that entrepreneurs are more likely than managers to behave unethically when acting ethically comes at some direct and personal cost to themselves (e.g. 'copying computer programs'), yet behave more ethically on issues that have direct and personal cost to their reputations (e.g. 'providing faulty or misleading information'), both indicating that the relative proximity of the individual to the dilemmas at hand is an important variable. Reputation plays a large role in entrepreneurial considerations (Mayo, 1991), which is perhaps why entrepreneurs are also found to be more sensitive to the expectations of society (Humphreys et al., 1993), and those active in external social networks are found to make 'better' ethical judgments than those who are not active in such circles (Quinn, 1997).

The personality and attitude of the founder plays a much larger role in ethical dilemmas than is common in corporate management (Longenecker et al., 1989), and entrepreneurs are less likely to subjugate their own personal values to those of the organisation (Bucar & Hisrich, 2001). Early entrepreneurship scholars that focused on the personality traits of the entrepreneur made too much

of this correlation, and have since been criticised because personality appears too fickle and idiosyncratic to yield significant predictive power (Delmar, 1996). Still, the prominence of the founder's value system, personality, and cognitive mechanisms are all seen to play a particularly important role in the moral adjudication which entrepreneurship requires.

Entrepreneurial firms are notably less formalised and have fewer management controls than is typical in more mature companies (Longenecker et al., 1989), a characteristic which tends to impact the mechanisms by which ethical dilemmas are evaluated in important ways. Firm size is seen as an important variable in determining employees' attitudes about ethics as well as deciding the preferred approach (e.g. 'codes of ethics' vs. 'role modelling') used to deal with ethical dilemmas (Dunfee et al., 1991). 'Locus of control' is found to be a significant moderator in making ethical decisions (Trevino & Youngblood, 1990), and locus of control is a characteristically high trait among entrepreneurs (Boyd and Vozikis, 1994). Entrepreneurs are different from non-entrepreneurs in uncertainty tolerance, opportunism, as well as in their orientations towards achievement, autonomy, field independence and locus of control (Robinson et al., 1991).

It seems entrepreneurs see the world differently than corporate managers. Entrepreneurs tend to develop perspectives that apply to their particular circumstances, and situational factors, even though these perspectives may vary significantly from general perspectives in business (Longenecker et al., 1996). Ethics and responsibilities, when discussed, are typically couched in the language familiar to the individual entrepreneur (Wilson, 1980, p.24) and their seemingly idiosyncratic circumstances. Still, while they may discuss these issues in localised terms, it is clear that this is not meant to diminish their importance. One prominent study even found that 72 of 128 founders surveyed "stated that high ethical standards are the single most important factor in long term success" (Timmons, 1994, p.313).

The unique process and pressure associated with entrepreneurship represents something of a moral crucible. Entrepreneurs are found to experience unique and sometimes extreme pressure to act unethically (Longenecker et al., 1996). This is partially explained by the fact that entrepreneurs face novel situations and stressful challenges, and their decisions have the potential to impact the well-being of many people as well as the future of the venture (Hannafey, 2003).

Entrepreneurs also seem to have developed some unique ways of coping with their distinctive ethical pressures. The quality of relationships that the founder maintains with others can play an

important filter for resolving ethical dilemmas (Vyakarnum et al., 1997). Small business owners' ethical judgments contain an underlying dimension that exceeds adherence to legalistic or rule-oriented structures (Hornsby et al., 1994). Entrepreneurs need to be adept at applying a malleable personal set of values, since the relative ambiguity of their circumstances often evades the capacity of codes and rule-like guidance (Carr, 2003).

Substantial attention to the topic of entrepreneurial ethics has begun to emerge in recent years (Solymossy, 2002; Hannafey, 2003), and the social and moral implications of entrepreneurial activity has received fresh interest (Carr, 2003). When applied to the study of entrepreneurship, empirical studies suggest that a great number of variables can impinge upon moral reasoning capacities. Some of these are summarised in the table below, along with some extrapolation for how they are generally construed to apply to the entrepreneurial process. Given the prominence, and unique properties, of such factors, entrepreneurship is seen to carry many distinguishing moral implications.

Moral Decision Variables in Entrepreneurship

		Key Factors	Unique in Entrepreneurship?	Neutral (Good or Bad)	Primarily Good
Individual	By Birth	Gender	Somewhat	X	
		Age	Somewhat	X	
	By Socialisation	Education	Little	X	
		Cognitive Moral Development	Little		X
		Locus of Control	Very	X	
		Integrity/Congruence	Somewhat		X
		Moral Imagination	Somewhat	X	
		Moral Courage	Somewhat	X	
		Authority	Very	X	
		Autonomy/Freedom	Very	X	
Situational	Issue-Related	Accountability/ Ownership	Very		X
		Moral Intensity (Proximity)	Somewhat		X
	Context-Related	Moral Framing (Awareness)	Little		X
		Lower Bureaucracy	Very	X	
		Higher Risk	Somewhat	X	
		Organizational Culture Congruence	Very	X	
		Creative Impact	Little	X	
		Pragmatic Impact	Somewhat	X	
		Clarity of Purpose	Somewhat	X	
		Novelty	Somewhat	X	
		Intensity/Pressure	Somewhat	X	
		Flexibility/Uncertainty	Somewhat	X	

Source: Author's synthesis

Table 5.1

Furthermore, it has been proposed that solutions at the intersection of business and society call for more than guidelines for action, but for agents that possess qualities such as “moral courage” (Mahoney, 1998), “moral imagination” (Werhane, 1999, p.126) and practical wisdom (Machan, 1999). The entrepreneur is characteristically associated with courage, creativity and discernment, so

perhaps it is reasonable to expect these individuals to apply such qualities to decisions with normative or moral content.

Practical Wisdom

‘Phronêsis’ is a Greek word that has been translated to mean “practical wisdom,” or more precisely, “knowing what is good for human beings in general as well as having the ability to apply such knowledge to particular situations” (Tsoukas & Cummings, 1997, p.665). By Aristotle’s account, *phronesis* is a virtue that is also a prerequisite for the exercise of other virtues (MacIntyre, 1985, p.183), and is the highest of the intellectual virtues (Tsoukas & Cummings, 1997, p.665). Hutchinson (1995, p.208) agrees with MacIntyre (1985, p.152) when he suggests the central role of practical wisdom in operationalising the moral virtues,

“It is possible to have the right values without knowing how to achieve them in practice—a sort of moral clumsiness. It’s better to have sensible virtue than naive virtue, and better to have virtuous good sense than amoral cleverness.”

In Aristotelian terms, practical wisdom is both a necessary virtue upon which others depend and a discerning skill for employing the right mix of virtues to meet the needs of a given circumstance.

Entrepreneurship is *phronesis* personified (Machan, 1999). The process of entrepreneurship is as practical as a new venture’s fight for survival is real. Abstractions and theoretical assertions may be a part of the entrepreneurial skill set, but they are useless, or worse, if they cannot be directed toward pragmatic actions. Entrepreneurship seems distinctive for the sheer breadth and variety of decisions that it presents. Wisdom to size up the issues and discernment to address them, often in novel territory, becomes an essential skill for any entrepreneur (Machan, 1999). The ‘facts’ are rarely available or sufficient for new companies, requiring the entrepreneur to rely on both cognitive and affective knowledge. Practical wisdom is a critical quality revealed in the entrepreneur’s propensity to find opportunity in spite of scarce resources (Stevenson et al., 1989).

Conclusion

The application of our working theory of virtue to entrepreneurship also compliments existing organisational and entrepreneurship theory. Schein (1992) and Sarasvathy, Simon and Lester (1998) have offered a strong case for the power of the personal values that entrepreneurs bring to

their business decisions. Ethical behaviour has been demonstrated to determine the quality and efficiency of economic interactions (Bucar et al., 2002), and the role of entrepreneurship in establishing and developing those relationships can be pivotal (Bucar & Hisrich, 2001, p.59):

“Emerging entrepreneurial companies set the ethical tone for the future economic system of the world.”

Machan (1999) makes an explicit link between morality, entrepreneurship and the virtue of practical wisdom. Moreover, Baumol (1990) draws clear distinctions between types of entrepreneurship, arguing that moral behaviour is crucial for “authentic” entrepreneurship. What has been lacking are the language and conceptual framework to recast these discussions with pragmatic effect.

“What is needed is a new set of ethics eyes with which to look at small firms without the assumptions that are beginning to solidify based on large firm studies. We must learn what would be suitable tools for understanding ethics in small firms—this can only really be done by in-depth, exploratory studies. (Spence, 1999, p.172)

“What we need is a language and a set of institutions ... (who can) incorporate the conception of business as a community of purpose which will take its wider social and moral functions more seriously alongside its economic ones.” (Warren, 1996, p.95)

Thus far, this literature review has been directed toward recovering an alternative language and conceptual framework. This has been accomplished by developing and presenting a working theory of virtue drawn from Aristotle’s teleological view of the world, for application to the realm of business. While a suitable unit of analysis has been secured in entrepreneurship, this discussion will now turn to address the appropriate level of analysis for such an initiative.

Level of Analysis: Organisational Culture

"The culture of a people is an ensemble of texts, themselves ensembles, which the anthropologist strains to read over the shoulders of those to whom they properly belong." (Clifford Geertz, 1971, p. 29)

The study of organisational ethos, or culture, hails from the field of anthropology and dates back nearly three decades (Pettigrew, 1990). While it has proven an elusive concept to define and study, the insight that it has offered to understanding and changing organisations has been of great importance to the field of management (Detert et al., 2000). While it is not the most concise of those definitions in use, Schein's (1984, p.3) definition sums up the concept well for purposes of this study:

"Organisational culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems."

A compatible, yet reduced definition is that of Wilkins (1983, p.25): "The taken-for-granted and shared meanings that people assign to their social surroundings". Scholarly consensus has considered organisational culture to be a holistic, historically determined, and socially constructed 'glue' that binds the organisation and exists at a variety of levels (Detert et al., 2000). Such an understanding will serve as a good starting point for our further considerations of culture.

The following graphic (*Figure 5.2*) has been created to depict the common hierarchy of elements that are typically spoken of when discussing culture, climate or ethos. This illustration expands upon the elements listed by Schein (1984) to depict the layers of culture as part of a living organism of input and absorption. Organisational culture has been drawn in this light so that it will be easier to consider sequence and development, two central elements to the entrepreneurial process.

The Dynamic Cultural Iceberg

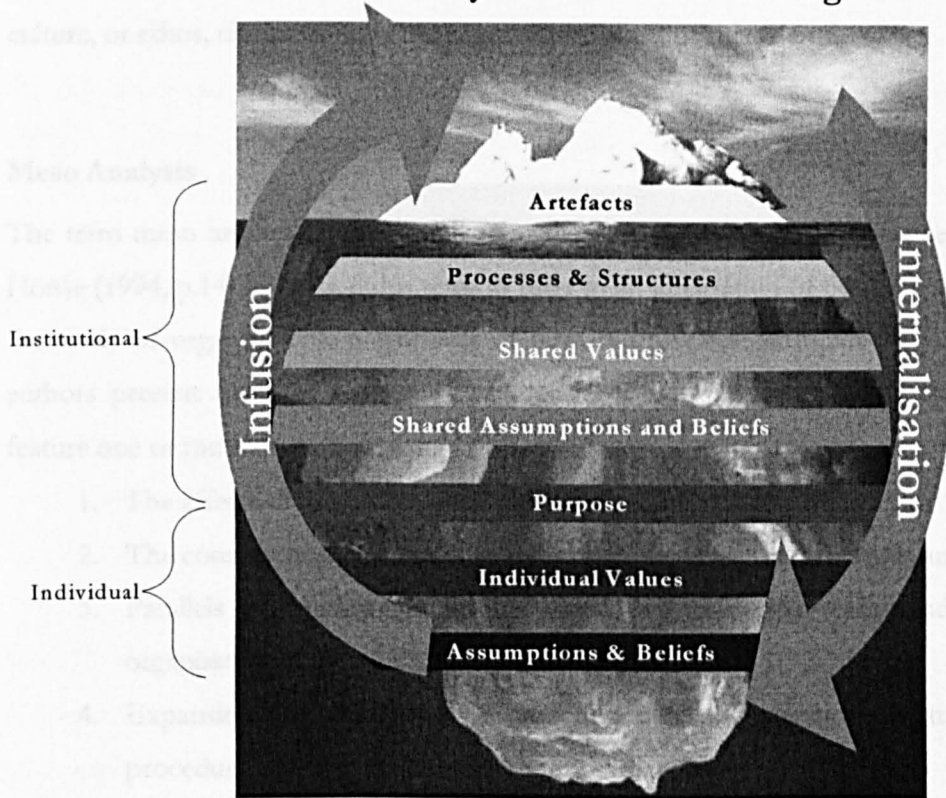


Figure 5.2

Culture and Climate

Organisational culture is sometimes confused with related studies on organisational *climate*. One way of differentiating these related concepts is by looking at their contrasting academic roots. Culture finds its intellectual heritage in anthropology and sociology, while climate hails from the field of psychology (Reichers & Schneider, 1990; Pettigrew, 1990). As such, one attempt to clarify the use of these two constructs prescribes using climate when studying individuals, culture when studying organisations (James, James & Ashe, 1990, p.78). However, in the case of entrepreneurship, where distinctions between founder and founded are often unclear, this method of separating the constructs is not helpful.

Perhaps the clearest way to decipher between the two constructs is to place climate *within* culture; to see culture as occupying the higher level of abstraction. In this way, climate is drawn as a manifestation of culture (Reichers & Schneider, 1990, p.28-29). Climate is thus more conducive to empirical observation, as depicted in the topmost portions of the cultural iceberg above. Furthermore, Pettigrew (1990, p.421) makes the assertion that both climate and culture are systematic, multidimensional constructs that come alive when they are studied in a holistic fashion.

A holistic approach is taken in the present study, and while primarily concerned with organisational culture, or ethos, climate is seen as an important subset of this analysis.

Meso Analysis

The term meso implies “in between” as in mezzanine. In the context of research, Rousseau and House (1994, p.14) have used this term to refer to an integration of both micro and macro theory in the study of organisations; a synthesis of both the psychological and the socioeconomic. These authors present the meso approach to organisational behaviour as appropriate for studies that feature one or more of the following (1994, p. 16):

1. The effects of context on individual and group behaviour
2. The construction of context by individual psychological processes and social dynamics
3. Parallels and discontinuities in behavioural processes across individuals, groups and organisations
4. Expansion of units of study to include abstract organisational features (e.g. routines and procedures) as well as activities (events and cycles)

By adopting the meso approach, they suggest a potential advance beyond the studies constrained by micro/macro theory in at least three areas (p.16): More realistic theory and research, expansion of the “units” of study (beyond the deceptive tidiness of individual, group, and organisation), and emphasis of the distinctive nature of behavioural processes in and of organisations (in contrast to generic individual behaviour or stylized models of markets).

The meso approach is an attempt to overcome three fundamental biases that have been associated with single-level, non-meso research in the field (Rousseau and House, 1994, p.18): overgeneralization, underestimation of cross-level effects, and reification of organisational structures. It is easy to see where each of these biases, and the proposed promise of the meso approach, may prove particularly appropriate when studying the process of entrepreneurship. Rousseau and House (1994, p.23) make it clear that “the more unstructured, novel, or ambiguous the situation,” the more important a meso approach will be in overcoming the underestimation bias, of seeing the role of personal ambition and other individual determinants that cannot be easily factored into a single, macro-level analysis. These are some of the reasons that a multi-level, or meso approach, to the organisational setting will be used in the proceeding analysis. To ensure that this research ‘comes to life’ as encouraged by Pettigrew, the entrepreneurial culture must be studied

in as holistic a manner as possible. Only in so doing will we find a way to study the *etic* (imposes meaning onto setting) as well as the *emic* (draws meaning from setting), the psychological as well as the organisational, individual values as well as institutional artefacts (Schneider, 1990; Pettigrew, 1990).

Moral Ethos

"When one links knowledge of moral reasoning, value preferences, ethical principles relied upon most frequently...with knowledge of an organisation's ethical climate, the dominant features of the firm's culture, and the prevailing ethical traditions and practices of its industry, then a more reliable (if more complex) picture emerges of how cognition and behaviour intersect and merge in everyday business life." (Frederick, 1992, p.93-94)

It is this more reliable, albeit complex, picture of organisational life that this study is after. In the management literature, recent studies have been directed toward the moral culture and climate of organisations (Trevino & Youngblood, 1990; Cohen, 1995; 1998). Organisational culture and climate are shown to be particularly influential determinants of moral behaviour (Trevino, 1990; Cohen, 1995; Sims & Brinkmann 2002; 2003). However, the empirical research to date has relied too heavily upon quantitative survey data (Randall & Gibson, 1990) that is sometimes accused of being "conceptually naive and methodologically unsound" (Brigley, 1995, p.219).

Work in the area of ethical organisational ethos has typically concentrated on large, established firms (Trevino, 1990; Sims & Keon, 2000). Organisational culture is also, however, an intrinsic outcome of the entrepreneurial process. In new venture creation, culture is a necessary social product of a process that often begins with individual endeavour. The founder(s) establish institutional culture, whether they explicitly intend to or not. While prominent studies on organisational culture and ethics are often directed at large corporations, Schein (1992, p. 228) reminds us that "Founders of organisations initially start the culture formation process by imposing their own assumptions on a new group." Moreover, Schein (1992, p.211-213), describes the founder's impact as follows:

"Cultures basically spring from three sources; 1) the beliefs, values, and assumptions of founders of organisations; 2) the learning experiences of group members as their organisation evolves; and 3) new beliefs, values, and assumptions brought in by new members and leaders. Though each of these mechanisms plays a crucial role, by far the most important for cultural beginnings is the impact of founders. Founders not only

choose the basic mission and the environmental context in which the new group will operate, but they choose the group members and bias the original responses that the group makes in its efforts to succeed in its environment and to integrate itself. (Organisations) are goal oriented, (and) have a specific purpose. Because they had the original idea, (the founder) will typically have their own notion, based on their own cultural history and personality, of how to fulfil the idea."

Researchers suggest that even after the founder has gone, their legacy can leave an important imprint on the company and its future decisions (Ogbanna & Harris, 2001, p.22). Studying the cultural impact of entrepreneurship is not only unique, it represents an important part of the imprinting process that will continue to shape the organisation into maturity.

Conclusion

In Aristotle, we have identified a revived theory of virtue that offers unique value where prominent economic and moral theory has proven insufficient. In MacIntyre, Aristotle's virtue has found a philosophical grounding and a definitional framework upon which contemporary insights can be built, and with which competing levels of the social context are dynamically balanced. In entrepreneurship, we have identified a unit of analysis that unifies both individual and institutional factors. In organisational culture, we are afforded a rich level of analysis toward which we may direct a conceptual lens based upon Aristotle's theory. The next chapter will discuss some of the methodological choices made in executing this pioneering research initiative.

CHAPTER 6

METHODOLOGICAL RATIONALE & CONSIDERATIONS

Introduction

Our research question is: How, if at all, does Aristotle's theory of virtue contribute to a better understanding of the strategic and normative issues at the intersection of business and society?

In this chapter, we will attempt to answer the question that logically precedes this one: How, if at all, can we identify virtue in an organisational context? However, because virtue itself, and the concepts it represents, have gone largely out of use over the past two centuries (MacIntyre, 1985; Whetsone, 2003), even this initial exploration poses a significant challenge.

In what follows, the chosen methodological terrain for identifying organisational virtue, and its perceived utility, will be considered. The choices that have been made in recasting and directing this conceptual lens have significantly determined many of the methodological parameters for this study. What follows acknowledges a number of constraints imposed on this study due to these ideological choices and the requirements of our guiding research question. This chapter also attempts to position and explain this research in relation to the broader field of management. The pilot studies and other methodological considerations made prior to conducting fieldwork are also delineated in what follows. This chapter introduces the chosen sample organisations before concluding with some of the techniques used in order to facilitate access to, and a clear interpretation of, the social reality provided by each.

The following table summarises the methodological path that has seemed most appropriate, as dictated by the purpose of this study. Each of the relevant constraints and methodological choices will be discussed in turn.

The Methodological Path						
<i>Ontology/ Epistemology</i>	Phenomenology					
<i>Methodological Approach</i>	Interpretive (qualitative and inductive)					
<i>Unit of Analysis</i>	Entrepreneurial Ventures (as process of early institutional development)					
<i>Level of Analysis</i>	Organisational Culture (as union of founder & institution)					
<i>Method of Data Collection</i>	Semi- Structured Interviews (employees and outsiders)	Interactive Joint Inquiry Exercise	Observation (and participation)	Historical/ Archived Material	Current/ Marketing Material	Exit-Survey Questionnaire
<i>Method of Data Analysis</i>	Grounded Theory (comparative case studies featuring contextualised individuals)					

Table 6.1

Research Philosophy and Rationale

As mentioned in the literature review, Aristotelian concepts begin with an ontology that assumes reality is socially constructed and subjectively interpreted. In management research, however, many begin with a view of the world which asserts that management can be studied as the 'natural sciences' are studied (Gill & Johnson, 1997, p.6-7). Research is thus a process whereby a priori criteria are measured and codified in order to formulate law-like generalisations. So conceived, the metaphor of a simple and predictable 'machine' seems the most appropriate way of comprehending business organisations. However, if we are to study organisations according to Aristotelian conceptions, then we must begin by considering institutional reality as embedded in and defined by a given social setting. The metaphor of 'community' becomes more appropriate. According to the pre-modern theory of virtue, inquiry begins with an assumed reality that is socially and culturally-constructed, an assumption at odds with 'objective', positivistic measurement. This means that many of the assumptions and methodological approaches associated with positivistic management research will not be appropriate for this study, given the distinctive features of the Aristotelian theory which this study attempts to apply to the realm of management.

Epistemologically speaking, the theory of virtue predisposes this study toward a philosophy of knowledge (and its validity) that also eludes positivistic analysis. To accommodate Aristotelian concepts, this study begins with the basic assumption that we can study social reality for insight and understanding of particular contexts wherein human actors are creative social beings. To Aristotle, of primary interest were matters related to 'character' and 'motivational intent', as embedded in a

given citizenry and situational context. While these are observable qualities, they are not elements we should expect to know or measure in precise, 'objective' or merely rational terms.

Importantly, while the theory of virtue is ancient, the operationalisation attempted herein is the first of its kind, and as such, it is exploratory in nature. The theory of virtue has been applied in some detail to the general field of business (Whetstone, 2003; Moore, 2002; 2005), but a concerted effort directed toward the origin of business has not yet been attempted. On the continuum that posits phenomenology on one side, positivism on the other, the exploratory nature of this initial application recommends the former approach.

While a positivist analytical approach has been prominent in the literature on business ethics, it has begun to generate the lament of those who recognise an imbalance in methodological approaches (Frederick, 1992, p.91). Too much of the interest in business ethics has been focused narrowly toward 'codes of ethics' (Warren, 1993), and scant effort has been made to understand the deeper meaning of business (Sudhir & Murthy, 2001), amid calls to infuse commercial activity with normative theory and philosophy (Bowie, 2000). A common complaint of existing ethics studies has been that the pragmatic world of business holds complex moral issues that are subject to varying contexts. This can mean that for all the supposed benefits of generalised ethical theory, positivist opinion surveys may paint a misleading, biased or simply superficial picture of reality (Randall & Gibson, 1990) that conveys little value for what seem to be idiosyncratic contexts.

A strong and growing school of thought, developing from shifts within the philosophy of social science, suggests some forms of social research can *only* adequately be explored using phenomenological methods:

"Positivistic explanations, which assert that action is determined by external and constraining social or non-social forces, are inadmissible." (Silverman, 1970, p. 127)

Furthermore, in business ethics, "empirical studies need to focus on theory building" (Robertson, 1993, p.585). The fact that the present study is a theory-building and conceptual theory-grounding exercise is another key reason for selecting a phenomenological approach.

Studying Aristotle's theory of virtue calls for a holistic contextualisation of culturally-constructed realities. As such, the present study will run counter to the current preoccupation with positivist

research that has characterised the academic fields of business ethics (Brigley, 1995, p.219) and organisational behaviour (Vardi & Weitz, 2004, p.222). Yet as these fields have not yet provided the conceptual resolution to satisfy pragmatic and complex issues (Stark, 1993; Hasnas, 1998), such a departure seems warranted. The search for a better or more comprehensive understanding of moral issues in business is intensifying, rather than abating (Whetstone, 2003).

In this study, qualitative methods are required because to genuinely identify virtue one must be concerned with the 'why' questions at the point of intent. Furthermore, inductive techniques are appropriate because we are concerned with grounding social phenomenon in particularized contexts.

"In much quantitative work, contextual factors are considered to be potentially threatening contaminants to a research design's integrity. The aim is to establish valid and reliable relationships, which by definition hold irrespective of context. By contrast, complexity and context are placed at the centre of qualitative social scientific research on organisations. Context is stressed, not stripped." (Miller et al., 2004, p.332)

According to MacIntyre (1985, p.111), to understand the Aristotelian perspective will require:

"Not only philosophical acuteness but also the kind of vision which anthropologists at their best bring to the observation of other cultures, enabling them to identify survivals and unintelligibilities unperceived by those who inhabit those cultures."

The anthropological methods often call for interpretive approaches which are unique for their capacity to yield rich understanding for specific contexts (Stewart, 1991). Meaning, not measurement, is central in such studies (Rosen, 1991, p.6) and the primary concern is gaining observable access to theoretically interesting matters (Stewart, 1991). In this study, an interpretive approach is justified by our search for a native interpretation of meaning that allows for subjectivity, emotion and other relevant influences in its construction (Van Maanen, 1988). According to Van Maanen (1988, p.xiv, 1, 3), interpretive studies offer more than a particular research method, they offer a means of representation:

"(Interpretive studies) display the intricate ways individuals and groups understand, accommodate, and resist a presumably shared order. (They) carry quite serious intellectual and moral responsibilities, for the

images of others inscribed in writing are most assuredly not neutral. Culture is not itself visible, but is made visible only through its representation.”

This research seeks intimate knowledge of the holistic, historically determined and socially constructed culture that binds the organisation at a variety of levels (Detert et al., 2000). As previously discussed, institutional culture and the contextualized individual are the focal points of this analysis, implying the need for a “meso”-approach (Rousseau & House, 1994), or an embedded design for studying multiple levels of analysis within a single case (Yin, 1984), and between comparative cases.

Organisational culture has been chosen as the most appropriate level of analysis, but selection of an appropriate unit of analysis has been less straightforward. As mentioned already, the entrepreneurial process has been chosen for its characteristic solidarity in pursuit of a common quest, and for the relative accessibility of entrepreneurial contexts for an investigation which employs an interpretivist approach. In this way, this analysis is primarily concerned with two elements within this chosen unit of analysis: the organisational culture and the founder who shapes it. Similar research methods have proven effective elsewhere (Uzzi, 1997) in exploring complex social phenomenon through comparative case analysis featuring entrepreneurial settings. Moreover, this particular study has an interpretivist precedent in Whetstone’s (1995; 2003) study that has employed a similar method to contextualize Aristotelian concepts in a large retail corporation.

Entrepreneurship, as understood here, is generally regarded as a *process* whereby individuals identify market opportunities and create institutions as part of their attempt to pursue them. There is characteristically a strong relational inter-dependence of individuals, institutions and societal setting in the process of entrepreneurship (Carland et al., 1988; Santos & Eisenhardt, 2004). This is so much the case, that it is sometimes difficult for research to draw clear lines between the intertwined parts of a new venture. A study featuring the entrepreneurial process would be incomplete if it focused exclusively on individual traits, or organisational culture, as if they were autonomous units. This holistic blending warrants a “meso-approach” for the study at hand, since it is both the contextualised individual, and the culture that person creates, that are of primary concern.

Positioning this Research: Paradigms and Dilemmas

One way to describe and explain the chosen methodological approach is by comparison to other research initiatives in the field of management, as follows.

Sociological Paradigms and Discourse

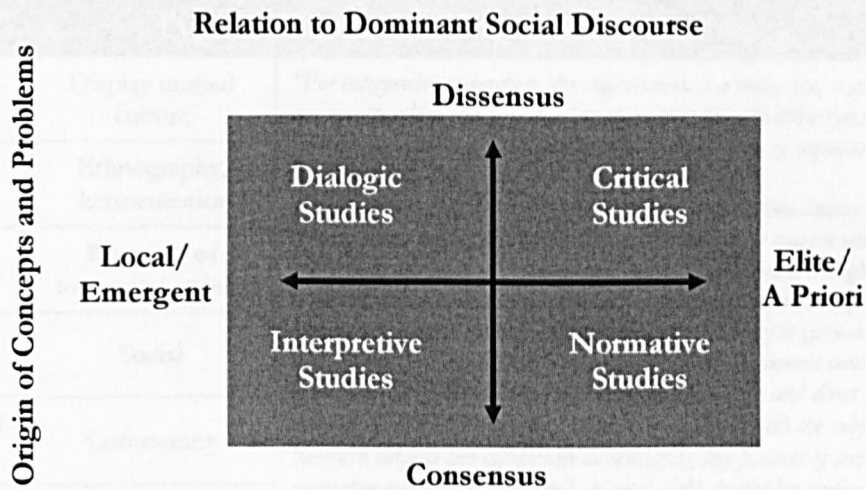
Burrell and Morgan (1994) extended Kuhn's (1970) notion of the scientific paradigm when presenting their grid for classifying four types of research programs in organisational studies. By such a categorisation, this research falls within the type of organisational analysis labelled 'interpretive'. Burrell and Morgan (1994, p.277) assert that it is important for interpretive researchers to explicitly state their intent to:

"Illustrate the complex and voluntaristic nature of human actions and the inadequacies of positivist epistemology and nomothetic methodology for developing an adequate understanding." (Burrell & Morgan, 1994, p.277)

This is indeed part of what the present study intends to do, exploring the '*cultural* paradigm' of virtue using an interpretive '*research* paradigm'. Since this four-paradigm grid was first presented, it has gained widespread impact and relevance within the management field, albeit with some significant degree of contestation.

Concerned with the language, hidden meanings and assumptions conveyed in Burrell and Morgan's account of organisational research, Deetz (1996) has provided his own refinements to the four-paradigm grid. His model disposes of the term 'paradigm' and posits four different 'discourses', or ideal types, in their place. Deetz' categorisation is not meant to re-define Burrell and Morgan's original (first published in 1979), so much as it attempts to provide a better language and logic for discussing the different approaches in a way that facilitates understanding and evaluation of each discourse on its own terms. Deetz' re-framing of the varying approaches in management research attempts to update the original discussion and offers some unique benefits for explaining the methodological position utilised in the present study.

Ideal Types in Organisational Research



Deetz, 1996, p.198

Figure 6.1

The four discourses listed above are not seen to be settled, demarcated or mutually exclusive categories; they may be mixed and blended to suit immediate purposes and fashions (Deetz, 1996, p.199). Because of the utility of this conceptualisation in accommodating the theoretical and methodological features of this study, an account of the most appropriate discourse (labelled 'interpretivist' by Burrell and Morgan as well as Deetz) is provided in some detail below.

Typical Features of Interpretive Studies		
Basic Goal	Display unified culture	<i>‘For interpretive researchers, the organisation is a social site, a special type of community which shares important characteristics with other types of communities. The emphasis is on a social rather than economic view of organisational activities.</i>
Method	Ethnography, hermeneutics	
Hope	Recovery of integrative values	<i>This discourse often draws on traditional and pre-modern themes (Gergen, 1992). This is not to suggest a focus on the past as much as a concern with those aspects of life which have not yet been systematized, instrumentalised and brought under the control of modernist logics and sciences. People are not considered to be objects like other objects, but are active sense makers like the researcher. Theory is given a different conception and different role here. While theory may provide important sensitizing conceptions, it is not a device of classification nor tested in any simple and direct manner. The key conceptions and understandings must be worked out with the subjects under study. Research subjects can collaborate in displaying key features of their world. But like normative research the pressure is to get it right, to display unified, consensual culture in the way that it ‘actually’ exists. The report is to display convincingly a unified way of life with all its complexities and contradictions.</i>
Metaphor of social relations	Social	
Organisational metaphor	Community	<i>Most researchers use ethnography, phenomenology, or hermeneutics in a rigorous way as the principal means of study. Studies are usually done in the field and are based on a prolonged period of observation and depth interviewing. The interest is in the full person in the organisation; thus, social and life functions beyond the work process are considered. The workplace is seen as a site of human activity, one of those activities being ‘work’ proper. The expressed goal of interpretative studies is to show how particular realities are socially produced and maintained through norms, rites, rituals, and daily activities. In much of the writings a clear preservationist, communitarian, or naturalist tone exists. It moves to save or record a life form with its complexity and creativity that may be lost to modern, instrumental life or overlooked in it. Gergen (1992) describes the romantic sense of this discourse with its depth and connection to the inner life. Cultural studies in organisations are interpretive to the extent that they have not been captured by normative, modernist co-optations.”</i>
Problems addressed	Meaninglessness, illegitimacy	
Concern with communication	Social acculturation, group affirmation	
Narrative style	Romantic, embracing	
Time identity	Pre-modern	
Organisational benefits	Commitment, quality work life	
Mood	Friendly	
Social fear	Depersonalisation	

Deetz, 1996, p.199-202

Table 6.2

Reading this description of the interpretivist ideal type, it is clear the present study largely fits this methodological approach, as it calls for an application of Aristotle’s pre-modern theory to serve as an explanatory lens for grappling with complex social issues embedded in organisational culture. Still, it is important to note that the methodological path for this research was not as pre-determined as this categorisation might make it seem, and appropriate elements from the other paradigms were added as deemed necessary, as will be discussed later.

Burrell and Morgan, as well as Deetz, have been instructive in re-framing the contentious discussion regarding organisational research preferences. In positioning and validating research methods that differ from the dominant ‘functionalist’, or ‘normative’ approach, these authors have effectively challenged the assumed value-neutrality and other tacit assumptions of the

dominant paradigm in organisational research (Deetz, 1996, p.204), thus making it easier to accommodate the alternative or incommensurable claims of approaches like the interpretivistic.

Research Tensions in Organisational Behaviour

Studies of organisational culture are complex and can present the researcher with a number of unique tensions. Vardi and Weitz (2004, p.222-233) describe some of the methodological choices facing a researcher, viewed below in a number of common research tensions that must be balanced when investigating organisational behaviour. The bars drawn between opposing stances in the figure below indicate where the present study falls along each of the tensions considered.

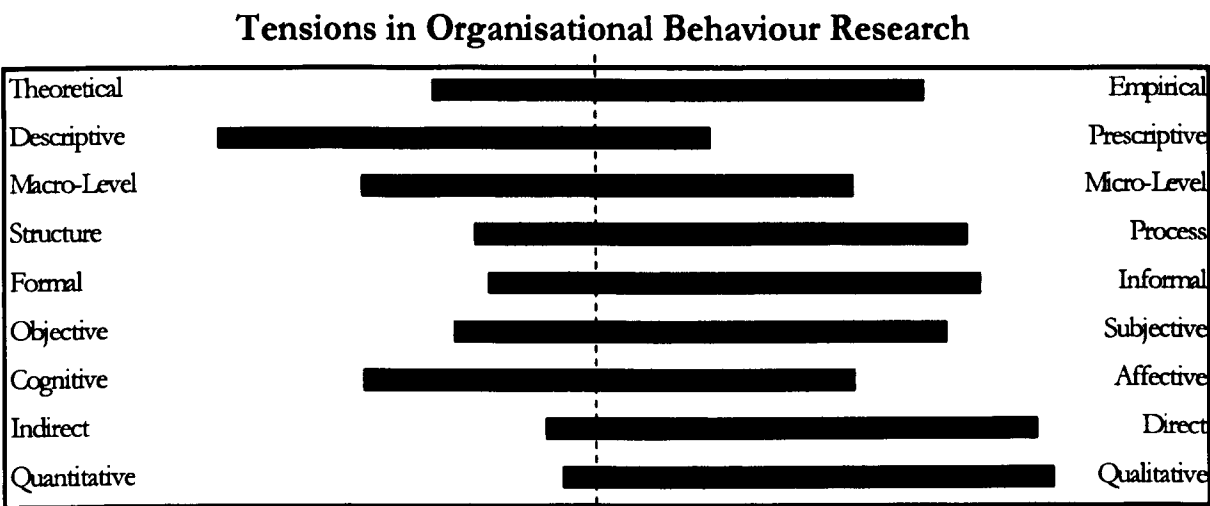


Figure 6.2

This research adheres to Vardi and Weitz’ advice to blend alternative approaches, where feasible, in order to find the clearest and richest possible representation of complex organisational environments. Of those tensions listed, this research finds its most extreme bias in favour of a qualitative approach, a choice largely determined by the particular, value-laden and exploratory nature of a study featuring Aristotelian concepts.

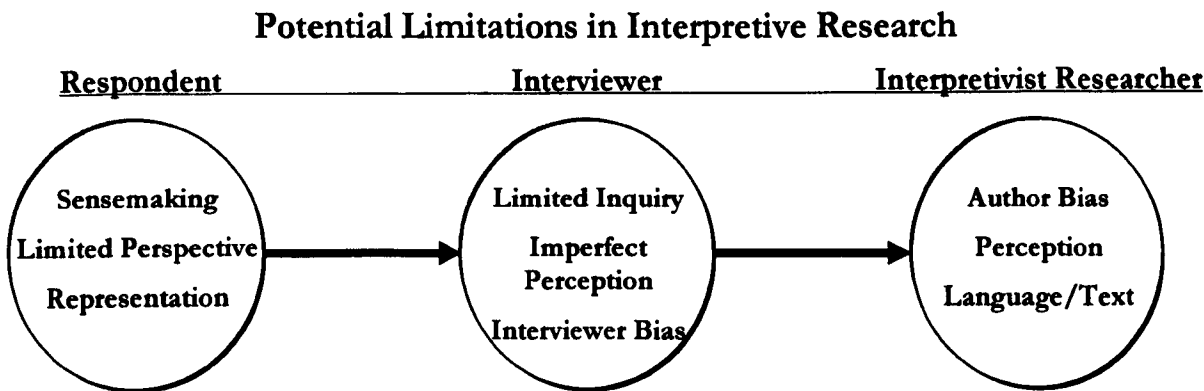
Interpretive Inquiry: Strengths and Limitations

Any study that seeks to derive rich, explanatory findings from a socially and culturally-constructed environment can find significant appeal in the inductive, interpretive inquiry. The anticipated benefits of this method can be seen in relation to some of the trade-offs that it requires vis-à-vis positivist, or functionalist, research. Simply put, inductive methods seek to achieve a holistic authenticity while deductive studies are intrinsically limited to finite areas of the subject’s reality and a pre-determined scope of inquiry. Deductive methods attempt to establish universal

relationships and causalities, while interpretive studies are more concerned with understanding the motivations behind those relationships, as grounded in particular settings. Successful interpretive methods depict organisational reality with all the complexity and contradictions of real life; positivism would prefer to limit its inquiry in order to simplify the reality it considers. The use of interpretivist methods is justified based upon the perceived value in trade-offs such as these.

“It is only in the context of non-positivistic interviews, which recognize and build on their interactive components (rather than trying to control and reduce them), that ‘intersubjective depth’ and ‘deep mutual understanding’ can be achieved (and, with these, the achievement of knowledge of social worlds).”
(Baszanger & Dodier, 2004, p.126-127)

Despite the advantages of an interpretivist approach to the investigation at hand, the trade-offs that it calls for can impact the authenticity of the subject it seeks to represent. Inductive studies start with an assumption that people create and maintain meaningful ‘worlds’, and it is up to the researcher to represent those worlds in written form, in spite of various pollutants that inevitably taint the finished work (Van Maanen, 1988; Baszanger & Dodier, 2004). This process, and its potential pollutants, can be represented as follows:



Source: Author’s synthesis of limitations discussed in Baszanger & Dodier (2004) and Van Maanen (1988))

Figure 6.3

“Numerous levels of representation occur from the moment of ‘primary experience’ to the reading of researchers’ textual presentation of findings, including the level of attending to the experience, telling it to the researcher, transcribing and analysing what is told, and the reading.” (Baszanger & Dodier, 2004, p.127)

Interpretivistic research attempts to paint reality in its full richness, and for the reasons mentioned above, it is always an imperfect process. However, Baszanger and Dodier (2004, p.129) contend that recognizing and attempting to weed out these pollutants “may result in deeper, fuller conceptualisations”. In this research, the benefits of an interpretive approach are seen to outweigh the potential shortcomings involved in making this trade-off. Some of the specific measures taken to mitigate these issues, to the extent it has been feasible, are detailed at the end of this chapter, in the section discussing methodological concerns for ethics research.

Organisational Sensemaking

Among the various types of interpretive research, there are important differences between explanatory processes such as ‘understanding’, ‘interpretation’, ‘attribution’ and ‘sensemaking’. According to Weick (1995, p.6):

“Sensemaking is about such things as placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning.”

In his book *Sensemaking in Organisations*, Weick (1995) presents a clear distinction between sensemaking and mere ‘interpretation’, making the case that while the latter is concerned with the process whereby meaning is ‘discovered’, sensemaking is also concerned with the ‘creation’ of meaning (p.8); problem setting (Schon, 1983, p.40) as well as problem solving. Sensemaking is further distanced from mere interpretation because it is concerned with the *process* of sense-giving and sense-making, whereas interpretation tends to limit itself to the *outcome* of that process (Weick, 1995, p.13). Moreover, sensemaking is grounded in individual and social activity (p.6), the enacted union of conceptual pictures in particular actions (p.36).

“Students of sensemaking need to understand ideologies, third-order controls, paradigms, theories of action, traditions, and stories because their content pervades organisations and colours interpretations. All of these contents are in play all of the time. Moments of meaning occur when any two of them become connected in a meaningful way. Those meanings vary as a function of the content and the connection. But actions are just as plentiful (as assumptions or beliefs) as potential reference points for sensemaking. Precisely because beliefs and actions are interrelated, sensemaking can start at any point.” (Weick, 1995, p.132, 155)

As described in the above statement, sensemaking is seen as a process whereby assumptions and beliefs are linked to actions in a self-sustaining, mutual causality. Understanding the process whereby these links are made is more important in such inquiry than identifying which comes first or has the greatest consequence. Entrepreneurial organisations, in particular, are shown to be particularly amenable to sensemaking investigations:

"A recurrent thread in the organisational literature is that interpretation, sensemaking, and social construction are most influential in settings of uncertainty... Phenomena such as self-fulfilling prophecies, enactment, and committed interpretation should be most visible in young, small professional organisations that must make nonroutine decisions in turbulent environments." (Weick, 1995, p.177)

In entrepreneurship, various actors are required to exercise 'high discretion' since they operate less as 'mechanistic' systems with generic information processes. Instead, entrepreneurial settings tend to operate as 'organic' systems, maintaining the flexibility required to accommodate the uncertainty and instability (Weick, 1995, p.175) associated with the entrepreneurial process. In high discretion environments, less is taken for granted, and thus, more of the language and logic used in these settings is accessible to outside research.

Because of its relevance and capacity to strengthen the research inquiry at hand, the explanatory process employed in this research will generally be that prescribed in the sensemaking approach.

Preparations for the Field

In what follows, pre-fieldwork inquiry is described and other methodological issues are considered, each for their capacity to address important aspects prior to the initiation of qualitative fieldwork.

Pre-fieldwork Inquiries

Prior to conducting fieldwork, it was appropriate to experiment with the application of Aristotle's theory in two separate areas of inquiry. These limited inquiries are perhaps too limited to consider 'pilot studies', but they have each served a critical purpose in preparing the researcher for the inductive fieldwork upon which this research relied. The first pre-fieldwork inquiry intended to ascertain the intelligibility of Aristotelian concepts in the local business context. The second pre-fieldwork investigation was intended to gauge the applicability of this working theory, according to MacIntyrean conceptions, as embedded in a particular institutional culture.

Company T'

Earlier, MacIntyre (1985, p.226) was quoted as follows,

"...the dominant lists of the virtues have changed, the conception of individual virtues has changed and the concept of a virtue itself has become other than what it was."

While this statement seems intuitively true in today's business environment, it was instructive to gauge the meaning of the word 'virtue' and the perceived value of individual virtues such as 'practical wisdom' with a local entrepreneur of the type that this research intended to approach. A completed survey, featuring this entrepreneur's response to a number of related queries, is included in *Appendix A*. This company, referred to as 'Company T' was not included in the larger study, but its founder's response to certain questions was instructive nonetheless. The following contains the verbatim response of this founder to certain questions which attempted to gauge present-day meaning of certain terms :

1) Generally speaking, how would you define the term "virtue" as it may or may not represent business dealings?

Forgive me for a lack of originality here but I would tend to go along with the Oxford English Dictionary! 'Moral excellence, uprightness, goodness.' (If you can't beat it nick it!)

2) In what ways, if any, would you suggest T has acted "virtuously"?

Hopefully we have been striving for this on the basis that we firmly believe this is the most effective way to make a business profitable and highly reputable. Whether or not we are achieving this high moral ground is for others to judge. We would argue vigorously that we are virtuous! We are striving to be a good employer and hopefully there will be real evidence of this next week if and when we are awarded 'Investors in People' status. We make it clear to customers that if our products fail and do not meet expectations then we will refund their money without argument. This is accepted by them and means they are far more ready to take a risk on a new product from us because they trust us to put it right or give them their money back. I hope (we) also act virtuously in our attention to safety issues, government rules and regulations, (boring though they are) resisting exports to dubious countries and even paying the tax man promptly. A final minor example is that I think a profitable company should (help) the local community and charities. We do make charitable contributions and do support local universities and schools with visits,

lectures etc. We preach the gospel of the excitement of engineering to these people to try to save good brains from becoming accountants, stockbrokers, or software nerds.

3) How important has virtue been at T (*where '7' is greatest*)?

1____2____3____4____5____6____7

Example(s): I have answered most of this (in the context of other questions), so in summary I think one of the most important, albeit abstract, assets a company enjoys is its reputation or its goodwill. I don't think a company can score highly on these unless it is 'virtuous' both in its internal attitudes towards its staff and suppliers and its external behaviour towards its customers and in the local community.

4) How important has discernment (practical wisdom) been at T?

1____2____3____4____5____6____7

Example(s): I'm going to identify and define discernment as reading people and their emotions and needs. This then leads to choosing the right people in the first place and I believe recruitment to be the single most important function a business needs to get right if it is to flourish. Hopefully we recruit well here. Another example is the ability to say 'NO' to some opportunities because the longer term view should always overwrite short term gain.

This pre-fieldwork inquiry was insightful for the assumptions and valuable insights it divulged. It also served to convey the colourful terms and priorities which a particular entrepreneur employs when approaching certain topics of relevance to the study at hand.

The fact that this entrepreneur resorted to using a common dictionary or manufacturing his own definition to presented concepts was an important indicator that, indeed, Aristotelian concepts and language may not be commonly understood among the businesses this research intended to study. From this point on, it was clear that either substitute 'proxy' words would need to be generated to convey such concepts, or the researcher would have to provide a standard definition in order to clarify nebulous terms.

Westmont College

As a working theory of Aristotelian virtue, extended using MacIntyrean concepts, began to emerge, it seemed appropriate to attempt to apply them in the context of an institutional setting. Given the researcher's familiarity with the people and place known as Westmont College, this institute of higher education was targeted to serve as a conceptual test-case. This limited case study was conceptual and theoretical in nature, yet the findings were published in a journal targeting the field of higher education (see Crockett, 2004, in *Appendix B*). The following abstract describes the study in brief:

The modern liberal arts community operates in a complex social setting. Civic engagement...global awareness...institutional diversity and change...service learning...faculty development...these are but some of the issues pressing our colleges and universities to re-evaluate their societal role. What seems lacking is a conceptual framework, and language, with which to evaluate these difficult issues. We lack a theory that integrates a variety of "goods" while providing a mechanism for judging actions related to those goods. Aristotle developed a theory of virtue that incorporated important concepts for living in community, a theory for stabilizing individual, institutional and social needs. We can glean practical insight from Aristotelian thought, particularly as it relates to the complex college and university communities. It is within this realm, and the faculty role in particular, that I apply his theory of virtue. After sketching key components of the theory, we will turn this conceptual lens to look at a present-day case in the form of Westmont College.

The main objective of this pre-fieldwork investigation was to see if the abstract concepts presented in Aristotle's (and MacIntyre's) writing could be convincingly applied to the conceptual issues and cultural development of an educational institution. With the benefit of the researcher's familiarity with the college, the study relied almost exclusively on in-depth interviews with the Provost of the institution. Still, this limited study did fulfil its purpose in refining the working model and provided encouraging insights which were formative for refining a comprehensive field research agenda. As a result of this inquiry featuring Westmont College, the researcher was able to better understand the institutional context for fostering virtue, and the dynamic balance between internal and external goods.

In these two pre-fieldwork inquiries, the language and conceptual power of Aristotelian concepts were experimented with, prior assumptions were confirmed, and new insights were gleaned. Such

outcomes may seem unrealistic, given the simple nature of these limited studies. Such outcomes were yet feasible, however, due largely to the novelty of the attempted application. So little is known about the power of Aristotelian concepts in modern business that even limited, preliminary studies may yield important findings, while preparing the researcher for what challenges and opportunities lay ahead. In short, Aristotelian *language* was found to be nebulous, when a relatively sophisticated entrepreneur was queried, but both he and the educational institution queried suggest that there is something valuable to be found in the *concepts* behind such nebulous terms.

Comparative Case Research

Applying a working model based on Aristotelian virtue, this investigation sought to identify one or more “revelatory” cases wherein this unique paradigm could be applied. Such cases are instructive for research that hopes to “observe and analyze a phenomenon previously inaccessible to scientific investigation” (Yin, 1984, p.43). Gill and Johnson (1997, p.124) echo Eisenhardt’s (1989) statement that such an approach is particularly appropriate for theory-building in novel conceptual territory,

“Theory-building, case study research may perhaps be most appropriate when little is known about a topic and where in consequence there can be little reliance on the literature or previous empirical evidence. Such approaches may also be most useful in the early stages of research or to provide a new perspective in a well researched area.”

Randall and Gibson (1990) note that most empirical business ethics research has been positivist in approach and typically asks key decision-takers to fill out self-completion questionnaires. Brigley (1995, p.220) also critiques such research as failing to connect “belief, intention and decision in context”. Following Swanson (1992), Brigley (1995, p.221) calls for a new theory “that is inducted from practice rather than deductively imposed on it”, suggesting that in business, this must encompass considerations that are at once economic, functional and ethical. Brigley (1995, p.221-225) concludes his argument for inductive case studies as follows:

“Researchers have to consider respondent’s ethical views as shaped by theoretical assumptions which are context-specific to business. It would seem reasonable to use ethnographic methods on account of their sensitivity to contextual variation. One major advantage of case study (research) lies in its naturalistic interpretation of social action. Naturalistic case study makes essential reference to the intentions and

purposes of participants, and gives close attention to their reflection in everyday linguistic expression and organisational practice. It attempts to bring coherence to social actors' implicit understandings of social reality. With the development of corroborative studies grounded in the meanings of organisational behaviour and symbolism, this may yield a firmer generalisation. This type of generalisation first and foremost seeks coherence at the conceptual level."

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).

There are a number of key studies that help to establish a methodological precedent for the present research. The use of case studies for the study of entrepreneurship has grown in recent years, although many of these studies have been seen to direct their analysis at either the individual or the organisation, rarely both (Perren & Ram, 2004). Comparative case methods have been used in interpretive studies of entrepreneurial ventures (Ram, 1999; Uzzi, 1997) as well as in considering moral issues in business (Snell et al., 1996; Seeger & Ulmer, 2001). There have also been individual case studies focusing on moral issues in mature organisations (Chikudate, 2000; Sims & Brinkmann, 2002; 2003), and in considering the impact of personality traits of entrepreneurs on the cultures they create (McKenna, 1996). While the present research benefits from the findings revealed in these studies, it also appears to set a new precedent: utilising comparative case methods to study moral issues in entrepreneurial firms.

Purposeful Sampling and Gaining Access

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 (listed below). 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). Nonetheless, securing access to companies of similar size, age and type was difficult. To consider a diverse range of organisational cultures, companies were targeted

which were on award nomination lists of best entrepreneurial companies (based on size, growth rate, etc.), as well as those that were rumoured to have poor leadership, shady dealings and disgruntled employees. Selection was inevitably marred by some self-selection bias, since those that were most afraid of potentially incriminating findings were less likely to agree to participate in the study. However, some founders seemed unaware that they harboured unhealthy cultures, or that they might be in any way be responsible for them; in these cases, access was yet feasible.

Eventually, using a combination of focused selection, extensive personal networking (Jackall, 1988), “planned opportunism” (Pettigrew, 1990, p.274), and sheer determination, five companies were recruited for participation in this study. Each organisation, at face value, appeared to have broadly similar characteristics. They all served the same industry sector (oil and gas), and possessed the same basic business model (technical consulting). These commonalities were intended to control for variances across industry sectors and facilitate comparison between cases. Each of the founders suggested that organisational culture was important and that they would be interested in gleaning something useful from the “outside opinion” that such a study could provide. To enable naturalistic observation, the researcher also offered his services for minor administrative tasks (e.g. furniture assembly, preparing mail shots) in the office environment. The final sample of participating organisations consisted of:

- Five companies originating, and currently based, in or near Aberdeen, Scotland
- Ventures founded by individual(s) still actively managing the company
- Organisations between 9 and 16 years of age (thus old enough to have a discernable culture and a certain ‘way of doing things’)
- Organisations between 35 and 85 employees in size (thus small enough to remain entrepreneurial and more ‘primitively’ socialized than in larger firms)
- Ventures primarily owned by the founder(s), privately held, and not accepting any significant level of external investment
- Primary industry focus: the oil and gas sector
- Primary business model: consulting services of a technical nature

To minimize cultural complexity, organisations were targeted that were relatively small, yet of sufficient size that it was likely discernable cultural elements had been developed. 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. As mentioned earlier, 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).

Once access had been granted, most of the companies welcomed an honest evaluation of every aspect of the culture, although some were slightly more guarded. An example of the semi-structured interview script, interactive joint inquiry exercise and exit surveys utilized in conducting each interview can be found in *Appendix C*.

In order to build rapport, a tacit reciprocity seemed to develop between the researcher and each respondent interviewed. To encourage open and honest responses, each respondent was told at the beginning of the interview that their comments would be made anonymous and, to the extent that sensitive matters were discussed, attempts would be made to assure the respondent's identity could not be linked to transcribed remarks that found their way back to the founder(s). Still, each respondent was informed that an attempt would be made to provide aggregate feedback to the founder(s) based upon the information gathered. To facilitate the divulging of personal stories, the researcher began each interview with a synopsis of his own personal story. Because the researcher had worked in similar business environments, this seemed effective in positioning the researcher as a "professional stranger" (Agar, 1980) who understood their environment in a way that a mere 'academic' would not. The longer and more personal the respondent stories and responses were (e.g. some involved tears and the recounting of personal traumas), the greater the weight of responsibility seemed to fall on the researcher's role. While it was not explicitly clear what the respondents hoped the researcher could do with this information, the sense of an implicit contract was unmistakable. This said, it is possible the researcher simply *felt* that he owed these respondents more because they had shared so openly. In this fashion, each interview seemed to initiate a reciprocal relationship wherein the researcher provided confidentiality, personal narrative and professional effectiveness in the hope of receiving honesty, personal narrative, self-reflexivity and an element of trust in return.

As is common with in-depth, interpretivist research, the researcher was required to assume the role of an 'intimate friend' worthy of listening to personal and reflective accounts that may never

have been shared before. Yet at the same time, the researcher needed to remain in the role of ‘foreigner’ enough to maintain a suitable distance from the cultural context, authority figures and normative order of the institution (Baszanger & Dodier, 2004) such that his opinion was not unduly influenced.

The bulk of the study took place over a nine month period in 2004. For each company, approximately three weeks were spent at the organisation’s central place of work. In one case, this also meant visiting offsite client offices in order to conduct fieldwork in the most common, natural work setting available. The data collection techniques used can be summarised in the following table.

Summary of Data Collection Techniques

<i>Data Collection Method</i>	<i>Description</i>	<i>Sample Criteria</i>	<i>Internal Respond-ents</i>	<i>External Respond-ents</i>	<i>Time Required</i>
<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 1-3 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 as required 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 & 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				

Table 6.3

Chosen Methods for Data Collection & Analysis

There are a number of methodological constraints and choices inherent in this line of inquiry that impact data collection and analysis. As noted earlier, many of the methodological choices made were largely determined by the specific research question, unit and level of analysis. Based upon

the chosen methodological approach, it is possible to explore concerns related to data collection and analysis.

Data Collection Methods

The interpretivist approach has been characterised as follows by Van Maanen (1982, p.103-104 (c.f. Gummesson,1991, p.114-115)):

“The result of (interpretivist) inquiry is cultural description. It calls for the acquired knowledge of the always special language spoken in this setting, first-hand participation in some of the activities that take place there, and most critically, a deep reliance on intensive work with a few informants drawn from the setting.”

The interpretive, case researcher thus intends to glean the full meaning of a given setting. Positivistic or quantitative methods could be used to collect and code respondent answers to entrepreneurial dilemmas, but those answers by themselves would not tell us *why* decisions had been made. An inductive approach is particularly appropriate for new theory development, since without such interpretive methods, research runs the risk of asking the wrong questions or failing to understand the reasons behind the responses provided.

For these reasons, an interpretive approach was adopted for this study. Specifically, the following qualitative data collection methods were employed:

1. Individual, in-depth, semi-structured interviews were conducted (where possible) in natural organisation, or ‘field’, settings
2. Direct, intensive fieldwork in the organisational context, and at significant company meetings and events, in the roles of both observer and (in some cases) participant
3. Documents and other material collection in the following forms:
 - archived, historical material (e.g. original business plans, personal e-mail)
 - current marketing and internal material (e.g. brochures, company presentations, financial records)
 - secondary material from the press, competitors and industry associations.

Thus, each of the prominent techniques for qualitative data collection were utilized in order to obtain the deepest possible understanding of each environment. To some extent, the interview

data served as the primary collection technique, and the other sources of data deepened and confirmed the themes which emerged from interviews conducted. Interviews were a pivotal component for the purposes of this study, as semi-structured, in-depth enquiry allowed the researcher to gather a wealth of information not readily available in other forms of data collection (Creswell, 2002, p.186). Moreover, as the researcher saw the need to probe a particular area further, this method was pliable enough to permit the addition of new questions capable of illuminating relevant subject matter. This flexibility proved critical in this study, given the need to discern motivational intent and assumptions that are often not verbalised.

The reliance that this study placed on the interview carries some implied limitations (Creswell, 2002, p.186). It required the interviewer to have the domain knowledge and requisite skill to purposively direct the conversation, while following potentially fruitful tangents into unanticipated territory. The flexibility afforded by this form of interviewing gives up some generalisability to gain depth of understanding. Changing the questions asked of each respondent meant less scope for data comparison and, arguably, more scope for interviewer bias. Still, many of the questions were presented in similar fashion to all respondents. Furthermore, the researcher was careful to speak in the same way to each respondent and attempted to conceal any inherent 'social desirability' of particular responses. Since these interviews dealt with subjective subject matter, the variability of chosen respondents (the first of the interpretive 'pollutant' types mentioned earlier) was a concern. Most of the respondents featured in this study were interested in the novel questions being asked, but it was clear that respondents were not equally articulate, perceptive or honest. The addition of numerous respondents for each site studied helped to compensate for lack of consensus and clarity, but respondent variability remains a valid concern for research of this type.

Interactive Joint Inquiry Exercise

Because the theory of virtue represents a novel organisational paradigm, the researcher developed an 'interactive joint inquiry exercise'. Following Schein's (1984, p.13) prescription for studying organisational culture using 'joint inquiry' techniques, this new device for collecting a particular type of data represents a significant variation on the open-ended interview. Yet by engaging respondents in this way, researchers can tease out hidden assumptions, as required to facilitate evaluation on Aristotelian terms.

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’). In MacIntyre’s (1985, p.190-191) terms,

‘It is characteristic of what I have called external goods that when achieved they are always some individual’s property or possession. Internal goods are indeed the outcome of competition to excel, but it is characteristic of them that their achievement is a good for the whole community who participate in the practice.’

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 *Figure 6.4*, and an example of the joint inquiry findings gleaned from one founder interview are presented in *Appendix C*.

The Interactive Joint Inquiry Exercise

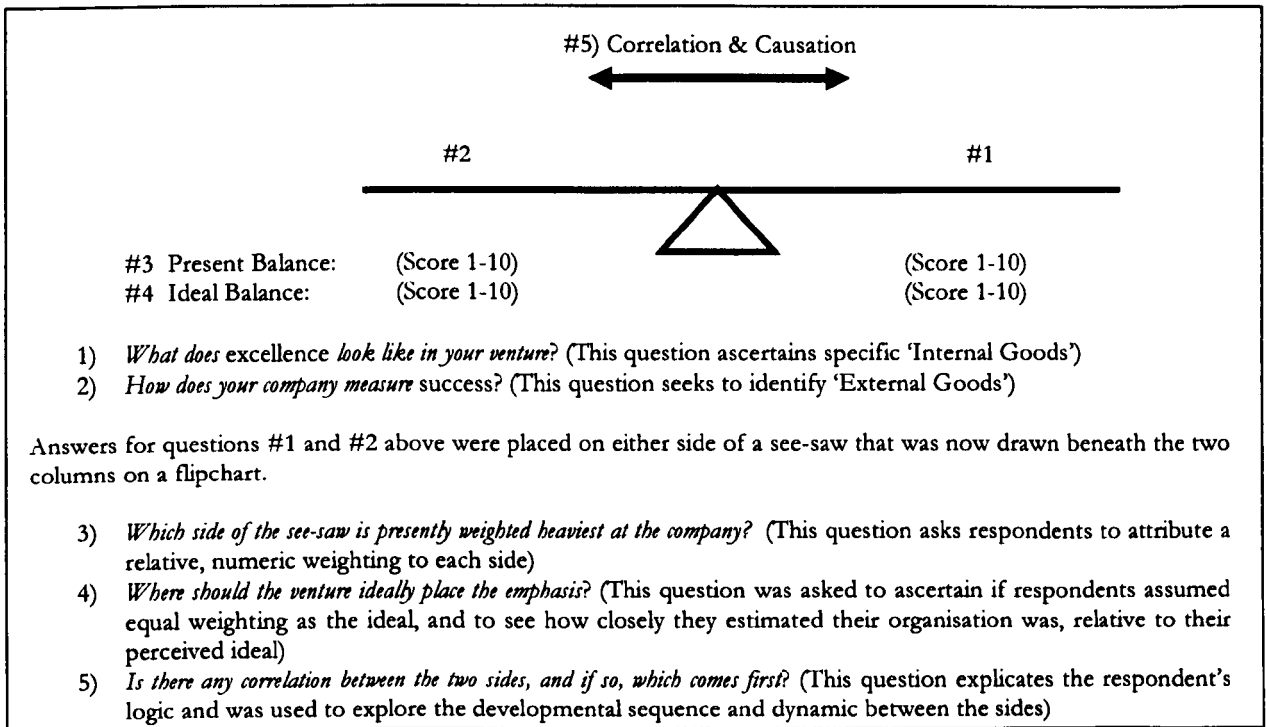


Figure 6.4

The findings regarding the effectiveness of this instrument, and the responses it was used to generate, will be discussed in detail in the following chapter.

Exit-Survey Questionnaire

"In complex settings, fieldwork, while a vitally important and core activity, is not likely on its own to provide a particularly balanced representation of a culture without being supplemented by diverse readings, broadened reflection, and...other research techniques. New ways must be developed for representing and using fieldwork when complex problems are attacked." (Van Maanen, 1988, p.139)

An additional aid, facilitating the transferability and comparability of data between respondents and organisations, was found in the form of an exit-survey questionnaire. This one-page survey was issued to each respondent at the close of the extensive interview to allow respondent's 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 corroborate, and are explained by, the rich qualitative descriptions gathered for each organisation. This was one of the only departures from what was otherwise a clear reliance upon qualitative methods. Mixing of methods, in like fashion, has been increasingly called for by those who seek a deeper understanding of organisational culture.

“Failure to apply a variety of methods to assessing culture limits our understanding of it. Clearly, there is a need for both etic and emic perspectives...the combined resources of quantitative and qualitative methods—the logical next step.” (Rousseau, 1990, p.186)

With the addition of the exit survey, it was possible for the researcher to ask key questions in exactly the same way, and the respondents could allocate relative weightings of answers across a numeric scale. A sample of this survey is depicted in *Appendix C*, and will be discussed in greater detail in the section that describes triangulation of data sources.

Data Recording

Field data was obtained and recorded in a number of formats. The researcher attempted to record each interview with a voice recording device that was discrete enough to avoid undue distraction or otherwise restrict comfortable conversation. Upon departure from the field, this voice recording was transcribed by the same researcher. In cases where the audio recording was unclear (e.g. due to cafeteria noise or the rumbling engine of a ferry boat), written field notes and the researcher’s memory were used to supplement the transcription. For pivotal respondent quotes or other missing data transcribed without the aid of the voice recording, the researcher returned to the respondent for confirmation of specific statements.

Field notes were taken prior to entering the organisation, during interviews and observation periods, and immediately after leaving the field. The notes taken in this fashion included respondent quotes, comments on symbols and cultural artefacts found at the location, and even some initial guesses at analysis and theory-building. Descriptive notes were also taken for the documents and other material viewed. For reasons explained in subsequent chapters, the field notebook was a particularly important tool for recording and processing the emerging patterns found in the field.

Data Analysis

Data collection methods commonly associated with case study research also provided the basis on which some of our data is analysed. As such, this research falls prey to a common difficulty in qualitative research: distinguishing the methods of *collection* from the methods of *analysis*. In the following chapter, the benefits of a grounded approach are delineated and utilised as a pivotal analytical device for traversing between emerging theory and fieldwork data.

Within qualitative research, various techniques have been employed to ‘code’ or categorise what is often a deluge of narrative data gleaned from conducted fieldwork. In particular, ‘content analysis’ represents a qualitative data analysis technique that was considered for use in this research. There are some strong reasons against using content analysis, however, and they will be described below as part of a common criticism against manual or computerised coding devices for use in studies such as this.

Content analysis did not seem effective for this study for the simple fact that the values and concepts of interest in this inquiry are often put in different terms by different respondents. This is largely explained by the age and relative obscurity of Aristotelian concepts. Concepts such as ‘versatility’ may be mentioned by one respondent to mean something referred to by another as ‘flexibility’. One respondent may speak of ‘versatility’ in dealing with external clientele while another respondent relates the same word to interactions with other employees or their own particular role (e.g. flexible hours and duties). This conundrum is caused, in part, by our interest in applying words and concepts that may not necessarily be part of mainstream business vernacular (e.g. ‘integrity’ or ‘virtue’). Content analysis is capable of coding key types of words and revealing themes hidden in the data (Hussey & Hussey, 1997, p.251). For purposes of this study, however, it is the underlying *meaning* behind those themes and patterns that lend greatest insight, not the number of times they are found to occur.

As such, content analysis and other techniques for reducing the complexity of qualitative data have not been used in this investigation. This decision is justified by the risk that if complexity is reduced, it may do so at the expense of rich understanding. Yet in an exploratory study of this type, rich understanding of social reality is the most critical point of validation for grounding theory.

Other Methodological Considerations

There are additional methodological considerations that warrant attention for a study of this type. This research initiative is set apart from many studies in the field of management because it attempts to deal with the social and moral dimensions of organisational behaviour, and as such, faces added challenges.

Ethical Concerns for Chosen Research Methods

Due to the potential for personal and sensitive subject matter to be broached in the context of personal, in-depth interviews, concerns regarding research ethics needed to be addressed. As mentioned earlier, to encourage open and honest replies, each respondent was told at the beginning of the interview that any potentially “sensitive” comments would be made anonymous and attempts would be made to assure the respondent’s identity could not be linked to such remarks that found their way back to the founder(s). Some respondents asked specifically about this agreement prior to making sensitive remarks, so this safeguard to their privacy was apparently a necessary measure to ensure open responses. When sensitive comments were made, the researcher saw fit to avoid publication of those comments except in cases where they shed light on a particular area in a way that other comments had not. In these rare instances, the identity of the individual who made this comment was concealed in any materials presented to others in the organization. With this informed consent, or basic understanding of what comments were expected and how they would be used, every respondent seemed to speak without inhibition.

The fact that the researcher maintained multiple relationships across the seniority and hierarchy of each organization may have complicated the study. Each relationship was treated by the researcher as equal, and attempts were made to avoid the appearance of preferential relationships with any particular individuals. This perception was not entirely manageable, however, as the founder of the company was the initial point of contact, the individual that permitted the study to be conducted, and the only one assured of seeing a written summary at the end of the study. In these ways, other respondents in the company may have seen the founder as having a disproportionately strong relationship with the researcher. In the context of fieldwork conducted, this did not seem to play a significant factor in preventing or unduly biasing the responses given.

Methodological Concerns for Ethical Content

The search for academic findings that can bridge the gap to practical business matters is fuelling interest in multi-dimensional research methods (Frederick, 1992, p.91). There is a growing concern that within the complex world of human and organisational behaviour, researchers run the risk of creating and using incomplete descriptions of phenomenon based upon prescriptions of certain preferred research methods. The challenge is less to identify one ideal approach than it is to eclectically incorporate the right variety of methods for illuminating a chosen level of social reality (Jick, 1979; Vardi & Weitz, 2004, p.221).

According to Ulrich and Thielemann (1993, p.879-880), any scholarly work attempting to study ethical considerations within organisations must attempt to address two common pitfalls:

- 1) *Conventionalist Reduction*: limiting enquiry to the quantitative and the concrete
- 2) *Personalist Reduction*: systematically abstracting ethical dilemmas from their complex environments

In this study, a mixture of methodological approaches, subjects and techniques helped to eliminate the potential threat of these pitfalls. By following qualitative methods that were novel and corroborative, this research gained a deep understanding of the environments under study, complete with their contextualised and value-laden implications.

According to Vardi and Weitz (2004, p.233-238), research of this type must also avoid some additional pitfalls. Beginning with micro-level and leading to macro-level challenges, each of these added challenges are discussed along with the specific measures taken to address them in the present study:

- 3) *Social Desirability*: this is the common label placed on the tendency for some respondents to provide answers that place themselves in a positive light (Fernandes & Randall, 1992). This effect was felt in the context of this research, where some respondents sought to provide the response the researcher would deem 'best'. In order to combat this pitfall, the researcher sought to avoid words or other signals that implied a normative value. Through presenting a neutral stance, and thus obscuring the 'better' answer, it was hoped that the respondent could offer judgments that were more independent.

- 4) *Impression Management*: some categorise this as a subset of social desirability (Zerbe & Paulhus, 1987), but this effect seems distinct for its capacity to influence a response in order to substantiate a particular image which the respondent hopes to leave with the researcher (Becker & Martin, 1995). This intentionally projected image can be either good or bad (e.g. if the respondent hopes to be seen as a 'rebel'). The potential side-effects of this pitfall were realised when a respondent *not* on the researcher's original interview list asked to be included so that she could share a story that put the founders and the company in a particularly positive light. The fact that leaving this impression was intentional certainly influenced the weight of the received statement.
- 5) *Halo Effect*: this tendency is similar to those listed above, yet rather than seek to convey a desired impression regarding the 'right' answer or a particular image, the halo effect relates to the respondent's own self image. This can unduly bias the findings in either a negative or positive direction (Vardi & Weitz, 2004, p.235). This research identified the halo effect in that a humble founder would rate his capacity to impact company culture much lower than an extremely confident founder would. Interestingly, the employees in these two organisations indicated that the first founder estimated his impact too low, the later too high. Again, multiple respondents with various relationships to the founder helped this research to find the most realistic balance between such statements and mitigate the halo effect.
- 6) *Cognitive Dissonance*: when two conflicting positions are simultaneously held by the same individual respondent, contradictory logic is said to create dissonance. To the extent that the contradictions are identified by the respondent, attempts may be made to reduce the tension by seeking to apply a justifying logic to the contradictory statements. In the context of this fieldwork, this justifying logic, when shared, helped to explain what had seemed conflicting rationale. In some cases, however, it seemed that the respondent had inadvertently mixed fact with 'fiction' and attempts to reconcile the two only confirmed the lack of support for the fiction provided.
- 7) *Low Base Rate Behaviours*: Vardi and Weitz (2004, p.236) point out that organisational misbehaviour and organisational citizenship (i.e. 'good behaviour') "is still the exception, not the rule, in our everyday work-life experience." Most companies fall somewhere in between the two extremes on this spectrum. As such, we should not expect to find a large number

of sample environments that fit either category. In general terms, this study supports this sentiment and confirms the related difficulty researchers have in identifying large numbers of organisational ideal types on either end of a normative continuum. This is an issue that will negatively impact quantitative research initiatives to a greater extent than it has the present study.

This concludes the discussion of many of the methodological issues which this research study has had to face. The next chapter will begin to consider the findings that have emerged from the fieldwork conducted, proceeding according to the prescriptions of grounded theory.

CHAPTER 7

GROUNDING THEORY WHILE ANALYSING DATA

Introduction

Grounded theory (Glaser & Strauss, 1967) is an interpretive method which sits comfortably within the phenomenological tradition. It is described as a set of inductive procedures for the grounded theorising of a particular phenomenon, whereby:

“The findings of the research constitute a theoretical formulation of the reality under investigation, rather than consisting of a set of numbers, or a group of loosely related themes.” (Strauss & Corbin, 1990, p.24)

In this way, the theory emerges from the observations rather than being decided before the study. The purpose of grounded theory is “to build theory that is faithful to and which illuminates the area under investigation.” (Hussey & Hussey, 1997, p.70). As such, it calls for alternating between inductive and deductive thought. The data is inductively collected, then, the researcher attempts to turn away from the data and look at it deductively from the perspective of emerging theory before inductively collecting additional data to test, refute and refine tentative hypotheses. The final arbiter of categories, themes and analytical frameworks that emerge is the illumination which the grounded theory provides to the environment under study. As such, the goal is intelligibility and saturation of the relationships being explored, not predictability or their generalisability to other contexts (Hussey & Hussey, 1997, p.71).

As is common in this type of theory building research (Glaser & Strauss, 1967), this study employed a constant, iterative analytical process that involved travelling back and forth between the collected data, conceptual lens and the emerging theory. In this process, there is a characteristic overlap between data collection and analysis (Eisenhardt, 1989). In the following pages, a similar overlap is presented. The methods used to ground the theory of virtue will be considered in the context of relating theory to the data, and data to theory, in a non-linear fashion. In what follows, findings drawn from each organisational context will be presented, before evaluating them through a working theory of virtue, and (where relevant) selected organisational theory. While unconventional, this presentation seems true to grounded theory

methods and mirrors the actual theory-building process that was employed. This iterative process will begin by attempting to correlate key Aristotelian concepts to the organisational paradigm.

Relating Organisational Culture to Aristotelian Concepts

A working theory based on Aristotle's theory of virtue can be correlated to Schein's descriptive layers of organisational culture. This suggests a connection between the theory of virtue and the cultural paradigm of any organisation. As argued earlier, individual virtues are not sufficient for explaining how the dynamic virtue apparatus functions; nor can individual virtues convey how the various components of the theory relate to one another. In *Table 7.1* the components of the theory of virtue are posited as a series of interdependent layers that dynamically connect motivational purpose to purposeful action.

Comparing Layers of a Cultural Paradigm

Layer	Schein's Cultural Paradigm*	Aristotle's Virtue Paradigm
<i>Visible Action</i>	Artefacts	Prāxis (Purposeful Action)
<i>Processing Filter</i>	Shared Values	Phronēsis (Practical Wisdom)
<i>Tacit Beliefs</i>	Assumptions	Arête (Virtue)
		Character
<i>End</i>	Mission/Goal(s)	Telos (Purpose)

*Adapted from Schein, 1984, p.3

Table 7.1

The most visible of these layers is represented in Schein's artefacts, Aristotle's *praxis*. This term is meant to mean something different than 'practice', as defined by MacIntyre earlier. Practice is the particular activity housed within a given institution. This is contrasted with *praxis*, which in Aristotelian terms is the exercise of intentional purpose; the point at which a teleological ideal is converted to action. *Praxis* is at the same time more abstract than common moral agency (because it is linked to motivational intent) and more practical than codes of conduct (as it links normative guidance to action). Because it is seen as intentional action, we expect it to be the most readily observable element of the cultural paradigm of an organisation understood in Aristotelian terms.

Ethos describes the shared values and assumptions of a specific group of people. It has been used synonymously with organisational culture or climate (Jackall, 1988), yet it seems Aristotle's emphasis on character gives it a somewhat different flavour. In the table above, cultural assumptions are correlated to individual virtues; sets of assumptions are equated to the collective character of an organisation, and ethos refers to the complete set of components required for making balanced judgments. According to Schein (1984, p.3),

“To really understand a culture and to ascertain more completely the group’s values and overt behaviour, it is imperative to delve into the underlying assumptions, which are typically unconscious but which actually determine how group members perceive, think, and feel.” (Original emphasis)

Virtue, while perhaps more collectively shared than assumptions, thus exists on a deeper layer than mere values. In this way, character is seen to represent a set of habitualised, taken-for-granted dispositions through which one interprets reality.

‘Cultural paradigm’ refers to the unified whole constructed by these cultural layers. Organisational culture is a dynamic, multi-faceted concept, and a cultural paradigm is described as “a set of interrelated assumptions (about humankind, nature, and activities) that form a coherent pattern” (Schein, 1984, p.4). Schein (p.5) continues,

“Behavioural differences make no sense until one has discovered and deciphered the underlying cultural paradigm. To stay at the level of artefacts or values is to deal with the manifestations of culture, but not with the cultural essence.” (Original emphasis)

As discussed previously (page 15), a cultural paradigm unavoidably affects the reality it comes to interpret. It has both epistemological and ontological implications, and is “at one and the same time, a device for interpretation and a formula for action” (Johnson, 1992, p.29).

The correlations proposed in the above table provide a link to the cultural paradigm of organisations, not along purely positivistic or consequentialist conceptions, but according to an alternative, neo-Aristotelian perspective. In line with Aristotelian prescriptions, stories are deemed important for deciphering the sensemaking process in organisational culture. According to Weick (1995, p.61), plausible organisational meaning is helpfully conveyed in:

“The symbolic trappings of sensemaking, trappings such as myths, metaphors, platitudes, fables, epics, and paradigms. Each of these resources contains a good story. And a good story, like a workable cause map, shows patterns that may already exist in the puzzles an actor now faces, or patterns that could be created anew in the interest of more order and sense in the future. The stories are templates. They are products of previous efforts at sensemaking. They explain. And they energize.”

The next step will be to consider the methodology for applying and refining a working conceptual lens of virtue to cultural ‘trappings’ such as these.

Deciphering Cultural Paradigms

Schein (1984) has provided a framework for cultural inquiry in the organisational context. According to Schein (1984, p.4),

“As certain motivational and cognitive processes are repeated and continue to work, they become unconscious. They can be brought back to awareness only through a kind of focused inquiry, similar to that used by anthropologists.”

Interestingly, the very thing that makes cultural assumptions (and, as suggested in this study, institutional ‘character’) so powerful is the fact that they are so self-evident that they are no longer treated as subjects of debate. Schein prescribes four key approaches for the anthropological deciphering of an organisation’s cultural paradigm (1984, p.13):

- a) Analyzing beliefs, values, and assumptions of “culture creators or carriers”
- b) Analyzing responses to critical incidents in the organisation’s history
- c) Analyzing the process and content of socialization of new members
- d) Jointly exploring and analyzing with insiders the anomalies or puzzling features observed or uncovered in interviews

In this empirical study, these four approaches provide an instructive guide for fieldwork. The first approach has been particularly useful for its ability to reveal organisational purpose and the last for its capacity to help us explore the balanced judgments within an organisation’s ethos. The others have been instructive for revealing the ways in which organisational ethos is shaped and exhibited.

Because of the transdisciplinary nature of entrepreneurial phenomena (Stewart, 1991), we attempted to study organisational culture as a whole, across all functions and hierarchical levels. Following Schein’s (1984) advice for revealing and deciphering the cultural paradigm of an organisation, emphasis was placed on identifying the embedded values and beliefs of the founders, while also exploring new employee inductions and responses to critical incidents. Each of these revealed insights that will be discussed in turn.

The “Culture Creator”: Revealing Purpose

Schein suggests cultural enquiry should focus on the people responsible for its creation, embedded values and assumptions. Significantly, he argued (1992, p.303) that founders and their assumptions are the primary cultural influence in young organisations, and we should expect to learn a great deal about a given culture by studying these individuals. The interviews that were conducted confirm this assertion, since nearly every respondent suggested the only clear sense of organisational “purpose” was that which was originated, cultivated and continually refined by the founder. It became clear that non-founder respondents were not accustomed to considering their employer’s purpose or reason for existence. Responses ranged from “I don’t think there is one,” and “I have no idea,” to “I suppose just to make money”. In some cases, the mission statement or the introductory phrases used at reception were recited, but most understood that such statements were insufficient and referred the researcher to the founder(s) for a legitimate answer. Indeed, every one of the founders divulged a considered (albeit often closely-held) opinion about the true purpose of the company. Table 7.2 lists these founder statements. In some cases, the statements below represent a blending of similar answers from two members of the founding team. Each has been validated, to the extent feasible, with internal (e.g.- credible statements of ‘vision’) and external sources of data.

Summarising Organisational Purposes

Company	Purpose Statement
IP Systems	<i>“To allow the founders to achieve their dreams”</i>
Blairs	<i>“To meet the demands of the oil and gas industry...whatever they may be”</i>
Global	<i>“To achieve expectations through meaningful work; establishing a different kind of company”</i>
Praxis	<i>“To be our own bosses, ethically make money by serving our customers in the best possible way and look out for our people (staff)”</i>
Geoscience	<i>“To exceed client expectations for the benefit of our own people, the community and the environment of which we are a part”</i>

Table 7.2

To consider this data through the working theory of virtue, MacIntyre is instructive. MacIntyre (1985, p.273) aids those seeking to identify genuine virtue by proposing a three-stage test.

Stage 1: *“concerns virtues as qualities necessary to achieve the goods internal to practices”*

Stage 2: *“considers (virtues) as qualities contributing to the good of a whole life”*

Stage 3: *“relates (virtues) to the pursuit of a good for human beings the conception of which can only be elaborated and possessed within an ongoing social tradition”*

In what follows, some liberties have been taken to paraphrase the full meaning MacIntyre intends to convey in his stages and present them as a three-part text for application within the language and context of business:

- Stage 1: Does it contribute to the intrinsic quality of the given practice (and hence the institution this practice sustains and is sustained by)?
- Stage 2: Does it contribute to the integrity and flourishing of relevant individuals (conceived as whole individuals with multiple social roles)?
- Stage 3: Does it contribute to the flourishing of the relevant social tradition(s)?

This test can now be applied to the organisational purposes described above, since the virtues MacIntyre helps us identify are meant to reflect a virtuous *telos*, or purpose. In this way, important indicators are obtained about the motivating rationale behind each company. In IP Systems' purpose statement, the second stage test is addressed (at least for the founders), yet the first and third are notably ignored. Such a mandate meets the logical demands of *homo economicus*, but fails by the Aristotelian standard. Geoscience fares much better. The purpose statement of Geoscience satisfies all three stages: 1) seeking the excellence of their craft, 2) seeking the benefit and fulfilment of their staff, and 3) seeking the flourishing of the larger social (and environmental) context. Thus, using such a test it is possible to identify motivational differences between respondent companies.

As argued earlier, character is also required in order to operationalise a virtuous purpose, so the next task is to identify the organisational ethos of each company.

Incidents and Applicants: Revealing Character

"It may seem like we (students of sensemaking) are obsessed with stories. In a way that is true, but only because of the kind of data involved. Actions are fleeting; stories about action are not." (Weick, 1995, p.127)

Incidents

The emotional outbursts and other signals that founders transmit during crises, or other pivotal events, represent powerful cultural embedding mechanisms (Siehl, 1985; Schein, 1992).

“Events in an organisation’s history are raw material that members of a culture can mould into a form that both reflects and reconstitutes the culture itself.” (Martin et al., 1985. p.103)

Stories are a primary mechanism for imbuing these signals with a meaning that will help make sense of present and future challenges. In small organisations, such signals may be directly visible to a large portion of employed staff. But stories are also a primary mechanism for explaining and transmitting sensemaking throughout the company, and for embedding cultural assumptions and values that may outlast the event or those that experienced it.

All five of the ventures featured in this research were involved in the cyclical oil industry and they all cited some of the same critical incidents. Comparing different responses to the same crisis provides an opportune stage for revealing taken-for-granted assumptions (Wilkins, 1983), the organisational capacity to learn from such events (Cope & Watts, 2000), core ethical orientations (Seeger & Ulmer, 2001), or the ethos of a given company.

At roughly the same time as the oil industry crises described in the preface, Geoscience faced an internal crisis: one of their strategic partners decided that for their two companies to continue working together, they must merge into a single entity. James Milne, Geoscience’s co-founder and chief executive, refused to sell after months of intense negotiations. His reasons were largely based on the perceived impact a merger with the larger company would have on the unique Geoscience culture and business philosophy. Milne’s refusal meant that at the same time as the economic hardship of the industry downturn, Geoscience lost a strategic partner, its primary source of revenue (leads generated by the partner), a co-founder and even some employees who had worked for a joint venture between the two companies. Worse, Geoscience gained a direct competitor. The Geoscience co-founder that left at this time to join the strategic partner recalls,

“That was a particularly difficult time. (At our partner) there was a clear drive to increase shareholder value...and that was first and foremost. Whereas, with Geoscience, shareholder value was important, but ‘lifestyle’ was more important. At the time that this occurred, one thing I really couldn’t get round: the Geoscience culture was all about lifestyle and people, and yet, the risk of splitting these companies apart, when a hell of a lot of (Geoscience) profits were coming

from (this partner), put those people at major risk...their personal incomes, their salaries, their job security...was put at a huge risk. And that, for me, was totally countercultural at the time."
(Respondent emphasis)

This logic helps explain the point of departure between Milne and his co-founding partner. To Milne, this merger contradicted his basic philosophy that work should foster "quality of life", or lifestyle, a principle he was not willing to compromise. He couldn't allow his vision to be subsumed by any company that didn't live by the same premise. If he did, Milne feared Geoscience would become just another employer, and what made Geoscience unique and rewarding would be forever lost. Milne held his ground in the hope that he could emerge from the dissolved partnership and industry downturn with the distinctive Geoscience ethos intact. Eventually, as indicated earlier, layoffs were avoided through a voluntary pay-cut and the company ethos that emerged was seemingly strengthened by the crises it withstood. This account is a compelling illustration for distinguishing character-based differences between organisational contexts, and drawing attention to the immense implications for nurturing and protecting organisational ethos in times of crisis.

Geoscience's response to the same industry crisis was starkly different from that of IP Systems or Blairs, where (as mentioned in the preface) large-scale redundancies were implemented. Such divergent responses are reminiscent of differences which MacIntyre highlights between two fishing crews. According to MacIntyre's example of two ideal types (1994, p.284-286), the first fishing crew is motivated solely by economic rewards, and when crisis strikes, management feels compelled to respond by dismissing crew members or investing elsewhere. By contrast, in the second fishing crew...

"Excellence in the activities of fishing and in one's role within the crew will, for as long as possible, outweigh the economic hardships of low wages and periods of bad catches or low prices for fish....the subordination of economic goods to goods of practice can be a rewarding reality."
(MacIntyre, 1994, p.285-286)

This study finds empirical support for this 'rewarding reality' in the contrasting responses to the same industry crises. The Geoscience community was able to prevail in a manner completely foreign to those in ventures like IP Systems or Blairs. MacIntyre contends

that this phenomenon supports the basic tenets of Aristotle's theory of virtue, and if so, then gauging responses to critical incidents has gone some way toward locating the theory of virtue in contemporary business practice.

Applicants

Returning to our working theory, it is clear that if one hopes to understand Aristotle's ethics, one must not focus on what a person *does* so much as who a person *is*. Virtue is typically associated with the moral character of an individual, so we should expect organisations that value such qualities to be discriminating in the selection of new members. By following Schein's prescription to consider recruitment and induction practices, we are directed to another important area for evaluating the individual and collective character of an organisation.

According to their chief recruiter, IP Systems selects members based upon two unwritten assumptions: 1) acceptable candidates should be prepared to place a higher priority on their work than on any other aspect of their lives, and 2) female employees (especially those of child-bearing age) are less productive than single, male employees, and should thus be avoided. Candidates are sometimes placed on contract without an interview, based solely on their written technical competencies. Normally, recruitment interviews are conducted by one or both founders, last no more than 45 minutes, and dwell on the technical aspects of the job and the founders' plans for organisational structure and future growth. The induction process consists of a series of forms and procedures, and is devoid of convincing descriptions of the company's mission or values. At one time, the company encouraged personnel reviews every six months, but these seemed to turn into mere tick-box exercises, so they were discontinued.

In contrast, both Geoscience and Praxis have very clear and refined sets of values and character traits they explicitly look for in new recruits. As at IP Systems, they are reluctant to write these down, yet these qualities are commonly understood and reinforced by founders and others central to the hiring process. Geoscience involves about 60% of its employees in the process of interviewing a new candidate. After so many interviews, both the candidate and the existing employees have an accurate idea of the potential "fit", based largely upon a subtle list of character traits that could not be deciphered from a

C.V. Geoscience estimates that it has only ever hired one or two people that, in hindsight, did not fit their unique institutional community.

At Praxis, the founders have entrusted recruitment to one senior manager who shares their deeply-held values and is prized for her ability to uncover what motivates and interests a candidate. Her primary concern has been: Can this candidate demonstrate a personal motivation to act with honesty and empathy in solving practical business issues? A Praxis founder asserts,

“She seems to have the same sort of vision (as the co-founder and myself), has grasped the concept of the type of person we are looking for, and has the skills to discern the personality and culture of a person. She looks for something beyond (technical skill) to see if they can deliver this so-called ‘other’, broader vision of what they’ll be asked to do.”

At both Geoscience and Praxis there are clear value-laden assumptions and consistent processes for extensively screening candidates based upon the character traits deemed necessary for a role. In the few instances where they felt they had hired candidates that were lacking the desired character traits, they found it difficult, even impossible, to infuse those individuals with the desired qualities. In most cases, this eventually resulted in a mutual parting of ways. These difficulties underscore the importance of personnel screening for identifying and shaping organisational ethos at the point of employee selection. One of the chief ways to shape the character or ethos of the organisation, therefore, seems to be hiring individuals that are already seen to possess the desired character traits. The capacity for organisational ethos to change or shape individual character seems significantly less assured.

In Geoscience and Praxis, recruitment practices have proven critical for *instilling* character, while critical incidents provide an opportune time for *exhibiting* the true character of the individuals and institutions involved. In contrast, the recruitment and induction methods used at IP Systems seem less likely to instil character, and their response to critical incidents reveals the vulnerability of character qualities when billable hours are under threat.

Interactive Inquiry: Revealing Balanced Judgment

Thus far, this inquiry suggests that virtue can be identified in the purpose statements and character-infused ethos of certain organisations. However, this does not explain how balanced judgments are made. This study has yet to show if, and how, the components of virtue work together to exercise discernment in practical circumstances. It is for this reason that the interactive joint inquiry exercise has been created, following Schein's prescription, as described earlier (*page 94*), and illustrated in *Appendix C*.

Despite the extended time required for each interview (as many as four hours), over 65 employees, competitors and ex-employees were led through the joint inquiry exercise. Thankfully, 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.

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, the researcher has 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.

In the following diagram (*Figure 7.1*), the aggregate scores of all 56 internal respondent interviews are depicted with their aggregate weight on the scales. The clouds above the image are meant to convey the external factors that seem to have played a significant role in tipping the scales one direction or another during a particular time. Each element of the interview, and of this diagram, will be discussed in detail in the following pages.

Interestingly, there were three items that respondents placed interchangeably on either side of the scales, or on both sides simultaneously. We will call these *intermediary goods*, namely: staff morale, customer satisfaction, and industry reputation. Initially, these were deemed a methodological nuisance. 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, p.24) has long 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.

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)."

Such statements made complex metaphysics appear to hold pragmatic value within organisational action, or what Argyris and Schon (1974, p.6-7) call "theory-in-use".

Organisational Ethos on the Scales

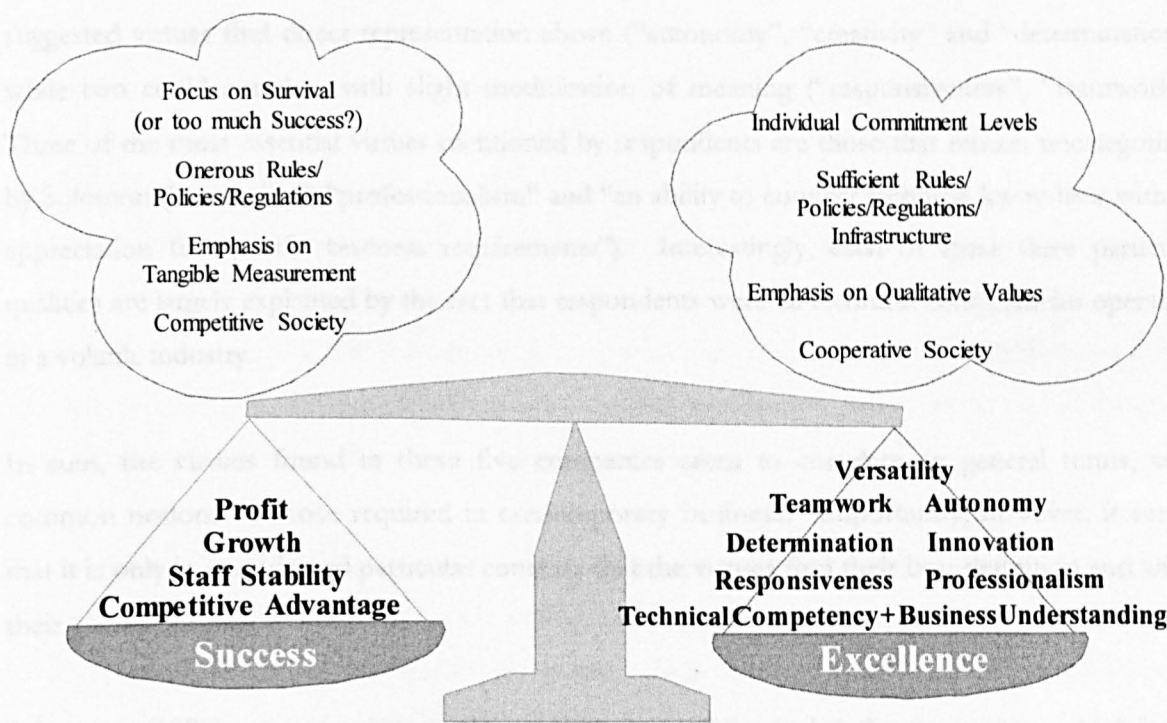


Figure 7.1

The scales above list (in bold) the most common responses among respondents from all five ventures. While there was almost unanimous consistency about which items to list on the success side, there was substantial variance on the excellence side (especially between companies), as will be discussed in the within-case and comparative case analyses later.

Among the excellent qualities offered by respondents, each company seemed to name one or two prized virtues that were not named by the other companies in the sample (e.g. "loyalty" at Blairs; being "unique/different" and "adopting procedures" at Global; "staff fulfilment" and "environmental concern" at Geoscience). This suggests that finding a list of meaningful virtues for very similar companies is difficult, and the generation of a universal list of business virtues that

applies across heterogeneous companies, if possible, may do so at the expense of the meaning it holds for specific contexts.

To some degree, the above qualities do compliment suggested lists of virtues from Ancient Greece and contemporary scholars in management. One of the common virtues mentioned (“determination”) can be directly correlated to the traditional virtue of ‘courage’, and none of those listed above are seen to contradict the cardinal virtues so much as they place them in more specific (and modern) contexts. In comparison to Solomon’s (1999) list of 45 business virtues, three of his suggested virtues find direct representation above (“autonomy”, “creativity” and “determination”) while two could correlate with slight modification of meaning (“responsiveness”, “teamwork”). Three of the most essential virtues mentioned by respondents are those that remain uncategorised by Solomon (“versatility”, “professionalism” and “an ability to connect technical know-how with an appreciation for specific business requirements”). Interestingly, each of these three particular qualities are largely explained by the fact that respondents were all technical consultancies operating in a volatile industry.

In sum, the virtues found in these five companies seem to correlate, in general terms, with common notions of those required in contemporary business. Importantly, however, it seems that it is only in specific and particular contexts that the virtues find their best definition and wield their greatest impact.

Solomon’s (1993) account construes the cardinal virtue of ‘justice’ as the super-virtue which holds institutions together. Our study indicates that the virtue of ‘practical wisdom’ is a more likely candidate for playing this orchestrating role, particularly in the entrepreneurial context. The subtle capacity of practical wisdom to connect the other virtues to purposeful action makes it particularly useful, and distinguishes it from the other virtues.

In summary, the virtues generated by our joint inquiry instrument do not contradict other proposed lists of generally applicable business virtues, but they are markedly more purposeful and practical for the specific contexts studied. The virtues that are profoundly meaningful for contextualized actors become less meaningful with each attempt at aggregation or generalization.

Although rarely mentioned by non-founding respondents, the founders emphasized how external factors (depicted within clouds in the diagram) were key determinants for determining where the balance was placed at a given time. In the words of IP System's founder:

"It changes over time. (When times were tough), it was here (success score of '10'). The extremes are certainly not feasible, but I would want to see us on the excellence side of things. You know, when I'm on my deathbed, that's what I would like to think I have done".

Such statements highlight the perceived tension between strategic and normative concerns, even among the most success-oriented companies. This scene also reinforces the value of looking at critical incidents as a way of deciphering the flexible discernment required of moral agents, as modified by time and external conditions. These findings inform our understanding of the pragmatic judgments in business that call for a combination of character and practical wisdom.

The findings revealed by this instrument also serve to support MacIntyre's contentions regarding the interdependency between what we have termed 'excellence' and 'success'; what he terms 'internal goods' and 'external goods'. According to MacIntyre (1988, p.35),

"It would be a large misconception to suppose that allegiance to goods of the one kind necessarily excluded allegiance to goods of the other...The goods of excellence cannot be systematically cultivated unless at least some of the goods of effectiveness are also pursued. On the other hand it is difficult in most social contexts to pursue the goods of effectiveness without cultivating at least to some degree the goods of excellence."

Statements like this indicate that both types of goods are important, and that we should expect most companies to acknowledge the logical importance of both. If this logic holds, we should not expect respondents to indicate that organisational ethos is tipped extremely to one side of the scale or the other.

Returning to our prior discussion of the social context in which virtues are found, MacIntyre (1985, p.194) also contends that a tension between excellence and success is to be expected:

"Institutions are characteristically and necessarily concerned with what I have called external goods. Nor could they do otherwise if they are to sustain not only themselves, but also the practices of which they are the bearers. For no practices can survive for any length of time unsustained by institutions. Indeed so intimate

is the relationship...that institutions and practices characteristically form a single causal order in which the ideals and the creativity of the practice are always vulnerable to the acquisitiveness of the institution, in which the cooperative care for common goods of the practice is always vulnerable to the competitiveness of the institution. In this context the essential feature of the virtues is clear. Without them...practices could not resist the corrupting power of institutions."

The choice, in this research, to depict excellence against success as part of an ongoing balancing act seems consistent with the image posited in such quotes. Finally, MacIntyre (1985, p.196) delivers a dire judgment, on a macro level, regarding the perceived threat posed by a society that gets the balance wrong:

"We should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtues...might suffer first attrition and then perhaps something near total effacement, although simulacra might abound."

Twenty years later, we can identify a number of ways in which contemporary society seems to have confirmed MacIntyre's prophetic statement. In the context of the present study, we can identify the harmful influence of tilting the scales too far toward success, but we have also found reason to suspect that there are yet companies that tilt toward virtue, albeit not explicitly couched in the language or logic associated with Aristotelian concepts.

As called for by critics of prominent methods employed in organisational studies (Brigley, 1995), the interactive joint inquiry exercise enables the researcher to conceptually explore the strategic and normative balance achieved in each organisation for grappling with specific circumstances. The effectiveness of this instrument for studies that seek to evaluate organisations on Aristotelian terms is a contribution in itself. This interactive exercise, and the data that it generated, uniquely and significantly grounds the working theory of virtue. This becomes a key tool for helping to understand the place and power of Aristotle's 'goods' for the modern business context.

Data Analysis

The following analysis is broken into three major sections. The first section, labelled *contextual factors*, attempts to describe some of the unique contextual factors influencing the respondent companies. The second section, labelled *within case analyses*, is a descriptive summary of the detailed findings divulged in each respondent company. A final section at the conclusion of this chapter,

labelled *comparative case analysis*, responds more directly to the research question by studying the findings in these five cases for emerging patterns and relevant insights.

Contextual Factors

Because of the particularistic and normative nature of this study, it is important to identify certain features of the external environment in which the five respondent companies reside. There are a number of contextual factors to consider, each of which has played a visible role in shaping the people and cultures of the organisations under study.

Philosophy: European Business Distinctives

Despite a similar intellectual and religious heritage, European companies are known to address ethical issues with some notable differences to their North American counterparts (Crane & Matten, 2004, p.28, 78-79). As much of the business ethics literature has been dominated by studies focused on the American business climate, it may be instructive to highlight some differences in the European business climate, as these play a role in the behaviour found among the participating companies. Some key differences, as related to business ethics, are summarized in the following table.

Regional Differences in Moral Criteria

	American	European
<i>Perspective</i>	Individualistic	Institutional
<i>Normative Bias</i>	Consequences of Actions	Duties
<i>Stance toward Capitalism</i>	Accepting	Questioning (often sceptical)
<i>Focus of Ethical Responsibility</i>	Individual	Institution; Social control by the collective
<i>Dominant Stakeholder Focus</i>	Shareholder Value	Stakeholder Equilibrium
<i>Key Institution in Ethical Action</i>	Corporation	Government; trade unions; corporate associations

Adapted from Crane & Matten, 2004, p.28, 78-79

Table 7.3

Regional Context: Northeast Scotland

Within the United Kingdom, Scotland is in many ways a realm unto itself. It is instructive to note some of the distinctive characteristics which separate its commercial practices from those of neighbouring England, as noted in a report commissioned by Ernst & Young (Burrage, 2002):

- Scotland has a population of less than 5 million people
- Scotland is well known for brilliant innovations, but chronically fails to exploit them
- Scottish companies are...

- Less likely to look to raise capital on the stock market
- More likely to maintain some link to universities
- More likely to maintain merely modest growth rates

Moreover, an inquiry into the business networking activities engaged in by Scottish entrepreneurs found that Scots were more likely to rely on family contacts and less likely to rely on friends or strangers than entrepreneurs representing six other nationalities (Dodd et al., 2002).

The Northeast region is largely associated with the third largest city in Scotland, Aberdeen. Socialised characteristics are difficult to substantiate, but when compared to more populated, southern regions, people in the Northeast are generally regarded as more financially frugal, theologically Calvinist, “emotional reserved” (Global co-founder) or “backward about coming forward” (Hampco salesman). These traits seem worth noting as they have played a role in shaping the types of organisational cultures found within the companies investigated. For instance, the Praxis founder claims that he and his co-founder (while no longer a church member) share the same basic values because they were raised in an area of Scotland where the Calvinist tradition still sanctifies the moral value of frugality and calls for the avoiding extravagance or boasting of any kind.

In business terms, Aberdeen it is predominantly known as the ‘Oil Capital of Europe’, and the primary access point to the North Sea oil fields. Each of the companies studied was founded in and around Aberdeen, and the members of three of the founding teams grew up near this region of the country (the others were born in England). Without the pervasive regional impact of the oil and gas industries, it is unlikely that any of these ventures would have been created.

Industry: Oil and Gas

It is claimed that the industry a company is in can play a significant role in shaping organisational culture. In particular, competitiveness, customer requirements and societal expectations are seen as important variables for embedding industry-driven cultural elements (Gordon, 1991). Understanding these industry-specific effects, this study has chosen five companies from the same industry: the oil and gas sector.

The oil and gas industry contains its own particular set of values and assumptions, some of which have been determined by the global scale of the business as well as its frequent instability due to a

variety of political and other external factors (Finch, 2002). In the Aberdeen area, this industry culture has adopted its own distinct characteristics that are largely explained by the historical context from which it has emerged. Major reserves of oil and natural gas were first discovered in the North Sea in 1970. At that time, the oil and gas industry was known for taking big risks in the speculative pursuit of new oil fields. Many of those that moved to the North Sea to exploit newfound opportunities were from America and other regions, and imposed their own distinct cultural characteristics on the local industry. According to one respondent who has worked in the industry for over 35 years,

“The oil industry tends to be very ‘blunt’ and direct. The American management that we have seen in the North Sea can be fairly hard in business.” (Respondent’s emphasis)

Since the early days of exploration, the North Sea oil industry has changed in a number of ways. Although none of the oil operating companies have been Scottish, and most have not been British, over time more and more local staff were hired to manage these foreign-based operations. The regional oil industry gradually drifted from the risky business of discovering new oilfields, to adopt a British preference for bureaucratic procedure and engineering precision. The focus has been increasingly placed on maximising production efficiency, establishing regulations and specialist technological skills. In the words of respondents that have noted this change,

“First, there were the American oil pioneers: very ‘can do’ and pragmatic; then there were the British oil operators: too much bureaucracy, processes, etc. (Still), various managers in the oil industry (today) appreciate it if you can boil it down to bare issues...cut through the (xxxx)...get to the point.”

– Blairs Procurement Manager

“The saying goes, ‘engineers and ‘O rings’ ruined the oilfield’...a statement which grew out of the engineering changes in the industry which took the fun and the risk out of oil exploration and changed (the feel of the industry) forever.”–Blairs Operations Manager

“Traditionally, oil companies were led by explorationists...it’s not so much now...it’s gone away. Now, it’s more...certainly engineers, but also financial people...yup, commercial people are much more involved in leading these organisations.”–Founder, Geoscience

In order to access these oilfields, armies of (almost exclusively) male employees live on offshore oil rigs throughout the year. Being deployed onto one of these harsh, remote platforms involves certain 'rites of passage' akin to those found in the military: saying goodbye to your loved ones for long periods of time, passing a 'survival' training course, and flying via helicopter to your base of operation. Also akin to the military, the North Sea oil industry seems to place a premium on decisive and autonomous action, as revealed in the following statements:

"(The) oil industry demands responsiveness...it's costing millions of dollars every second something doesn't work" - Blairs Salesman

"You have to be able to get things done, take decisions on a (offshore) rig. You can't wait for HQ on land to tell you what to do." - IP Systems founder

Factors such as these proved insightful for understanding the respondent companies. The military characterisations seemed to hold particularly true for those consultancies that dealt most with 'offshore' operators. The founders from Blairs, IP Systems and Global had all spent time living offshore, and the companies they created were largely designed to serve those that worked in offshore environments. By contrast, Geoscience and Praxis were designed to provide more specialised expertise to business executives and professionals who worked in a very different 'onshore' (and often administrative) capacity for the same oil companies. This division seems to have played some role in explaining the amount of competition, potential profit margin, and the socio-economic 'class' of people each consultancy has attempted to cater to.

Looking to the future, the North Sea oil basin is not expected to maintain current levels of production. Petroleum reserves are being depleted, meaning that increasingly, the primary focus for the regional oil industry is on optimizing the current levels of production, using new technologies and small-scaled initiatives to access untapped potential, and eventually de-commissioning oil platforms that have depleted their reserves. The days of high-risk, high-potential oil exploration seem long gone in the North Sea, and many of the companies that remain committed to exploration are increasingly looking to 'emerging fields' in locations like Nigeria and the former Baltic states. The local evolution of this industry has made it important for small companies to be based in Aberdeen for industry-specific expertise, yet as these increasingly knowledge-intensive firms seek to learn and grow, network contacts outside the local region are becoming crucial (MacKinnon et al., 2004).

Business Model: Consulting

During the 1980's and 1990's, the small business population categorised as 'business services' has grown rapidly. In 1996, nearly one in three VAT-registered enterprises (52,000) was in the business-services sector, representing a net increase of 21,000 VAT-registered businesses at a time when many sectors experienced net decreases (*Business Monitor*, 1996). Despite the growth of small, knowledge-based organisations in the service sector, the importance of these companies have been neglected and comparatively little is known of the dynamics of managing such enterprises (Ram, 1999). These firms are part of a new era of 'knowledge-intensive firms' that has been noted within management and organisation theory (Starbuck, 1992), a shift that is characterised by some dramatic changes in the nature of work in advanced industrial societies. According to Frenkel, Korczynsi, Donoghue and Shire (1993) these trends include: a transformation in infrastructure based upon computer and telecommunications technology; the relative growth of occupations that require the creative use and analysis of information; and the continued expansion of the service sector vis-à-vis manufacturing.

Intensive fieldwork methods are particularly rare in studying small firms (Curran, 1991). In Ram's case study of a small management consultancy, however, he finds conceptual framing for the such studies in what Mintzberg (1983) calls 'operating adhocracy'. Ram (1999, p.877) describes these environments as follows:

"Adhocracies are characterized by highly organic structures, little formality, specialization of work around individual interests, market-based project teams and an emphasis on collegial ways of working. The coordination of organisational activities is usually achieved through a process of 'mutual adjustment' between individual employees; this is largely based on informal communication. Under mutual adjustment, 'control of work rests in the hands of the doers' (Mintzberg, 1983, p.4), rather than a conventional hierarchical management."

This description is also apt for the five business service consultancies studies in this research. Furthermore, the fact that this study features entrepreneurial firms implies that the fluidity and informality characteristic of adhocracies will be particularly relevant (Ram, 1999).

The cultural ethos of each respondent company is also partially explained by the unique demands and tensions required of a small consultancy firm, as depicted in the table below.

Typical Consulting Tensions

<i>Demands</i>	Client (Company)	Consultant (Individual)	Consultancy (Company)
<i>Service Need</i>	Specific project	Specific expertise	Employ general repository of requisite expertise
<i>Time</i>	Faster=Better	Depends on work; individual preferences	Longer=Better
<i>Budget</i>	Lower=Better	Higher=Better	Higher=Better
<i>Communication</i>	Clear and frequent response	Depends on work; individual preferences	Clear, consistent and limited
<i>Flexibility</i>	Open specification= Better	Depends on preferences (Closed typically=Better)	Closed specification= Better

Source: Author's synthesis, based primarily on respondent interviews *Table 7.4*

As depicted in this table, the client tends to dictate the demands, but an individual consultant is often the one responsible for fulfilling them, or 'doing the work'. A client may wish to treat the individual consultant as a specialist employee, one whom they can utilise when needed and dismiss when the project is complete. The consultancy hopes to be adequately compensated for providing specialist expertise, but given the relative size and status of client firms, it is easy to understand why the client often sets the terms and otherwise dominates the relationship. The individual consultant is in the middle; often asked to satisfy the conflicting interests of two contrasting organisations. This awkward tension not only places great reliance on the individual consultant, it is often further complicated by the fact that clients often require consultants to work in the client's office. Long-term projects are often more lucrative and preferred by the consultancy, but if the consultant works exclusively at the client offices for extended periods of time, it can challenge loyalties and create social biases in the client's favour.

There are a number of common features that small consultancies use to cope with such tensions. First, it is worth noting the way in which new business is generated, as this process initiates client relationships and project life cycles. Consultants are often hired for their mastery of distinctive knowledge domains (Clark, 1995). Yet given the relative ease with which one can start a consultancy, the challenge becomes identifying those that have a mastery of distinctive knowledge from those that do not. Personal contacts, repeat (or expanded) work from existing clients, and word-of-mouth are often primary sources of new business. This is another key difference between small consultancies and larger, hierarchical companies where formalised processes and dedicated marketing initiatives are more likely to be employed (Ram, 1999, p.879).

This informal marketing also hinges largely on the individual consultant. The consultancy depends upon a regular flow of projects, so a member of the adhocracy may effectively serve as 'full-time salesperson' as well as consultant (Mintzberg, 1983, p.266). Again, this goes with the consulting territory, because the consultant has been granted privileged access to the client's current and future needs, so finding repeat business is easier for them than it may be for dedicated development personnel. According to one consultant featured in Ram's (1999, p.884) case study:

"So, if you get in, provide a good service at a reasonable price, you then get the opportunity to network your way round. So you listen to the chance conversation of the Deputy Chief Executive...if you don't follow that up nothing happens about it, it remains a good idea. So you have to follow up the opportunities; they don't present themselves. But if you are in and the door is open to you, then use your ears and follow up. That is by far the best marketing, because it costs you nothing."

According to Ring and Van de Ven (1994, p.101), this form of salesmanship is essential in such companies: "What may start as a one-time solution to a specific problem may eventually become a long-term web of interdependent commitments". Yet there are at least two risks in relying on such a strategy. While the individual consultant is central to the process of finding new work, the projects that they deem 'opportunities' may not serve the best interests of the consultancy. They might be projects that the consultant deems interesting or personally rewarding, yet lack sufficient financial remuneration, or deviate from the future aspirations set for the consultancy as a whole. Another risk is that the consultancy finds itself in a 'feast or famine' existence whereby the consultant finds work, yet becomes so busy doing the work that they are unable to take the necessary steps to secure future contracts. When the project is complete, the consultant loses the privileged access that they had to future client needs. Unlike the clients they serve, small consultancies may not have sufficient cash reserves to survive the resulting lull in project work. These related risks are often the greatest motivating factor behind a consultancy's decision to hire full-time development personnel. A dedicated salesperson can be effective at creating a steady flow of new clients, while simultaneously guiding the consultancy toward its ideal clients and projects through a more proactive selection process.

Given the importance of individual consultants to small consultancies, it is not surprising that the means by which these individuals are recruited is deemed of critical importance. This is a second way in which such enterprises are seen to cope with the tensions listed above. As with the marketing of the consultancy, the recruitment process relies heavily upon personalised and informal

mechanisms such as previous knowledge of a candidate. This serves as a relatively inexpensive means of assessing the 'fit' of a candidate without introducing the problem of management controls (Ram, 1999, p.881). Because these consultants need to work closely with clients, network to identify future project opportunities, and work well with a small group of project team members, the social skills revealed in the interview process may be as important as the specialist knowledge displayed on a C.V. Moreover, given the stress and uncertainty characteristic of the consulting environment, trust and flexibility are two key requirements consultancies are likely to find desirable (Ram, 1999).

"This is perhaps more than simply 'fitting in' to an existing system of social relations. It is a recognition of the importance of developing the mutuality and tacit understandings required to operate in the interdependent manner characteristic of the highly pressurized small professional-service firm environment." (Ram, 1999, p.882)

From the other side of the interview, candidates that hope to work in small consultancies are often motivated by "collegiality", "autonomy", and "trust" (Ram, 1999, p.883). And from the candidate's perspective, the consultancy's commitment to their training and personal development is seen as an ongoing priority. Herein lies another tension in small-firm consulting: "expertise implies specialization, which reduces versatility and limits flexibility" (Starbuck, 1992, p.724). In other words, a company that invests heavily in training consultants may run the risk of losing their capacity to accept diverse contracts. As will be seen in the findings that follow, this research identified features such as "collegiality", "autonomy" and "training" not only as primary motivators for joining these firms, but together with "variety", these represent some of the most rewarding elements a consultant's job. This facet helps to identify the particular types of individuals that are featured in following cases.

In regard to the unique tensions of consulting, there is one final point worth discussing. Dynamic consultancies do not operate as we expect conventional hierarchical management to function. The lines are significantly blurred between the client and the consultancy, as represented in the 'grey area' occupied by the consulting individual in the above table. In an entrepreneurial consultancy, this individual may work at the client's office, identify the client's need, write the client's specification, socialise with the client's employees and save the client's money. At the same time, that individual can be seen to generate future business, manage their own time and work on a project team for the company that pays their salary, the consulting firm. Ram (1999, p.894) concludes that existing studies do not adequately "reflect the multifaceted ways in which social relations are managed in

diverse, small-firm contexts". The preceding discussion highlights the importance of "high-trust" relationships and "personalised" social relations in order to cope with the inherent tensions found in operating adhocracies such as those found in entrepreneurial consultancies (Ram, 1999, p.892).

In fieldwork conducted in this study, more than one respondent remarked, "Consulting can be a mercenary business". This sentiment, particularly in the cost-conscious oil and gas sector, asserts that clients seldom demonstrate loyalty to a particular consultancy or existing relationship. Large oil operating companies are notorious for choosing consultants based upon a tendering process (often managed by faceless, or distant, corporate purchasing departments) that identifies the lowest bidder and de-emphasises the value of personal networks. While it is often in the consultancy's best interest to secure projects outwith the tender evaluation process, this is not always possible, particularly when working with new clients or when providing a service that is not competitively distinctive.

Consulting lacks the status and authority of other professions (Clark, 1995), and it is sometimes derided with derogatory terms and quips (in a manner similar to the American legal profession), largely due to perceptions of exorbitant costs, dispassionate or fleeting concern and uncertain results associated with consultants. As such, it is not necessarily an industry sector we would expect to be pre-disposed to Aristotelian conceptions, and thus, it is seen as an appropriate field for testing an application of these concepts.

Because of the industry, type of work, size and age of the firms featured in our study, there are certain things a researcher can expect to find in such consultancies. For instance, we might expect each consultancy to have developed at least a few stable, repeat clients. We might expect each consultancy to have at least a moderate reputation for delivering products and services on time and budget, and for supporting them after delivery, to have survived so long in a relatively close-knit industry and region. We might even expect each consultancy to be fairly versatile, for this is a key requirement of any service company attempting to serve the volatile oil and gas sector.

This research finds that the type of consultancy investigated may also play an important role in shaping organisational culture. The primary consulting focus of our respondent companies is listed as follows:

Summary of Consulting Types

Company	Primary Consulting Focus
Blairs	Engineering and Project Management
IP Systems	Software Development Engineering
Global	Corrosion Engineering
Praxis	SAP Software Development Engineering
Geoscience	Geology & Geophysics

Table 7.5

Every one of these technical consultancies directly interfaces with clients that have a functional background in engineering. IP Systems and Praxis are unique for their specialization on 'software development', a distinct sector of engineering which tends to be more technical, and less 'hands on', than the big equipment engineering that takes place at Blairs and Global. Still, all but Geoscience would call themselves engineers of one variety or another, and even Geoscience is starting to hire more staff with engineering backgrounds in to compliment their traditional competency in geoscience.

According to Milne, the differences between an engineering-driven culture and one such as Geoscience can be significant:

"People that go to university and study geology and geophysics...you can generalise about these things, they think differently, they've got different motivations from engineers. People going to university to be geologists...they are people who are: more creative...quite imaginative...and generally...interested in nature as a whole...in the environment...in natural history and such like that. Good engineers are very mathematical people...they're clinical...they like everything to be very clear-cut, and um...they're just different. They tend to think more financially as well...they tend to be more money focused. Money motivates them more. (In contrast) Geology is an imprecise science...it's almost a very artistic science...there is a huge amount of uncertainty in what they do...there's almost nothing cast in stone (if you'll pardon the pun). We have to turn something that is very uncertain (geological interpretations) into something that engineers can work with...numerically."

Another notable, and related, difference between Geoscience and the other four companies was the number of female employees they employed. This too, can be attributed to differences between the

fields of geology and engineering. This is also a factor of the oil and gas industry these consultancies serve, as this sector tends to be dominated by men (Miller, 2004). At engineering consultants like IP Systems, female employees make up less than 5% of full-time staff. As explained by Geoscience's founder,

"The whole UK oil industry is very male dominated...at the technical level. If you go to a serious oil industry business function, it's all dark suits... probably at least 95% male. Engineers are very male dominated...geology less male dominated. I think this (about 30% of Geoscience staff are female) is a characteristic balance...which is good in many ways. There's no question that the female brain works differently...and in many ways, it works better." (Respondent's emphasis)

Each of the five companies featured in this study have grappled with the possibility of adding a product development business to their core consulting model. This is a natural transition for some, as many technically-oriented individuals possess the capability and interest to work on their own product, rather than simply fulfilling requirements for client products. Economically speaking, it is a nice addition to the consulting model because it provides diversity and the potential for a long-term revenue stream even when employees are not logging billable hours. Praxis' attempts at product development have failed, but their unsuccessful attempts have been attributed to their pursuit of technologies outside their core SAP domain expertise. Geoscience and IP Systems have developed products that closely link with their consulting business, and they have proven successful enough to sustain their respective companies during industry downturns that severely limited consulting revenues. Global and Blairs have recently begun to invest heavily in product development. In every case, there are key differences between these two disparate business models that must be considered. Some of these disparities are summarised in the following table.

Competing Business Models

Consultancy Service Model	Product Development Model
<ul style="list-style-type: none"> • Can be a mercenary and competitive sector...lowest bid may prevail over technical quality or existing relationships • Can foster reactionary cycle...client needs may prevail over what the consultancy or its staff would choose as best for themselves • Can prove successful even with a small number of substantial, loyal clients • Focuses operational attention toward full utilisation of staff • Medium-term sales cycle and relatively steady, significant revenue until project complete, but idiosyncratic projects require intensive initiation that is not amenable to duplication • Key resources needed: broad network of contacts, versatile personnel; specific domain expertise 	<ul style="list-style-type: none"> • Tends to require greater focus in the form of commitment to R&D, dedicated sales, support and distribution efforts in a narrowly defined niche (typically in only one industry) • Evaluated based upon differentiable technical excellence as well as price (less on existing relationships) • Focuses operational attention toward product release cycles • Initial sales cycle is long-term, but once established, product renewal can be regular and easily duplicated • Revenue tends to be less significant, but more regular than consulting (e.g. quarterly licensing fees) • Key resources needed: significant capital investment; strong marketing/channel management; deep domain expertise; competitive (technical) advantage

Source: Author's synthesis, based primarily on respondent interviews Table 7.6

Of note, those companies that currently rely most on product-centric work, Blairs and IP Systems, also happened to be the companies that have revealed organisational cultures that stress, clients (vs. employees), efficiency, and success (vs. excellence).

'Practice': Entrepreneurship

These five companies continue to struggle with a wide array of issues that often accompany the entrepreneurial terrain: shifting environmental conditions, finding the most effective business model, rapid expansion without dilution of core competencies, and the nurturing of founding values and other cultural traits in the face of increased size and diversity. As necessary, each management team has dealt with these things in its own unique way for the social and commercial context of which they are a part.

Importantly, none of these five companies has accepted external funding, and as such, the founders have maintained ownership and majority control of each venture. Each founder has indicated that this has given them an authority and flexibility in shaping their organisations that they might not have had if they had pursued venture capital or other external sources of funding.

"A VC would put a timeline on success...we can take a longer-term (perspective). It's not a race. Profit's a little bit like oxygen: it's not the reason for your existence, but you can't do without it. They (the VC's) would only be interested in the oxygen (profit)." - Global Co-founder

Another interesting fact: every one of the founders featured in this study is male, and in three of the companies, their wives have played a visible part-time role in the finances or other administrative duties. The founders are clearly concerned that their companies should not remain overly dependent upon themselves, however, and none have aspirations to make these 'family firms'. Most of the companies have begun to think about succession planning and the identification and nurturing of individuals that can take over when the original founder(s) retire. Despite apparent eagerness among founders to play less pivotal roles and hand company leadership to others, none of the founders seem satisfied with the present conditions for facilitating these pivotal transitions.

Because each is approximately the same size and age, it is possible to compare the ways in which each has proceeded along similar stages of development. Company growth is often characterised by the addition and specialisation of functional divisions, and each of the respondent companies are actively grappling with these issues. For instance, each company has faced, or is facing, a critical decision regarding whether or not to hire a dedicated business development manager. To date, Praxis and Blairs are the only to have hired dedicated 'Business Development' personnel. However, each of the companies continues to grapple with this issue as a key factor in determining how (and perhaps whether), the company will reach the next significant milestone in its development. As part of this grappling, Praxis and Geoscience have recently considered new initiatives to segment their client services and align their companies accordingly. Relatedly, Praxis is the only consultancy to hire a full-time marketing professional, although the other companies solicit marketing assistance from staff members whose primary job is in a different functional area. Entrepreneurs tend to take matters (especially external-facing matters) into their own hands, and because the founding entrepreneurs are still actively managing each company, it is not surprising that the business development responsibilities remain under the control of these individuals in four of the featured companies. The Praxis founders are unique in that they have chosen to remain primarily occupied with client projects, making it necessary for them to delegate their administrative duties to others.

Employee selection has been highlighted as one of the most critical functions of culture formation. Each of these companies has developed a preferred method for hiring new members. Only Praxis has a dedicated, internal Human Resources (HR) Director, and that person works on a part-time

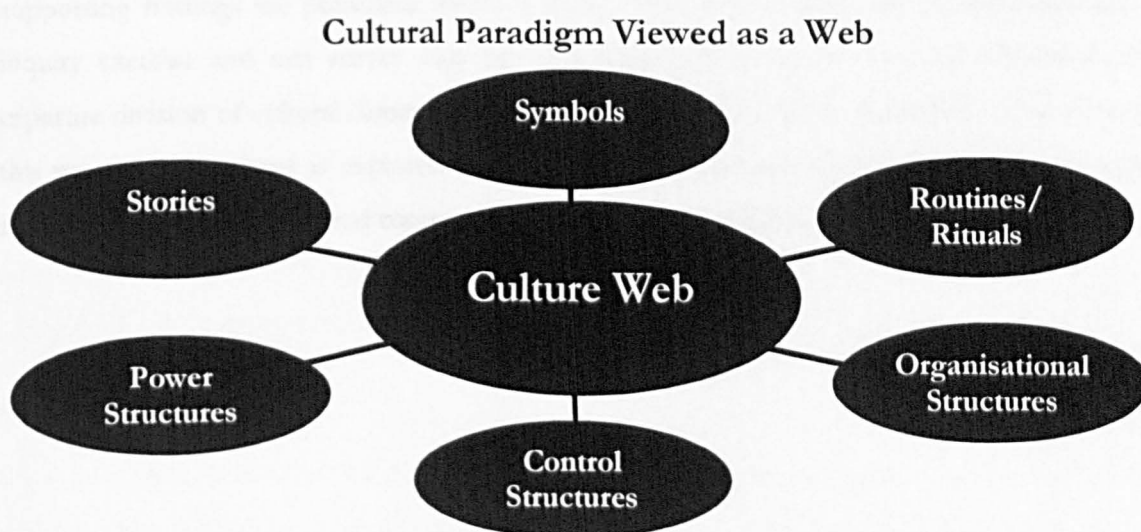
basis. In each of the other companies, the founders have the primary responsibility for all hiring decisions. Two of the companies, IP Systems and Blairs, have full-time, in-house recruiting staff that place contract personnel on client assignments, and these employees often play a role in introducing employee candidates to company the founders (who make all hiring decisions). As with the business development function, as each of these companies grow, it seems likely that the recruiting and managing of personnel will be increasingly handled by dedicated in-house staff.

The form of growth pursued in each company can also be a factor in shaping organisational culture. While four companies have largely used organic forms of growth, Global has embarked on a concerted effort to grow via acquisitions in a variety of diverse industry sectors and regions of the world. The founders remarked in recent years that over 90% of Global employees had been with the company for less than three years, largely because their rapid expansion, as facilitated through acquisitions. The fear of cultural dilution as a result of this form of growth has led the founders to institutionalize values and standardize procedures to a much greater extent than would seem prudent for an organically expanding, single-office company.

Within-Case Analyses

Prior to exploring the comparative implications of the five organisational environments studied, it is necessary to consider the individual “within-case” (Eisenhardt, 1989) data in some detail. This section is designed to introduce each of these entrepreneurial ventures, highlighting the relevant demographic, historical and cultural features of each. Although not every company requested anonymity, in order to conceal their true identities in like fashion, each company and lead entrepreneur has been allocated a pseudonym. In what follows, the pseudonyms of these ventures and individuals will be used.

To aid in this analysis, the following pages will follow a sequence whereby the company and specific research methods employed are delineated. Distinctive features of the company will then be highlighted with the benefit of Handy’s (1993) typology of organisational cultures (e.g. *power, role, people or task*). Business models and historical trends are also discussed before considering each company along a standard taxonomy of cultural embedding mechanisms. Johnson’s “cultural web” (1992) is used as a template for considering each of the most readily apparent artefacts of a given organisational culture.



Johnson, 1992, p.31

Figure 7.2

The following section in each within-case analysis is drawn from Schein’s (1992) list of the primary cultural embedding mechanisms deemed particularly relevant in young, entrepreneurial firms. As suggested in the table below, the mechanisms listed in the ‘cultural web’ are relegated to a secondary status when considered in light of the entrepreneurial firm (i.e. large corporations may rely on

‘organisation design and structure’, but the entrepreneurial institution is more dependent upon ‘what leaders pay attention to, measure and control on a regular basis’).

Entrepreneurial Embedding Mechanisms

Primary Embedding Mechanisms	Secondary Articulation and Reinforcement Mechanisms
<ul style="list-style-type: none">• What leaders pay attention to, measure, and control on a regular basis	<ul style="list-style-type: none">• Organisation design and structure
<ul style="list-style-type: none">• How leaders react to critical incidents and organisational crises	<ul style="list-style-type: none">• Organisational systems and procedures
<ul style="list-style-type: none">• Observed criteria by which leaders allocate scarce resources	<ul style="list-style-type: none">• Organisational rites and rituals
<ul style="list-style-type: none">• Deliberate role modelling, teaching and coaching	<ul style="list-style-type: none">• Design of physical space, facades and buildings
<ul style="list-style-type: none">• Observed criteria by which leaders allocate rewards and status	<ul style="list-style-type: none">• Stories, legends and myths about people and events
<ul style="list-style-type: none">• Observed criteria by which leaders recruit, select, promote, retire, and excommunicate organisational members	<ul style="list-style-type: none">• Formal statements of organisational philosophy, values, and creed

Schein, 1992, p.231

Table 7.7

Each respondent company is described using these categories of cultural description, and relevant supporting findings are presented where feasible. The results generated by the interactive joint inquiry exercise and exit survey data are also presented, along the lines of Rousseau’s (1990) tripartite division of cultural dimensions, before summary remarks are made for each company. In this way, each company is explored in depth before subsequent sections attempt to describe the relevant contextual factors and comparative findings across the five organisations.

current marketing, financial documents and other communications revealed a helpful resource for understanding findings over time.

Cultural Distinctions

What was revealed for some of the listed participants was what appears to exist in Jorgensen’s of this type. It is outlined in detail in subsequent chapters. IP Systems is a computer company for its long-standing performance the product sales as an additional revenue stream. This kind of business model may help to explain why the company seems to rely less on a small number of long- long time clients than we have found in similar organisations.

IP Systems’ capacity to respond to client needs seems to exist as various operational business experiences, but this was difficult to verify as my conversations. In the end of visiting IP Systems we were able to establish a reputation for client-led product development, and this has

IP Systems

IP Systems Study Overview		
Company Description	Employees	Approximately 40
	Primary Location	Business park near Aberdeen
	Founder(s)	2 Co-founders
	Year Founded	1988
	Primary Focus	Offshore technical consulting and inspection software
	Primary Clientele	Oil & gas operating companies
Fieldwork Summary	Internal Respondents	12 In-depth interviews and discussions with additional employees to confirm/deepen findings
	External Respondents	2 (1 founder of direct competitor; 1 ex-employee now at an indirect competitor)
	Time Spent at Location	Approximately 8 full days of interviewing and observation
	Observation	Approximately 7 hours of dedicated observation
	Historical Archive Material	Over 15 documents and presentations
	Current Material	Over 30 marketing and internal operations documents

Table 7.8

Specific Methods and Data Collection

Data collection involved in-depth, semi-structured interviews with 12 IP Systems employees. In an effort to gain confirmation and deepen the understanding developed in these internal interviews, additional interviews were also held with a recent ex-employee and the founder of a company that competes directly with IP Systems. Observation time within the IP Systems offices took place over the space of 4 weeks, in-between and around scheduled interviews. Historical documents, as well as current marketing, internal documents and other communication, provided a helpful resource for triangulating findings over time.

Cultural Distinctives

What was revealed fit some of the broad generalisations we would expect to find in companies of this type (considered in detail in subsequent *Contextual Factors* section). IP Systems is somewhat unique for its long-standing preference for product sales as an additional revenue stream. This dual business model may help to explain why the company seems to rely less on a small number of large, long-time clients than we have found at similar consultancies.

IP System’s capacity to respond to client needs seems to meet or exceed minimum industry expectations, but this was difficult to verify in any conclusive sense. In the local oil industry, IP Systems has seemingly established a reputation for customised technical development, and this has

placed the consultancy in a unique position where new project work often comes to them. IP Systems' willingness to respond to work prospects (as opposed to those which they had proactively targeted) and their capacity for addressing client needs regardless of industry or in-house expertise also set this company apart from many of its type.

"We rarely go out to tender bids (compete for contracts). And we've been able to network locally so that when a project need arises, people can think of us...from whatever quarter they are in." – Ratcliffe, Co-founder

These and other statements indicate that IP Systems is a company that adapts to, and thrives on, diverse and unusual client demands. IP Systems has historically pursued every possible industry that presents the opportunity to develop innovative technologies, and it has done so not because it is forced to, but because it enjoys the technical challenge and variety offered by these initiatives.

"These guys will look for a contract anywhere, under any rock. And they will use any technology. At IP Systems, they've got contracts from medical to automotive to...??? They're not afraid to say 'yes'. And that is unusual in the Aberdeen market." – In-house Recruiter (respondent's emphasis)

"I don't think we have a 'we'll do that but we won't do that' sort of mentality here. If you walk through the door and you've got the money, then (chuckle) 'we're your friend'."

– Software Engineer

While this willingness to pursue any job in any industry is an intentional part of the founders' plan, competitors indicate that it is not a strategy they deem prudent,

"I'm just not sure if Ratcliffe's got the right balance (of product and consulting services), but I actually think there's a lot of small companies (like IP Systems) that are 'boys with toys' kind of thing. They love their products...the real geeks. And I think there's a lot of technology for technology's sake...not because there's a clear need." – Founder, Competitor

Many cultures focus on *power*, *role* or *people* (Handy, 1993), but given the nature of consultancy, the finite *task* or project is often the focal point of company culture and initiatives. This certainly seemed consistent at IP Systems, as indicated by the general assertion made by virtually all respondents of the importance of simply "getting it done". The value of individual members, the

procedures and roles that they hold, and the central focus which the company has been created to pursue, all pale in comparison to this overarching *task*-bias approach to work.

When respondents were asked to describe what makes IP Systems unique, the general consensus revolved around qualities such as: a flat organisational structure, a flexible and open-minded approach to new initiatives, a product-driven orientation and “loose” operating procedures.

The Business Model

IP Systems is a combination of two different (but related) types of organisational models. The company was founded by Ian Ratcliffe, and ran as a consultancy for two years before a Co-founder was brought in, primarily because he needed help in launching a product-based company.

“We wanted something that was not so dependent upon us showing up every day. At our core, we have always been product-focused. We wanted to get away from the service-bias that is so popular among the oil industry. It has always been the product development that we are most excited about. Still, the consulting services can provide something of a basic income stream...that’s why many companies rely upon it.”—
Ratcliffe, Co-founder

The consulting model, while cyclical, is readily justified by market demand in the local oil and gas sector. The company’s ambitions, however, have been shaped and justified by reference to a product-centric business model preferred by the founders. This makes the company “more technology-centric vs. people-centric” according to the Co-founder. Some of the software product ambitions have been successful enough to establish flagship products that sustained the company, and enhanced its reputation, even during industry downturns that reduced the consultancy business. Other product ambitions, particularly those removed from the company’s offshore expertise, have absorbed significant resources without yielding hoped for returns. While initial attempts were made to manage the sales and distribution of these tangential product initiatives in-house, recent financial losses (and attempts to attract outside investment) have warranted closing, divesting or partnering with others to distribute these products. IP Systems continues to rely upon the financial resources and business development contacts generated by its consulting business and seeks to find the best balance between this and product initiatives closest to its core competency.

Historical Context

Historically speaking, IP Systems has pursued a strategy of broad diversification that has only recently been curtailed. Besides the shift toward adopting a product-centric business model, other trends include the following:

Local vs. International

"It's inevitable that the options are going to fail here (in the North Sea) and so our options are either to go where the oil is or stay here and diversify (work outside the oil industry)."

– Co-founder

IP Systems and its employees intend to maintain their local offices, although as the oil and gas sector increasingly takes its opportunities overseas, the company can support them from its central office. The company's ability to address a diverse array of products and industries has enabled it to tap other markets to sustain their work in the local Aberdeen area.

In-house vs. Off-site

The company is committed to balancing both in-house and off-site consulting needs as required to meet client demands. At present, approximately 60% of the staff work in the central office. Yet as Ratcliffe points out,

"I don't like it when our people are away on client sites for too long, because the fear is that they become more like their employees and less like ours...they lose some of the IP Systems culture."

This has even been cited as one possible explanation for why some divisions of the company have failed in the past:

"Part of the problem they had with the division was that the 3 sales guys they hired were based solely from home...they never 'got' the 'IP Systems gene' because they didn't work in the IP Systems environment." – Ex-IP Systems Employee

The Cultural Web (Secondary Embedding Mechanisms)

According to Johnson (1992), the cultural web can be construed as a combination of six types of formal and informal artefacts that reveal the underlying assumptions of an organisation. At IP Systems, culture seems to be embedded in some of the following ways:

Routines/Rituals: Demonstrate what founders see as important

Indicators: Ratcliffe writes a news bulletin that is distributed electronically on a near monthly basis. The content of this newsletter is concerned with keeping all staff abreast of the company's business development efforts and (related) financial health. Every once in a while, photographs (with captions) of the annual company party and other social events may also be featured. Even bad news, when featured in this newsletter, is painted with the optimistic slant characteristic of the entire newsletter:

"Andy has left us. Gavin also felt he would like to convert to a commission only sales executive, and so he left last month— although he has already done quite a bit of business. These moves have significantly reduced our costs without any major impact on sales which can only be a good thing."

Client negotiations also seem to have risen to something resembling a ritual status at the company.

"What tends to happen is (the founders)...run the idea by me, you know, to see if it's actually feasible. I tend to be in some of the very first meetings with the customers. Ratcliffe will be there to cover the bases from the business side and I'll be there to say, 'no, you can't have a holographic screen that will fit in your pocket'. From that, we'll typically sell them the job of writing out the (specification). 9 times out of 10, if they've asked us to write out the 'spec', they'll ask us to go ahead and do the job...cause we've got a handle on what to do. I'll do that 'spec' and then I'll price it...and...quote the customer. Really...we don't have any consideration for resources up until that point. Typically, we'll sell the work, and then we'll work out how we're going to get the resources to do it...to be brutally honest."— Software Engineer (respondent's emphasis)

Stories: Subtle mechanism for informal value internalisation

Indicators: IP Systems takes pride in being a deeply technical group. Social groups such as this are characteristically interested in personal hobbies that also betray their technical interests. Accordingly, IP Systems staff are known to have conducted remote control car races and competitive computer games on a somewhat regular basis in the office. These practices were apparently ceased in recent years for fear that it would not look professional should a client visit the office while these activities were underway.

There are some classic stories which reveal the value which founders place on nifty technical innovations. One was a software product for viewing thumbnail CAD images; another was a hardware contraption for gathering external printer-type device connections into one central 'box'. Most of these initiatives have "*failed spectacularly*", but still serve as vivid examples of getting into markets in the wrong way or at the wrong time. Positive examples of technical innovation include those legends wherein paying clients asked for IP Systems to create bespoke technical solutions that IP Systems was then able to sell generically to other companies.

In financial terms, the founders are not viewed as particularly generous people,

"The classic (stories)...about Ratcliffe being tight-fisted...and being away at a conference down in London, and being there with a couple IP Systems staff and not paying for breakfast, you know, when they go to a little cafe. They just didn't get breakfast that day. I don't know what happened, I wasn't there, but...you hear stories like that. We shipped the people down there for the conference, you know... It tends to be that we spend a lot of money on something and then little things like that, you know...we tend to cut corners. If you stepped back and looked at...how much we're spending... It's such a drop in the ocean. There's quite a few cases of little bits of...blinkered vision like that, I think."— Software Engineer

Symbols: Visual signals of what's important

Indicators: The name of the company is derived from the initials of the Managing Director and founder, Ratcliffe. In this way, the company name not only symbolises the perceived importance of this individual, but also the perceived value on building 'systems' as opposed to following the more traditional consultancy model.

The fact that the founders share a large, open office says something about their united approach to things. Also, the fact that the office is cluttered with various gadgetry betrays their fascination with all things technical.

"We don't have to share the same office, but we do so that we each know what the other's up to. So if I have to go away one week, he could hold his own, and defend it until I'm back and vice versa."— Co-founder

Furthermore, the fact that their office door is always open is symbolic of the founders commitment to remain approachable. On the other hand, the fact that their office has glass

walls and that they can look out on staff member cubicles suggests to some staff that they are always being watched.

Standardisation/Control Structures: Common procedural guidance

Indicators: In the past, the company has used few controls other than those focused on things such as timesheets and absence requests that underscore the founders' concern with full utilization of staff and billable hours. When asked to describe the core values of the company, one senior Software Engineer responded:

"Do they have any? I don't know exactly what they would be. You have to work hard for your money...they want their 'pound of flesh'...they want to see you at your desk. Just get it done, that's all that matters. (the Co-founder) wanders around the office sometimes and he would be surprised if you took 1 1/2 hour for your lunch...he would maybe say something."

Otherwise, standardised controls and procedures have been implemented somewhat reluctantly as half-hearted attempts to gain qualifications that might otherwise present a barrier to new business. Attempts to become certified for ISO 9001 and Investors in People have resulted in new procedures, but when these attempts failed, the procedures were largely discarded as unnecessary formalities.

"There is generally a complete lack of procedures or protocols in place. About a 1 3/4 years ago, we tried to get ISO 9001 certification and so some things were put into place, but it hasn't affected me one bit."—
Software Engineer

"We put some of the (ISO 9001) procedures in place but did not take them seriously. We even had an assessor come in and quiz us before the assessment, asking what the mission statement was, how to do this or that...so that people would be prepared for the real assessment. We found that she could ask things in just a slightly different way, and it would confuse people. Her assessment tore us apart, so we just dropped it."
— Operations Manager

"There's no job description. It's very... fluid...is a nice way of putting it."— Software Engineer

As mentioned already, financial expenditures are tightly controlled by the founders and current attempts to conduct *“week-by-week projections of all expenditures and income”* heightens this perceived control as the company begins to court outside investors.

Organisational Power Structure: Pyramid vs. flat hierarchy

Indicators: Apart from the founders, there is little differentiation between members of staff.

“As it stands today, there’s Ratcliffe and the Co-founder and then there’s everyone else.”– Software Engineer

“(The founders) delegate...especially things they don’t want to do. (chuckle) They don’t want to be brought problems...they just want to know that everybody is busy and working away...and getting things done. They tend to worry about getting what’s next (business development). Once you’re onto it...after that, it’s yours...get on with it.”– Software Engineer

At a time when the company was diversifying in many directions and the future looked bright, divisional Directors were put in place of various initiatives. However, this is largely seen today as a failed experiment, as two of these Directors were accused of mismanaging their responsibility and one left to join a competitor. Today, the founders seem the only significant rung up the political ladder at IP Systems. All ownership interests and control remains consolidated in the hands of the founders, and it seems the hierarchical distance between them and staff is unlikely to change soon.

“(The founders) drive the boat...and nobody else is allowed to touch the controls...even on holidays. They don’t take a day off from being in charge...but they won’t change.”– In-house Recruiter

Even when one staff member was granted the title of Operations Manager, it seems to have aggravated the lack of role clarity at the company without making a significant impact in the level of responsibility or social status of the promoted individual.

“There has been some confusion...she might think that she should be (Operations Manager) for the whole company, but this is one of the things for us to discuss.”– Ratcliffe, Co-founder

Another experiment with allocating titles is described as follows:

"Year before last, I was leading a team of about three (people) on about an 11 month project. Then, I was promoted to Team Leader a year past April. And I think since then I haven't had a team! (laughter) I think it's mainly PR. Because you're dealing with customers all the time, and I'll often be in on the first meetings... you want something on business cards and things..."

– Software Engineer

Having been a fairly flat organisation, the company has recently felt the need to:

Introduce greater structure & reporting within the organisation, improving communications and allowing the (founders) to focus on the financial goals. –2005 Business Development Plan

Directors have conceded the need for an additional level of resource management. The driving motivator is identified as the need for accountability, communication and role clarity brought on by employee growth.

"I think (the founders) have started to realize that they need some 'sublings'...to go to instead of them...they've not got enough time in the day now that the company has grown so big."– Software Engineer

"(The Co-founder and I) have been getting too involved and we don't have the time, the interest or the knowledge to legitimately add value to the various projects."– Ratcliffe, Co-founder

To initiate a discussion on re-structuring, all staff (and the researcher) were invited to attend two brainstorming meetings. Only six individuals participated, however, and some present felt their interests were unlikely to be heard or considered in the eventual decisions made by the founders. It seems the newly added layer of hierarchy is more likely to consolidate control and accountability in the founders' hands, rather spread that power in significant ways to others.

Organisational Socialisation Structure: Social enculturation mechanisms

Indicators: New employees are given a limited induction that consists of basic personnel paperwork and does not include statements on vision, mission or values. The interview conducted with the founders is sure to dwell on the company's ambitions and various emerging divisions, however. The researcher was able to interview one employee that had been hired just

one week prior, after fulfilling a week-long contract for IP Systems. According to this respondent,

‘My meeting with (the founders) was 1/2 – 3/4 of an hour. They discussed the structure of the company...how it’s organized in different divisions. They talked about the hierarchy of the firm and how they’d like to keep it... very flat. In terms of values, they talked about how they are always available to speak to...and that they didn’t believe in formal training. (After the contract, the Co-founder) said, ‘you didn’t set fire to anything, so that’s good enough for us’, but between being a contractor and a (full-time) member of staff...there was no...formal interview.’ –Software Engineer

Employees are generally expected to focus on “getting it done” in the context of immediate project tasks. Limited direction is provided, but in order to mitigate the learning curve, novices may be seated at workstations opposite relevant experts.

“(The founders) will drop you in a position...and they’ll let you grow...see how far you can grow. They’ll let you go into a role and see how you fill it...to see how responsible you can be.”

– Software Engineer

“There is not much done for team building...I think it is deemed too expensive.” – Software Engineer

Primary Embedding Mechanisms

As Schein (1992) points out, the primary embedding mechanisms for an entrepreneurial firm are often different and less formalised than ‘cultural web’ elements discussed in the context of larger organisations. It is generally understood that the core values embedded in IP Systems (e.g. flat structure, autonomy, diverse technical expertise, client responsiveness, self-training, etc.), have been largely established by the founders. Much of this embedding seems to take place via the following mechanisms:

New member selection and development:

The selection process seems a primary determinant of culture at IP Systems and generally proceeds through the following sequence:

- 1) The recruiting process is used primarily to gauge technical competency. Often, this step is conducted by the in-house personnel division at IP Systems, which seems to reinforce certain key biases.

“I just know the type of person who would fit into their organisation. (The founders) are two guys that openly say that they don’t want to hire women that are of birthing age. I wouldn’t give them someone who’s got 4 kids and was more interested in their family than they are in their work. It won’t work...they wouldn’t be here long enough. They want people that are 100% geek. If you have no kids, you’re married to the job...beauty. Of course, it’s completely illegal...”– In-house Recruiter

On some occasions, candidates will be placed on contracts immediately, as a form of trial before further consideration as an employee.

- 2) Technical expertise and project role is confirmed in the interview process. The founders (one or both) generally conduct a brief interview to confirm the personality and ‘fit’ of each candidate based upon:

- A. Official IP ‘Gene’: *technical-orientation, quick (independent) learner, and comfort with chaos and diversity*
- B. Unofficial criteria: *male, overweight, single, not politically or financially driven, unwilling to challenge authority, and committed to work above family and all else* (comments made by ex-employee and validated by multiple internal respondents)

“There are only 5 females in the organisation, and 3 are part-time. There are only 5 kids throughout the whole organisation...and I have 2 of them (the other 3 belong to part-time female staff).”– Co-founder

The Operations Manager highlights the focus on billable hours in describing those she suggests have not integrated well in the past,

“The one that had a sight problem, the one that got pregnant, the ones that had loads of sick days...”

- 3) Once the candidate has been selected, induction materials are something of a formality- mainly limited to human resource procedures.

Once hired, cultural embedding is revealed in the following:

- 1) The founders will let new employees begin to address client needs shortly after hiring. Their involvement may be limited to the monitoring of hours worked and client deliverables.
- 2) Staff are left to develop themselves and apply their own values in the absence of clear guidance or formal training. Respondents note that *autonomy* and *variety* are two of the things they like best about their jobs.

The founders do not believe in the effectiveness of formal training programs.

“When we look at the way (others) measure training and personnel development, it doesn’t fit the way we do it here. We won’t send people to classes...we just expect them to learn on the job as the job requires.” – Ratcliffe, Co-founder

“We do this ‘subliminal training’.” – Co-founder

“Training is non-existent. You are expected to learn quickly...on your own.”

– Software Engineer

Thus, if training is required, staff are expected to *“pick up a book and learn it”* as required in the context of *“getting it done”* for a client (e.g.- staff note that requests for more formal training are *“more hassle than they’re worth”*). This helps explain why *training* and *role clarity* are the elements of their jobs which respondents found most lacking.

- 3) Formal mechanisms and founder involvement is typically required only if things go awry, and are therefore avoided whenever possible.

“If they tend to make mistakes or something then we will watch them more closely and need to put more procedures in place for them.” – Co-founder

Role modelling: The role-modelling effect is limited by the large division of authority, ownership and responsibilities between the founders and the rest of the employees. The founders no longer conduct consulting work, and it is unlikely that staff see themselves as someday filling one of the founders' shoes. Still, the founders see their responsibility as role models as important, if not always intentional.

"(We) try to provide an example; we try to relate to people well in the hope that they will do the same. We know we're being watched, I think...and that has an effect. I try to think about the consequences of what I do and whether that's a good thing...try not to say the first thing that comes into my head." – Ratcliffe, Co-founder

"I guess the only place (values) can come from is Ratcliffe and me...it must emanate out from us."
– Co-founder

Staff are largely left to establish their own best practices based upon their own personal values and the particular circumstances of their project. When asked where the cultural values of IP Systems come from, a Software Engineer asserts that values are projected externally based upon individual staff, not the founders,

"Given the degree of autonomy...it's...difficult to look at IP Systems as a whole...because we have some customers that have only ever dealt with one developer. (If) they have ever really dealt with me...they see me as IP Systems. So where do these values come from? I can only talk about the ones I try to aspire to or the ones that I try to get across to the customer. I've just been running my work on my values and...that's worked. There's not a cohesive, IP Systems wide umbrella whole that I can give you about that."

Leader reaction to critical incidents: Recent industry downturns have served to highlight where IP Systems has placed priorities when pressed. Entire divisions have been reduced or dissolved when they have not sufficiently met financial objectives.

"We had a bit of a crisis in January (2004). The education division was way off projections and losing money badly so we had to take some fairly brutal measures, and let people go. But it's doing much better now." – Ratcliffe, Co-founder

“(Staff) have lost a little faith in management because of what had to happen...it was quite poor management, it must be said...it wasn’t caught early enough...so you can’t blame (them) for losing a bit of faith in us. We’ll try to gain it back, it probably will never be as good as it was, but we’ll try to get it back. Right now, we don’t have a committed, loyal and happy staff...I think that’s influencing things.” – Co-founder

“When people were leaving, they’ve handled their leaving incredibly badly...which has put everybody else on edge...everybody is worried for their job in this company. It creates a sort of uncertainty that is contagious.” – In-house Recruiter

Looking back at the tough decisions that they have felt compelled to make, the founders agree that staff were treated poorly. However, Ratcliffe is quick to point out that the company is more profitable for the changes that were made, so staff treatment seems tacitly sanctified. The Office Manager, however, noted that they have dealt with other incidents in a more admirable fashion,

“In May, 2003, (the founders) told everyone that the February pay rise that had been somewhat expected every year would likely not happen this year because of business conditions. I think everyone appreciated their honesty and being up-front with them.”

Not surprisingly, even after these crises, morale has remained low among remaining staff and many feel unsettled or even expendable. The following quote from the Co-founder implies that some of this fear may be justified,

“I know if we got into trouble...I could get rid of 30 or 25 people...keep (5-6 gurus) and I know we’d be extremely profitable.”

Other indicators:

Business Plan: The basic story of IP Systems and the intent to have a diverse mix of niche product divisions is known by even the newest employee, based largely upon the initial interview with the founder. However, language about vision, mission, core values and other elements of the business plan are read by few employees, and are believed by

fewer. Such documents are construed as intended for external investor consumption, far too abstract and optimistic for the internal realities of the organisation.

“The Business Plan...Hab! I don’t think that there is any clear value or mission statement that we are aware of...as an organisation. I don’t know what the ethos is at IP Systems...I really don’t. I think that they’ve gone through so much change recently that...Ratcliffe would have one idea, and (the other Co-founder) would have another, and neither one would be communicated to the group.”

– In-house Recruiter

“(The Business Plan) is a really funny read, that. If you were to look at our mission statement (in Business Plan) and read about how ‘we’re committed to staff development’ and that and then what’s actually happening...those are two very, very different things”– Software Engineer

Open communication: Business development and financial news (and sometimes thanks for work done) is widely shared via intranet newsletters and other communication. Pictures from social events are posted, but talk of personal or non-work related information is virtually excluded in most communication. Some respondents note that there is an underlying assumption that such things do not warrant company attention.

Despite invitations for staff input from Ratcliffe, it is not clear that staff opinions are truly wanted, needed, or (if heard) heeded. There is scepticism among some staff that the talk about approachability paints a biased perspective that is insufficiently supported in tangible ways. Even Ratcliffe has comments that open communication has had the desired affect,

“We are extremely open (posting our news and financials on the intranet), but we still sometimes feel that people would be happier if we didn’t tell them anything. It’s almost like, ‘they must have something to hide to be this open’ or something. They still distrust us...as if we’re plotting something...and sometimes I think it grows with how much we share. Perhaps some would trust us more if we didn’t say anything.”

Sub-culture: Some of the former divisions have acted as separate sub-cultures within the company. However, now that most have been significantly reduced or eliminated, they do not seem to hold the same distinct features that they once had. One of the divisions,

the in-house recruitment agency, was once a separate company that counted IP Systems among its clients. According to the Director of what is now a division within IP Systems,

“I knew IP Systems from before. So having IP Systems as a parent company worried me...(but it was ok) as long as the ethos of (the original company) remained the same. We are completely separate...we have our own phones, our own business cards, our own room, and nobody’s allowed to sit at our spare desk. Our (e-)mail is through a different provider. We have our own server. (In our division) the candidate is the most important person. We have a ‘wall of love’ (alluding to bulletin board covered in pictures of family and friends) in our office...because I believe that people work for different reasons. So we have the ‘wall of love’...and that’s really important...that’s what we both (division staff) work for.” (Respondent’s emphasis)

This is an interesting example of an explicit attempt to create a distinctive sub-culture (or even counter-culture) within IP Systems. It seems to provide two female staff members with a mechanism for coping with a male-dominated and otherwise ultra-technical office environment that they deem socially deficient.

Exit Survey Responses

Summary Survey Findings- IP Systems

Exit Survey Questions	Aggregate Answer
1. Which of the following best describes what motivates this company? (1-3)	
Efficiency	2.27
Responsibility	2.00
Excellence	1.80
2. What would you estimate this company places the highest priority upon? (1-2)	
Short-term Gain	1.70
Long-term Value	1.44
3. When moral/ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)	
The Resulting Outcome	2.73
Doing the "Right" Thing/ Action	2.00
Being the Right Kind of Person	2.22
4. Please put the following stakeholders in the priority you feel this company assigns them (1-5):	
Employees	2
Owners (Directors)	3
Community	4
Environment	5
Client	1
Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)	
5. How would you rate the morale at this company at this time?	3.45
6. How would you rate this company's reputation in the marketplace?	5.45
7. How would you rate your own job satisfaction at this time?	4.73
The following questions were asked of every respondent <u>except</u> the founder:	
8. How long have you worked at this company?	3.64 years
9. How many times a month, on average, do you interact with the founder?	~30
10. How committed would you say you are to this company?	5.33
11. How would you rate this company's commitment to your training and development?	3.11
12. Regarding the communication of company culture and values at this company....	
12a. How consistent would you say the founders are?	4.44
12b. How clear would you say the founders are?	4.11

Note: Answers in **bold** are markedly higher or lower than answers provided by respondents at other companies

Table 7.9

These tabulated results will be discussed later in the comparative case analysis, but there are a few key points worth highlighting here. In contrast to other companies in this study, IP Systems respondents have estimated that *responsibility* and *excellence* are the least important motivators in the company. Furthermore, IP Systems places significantly greater emphasis on *short-term gains* than any of the other companies featured.

"Get it done...today...above all else. Unfortunately, speed over quality assurance. They've faced tough times in the last 12 months...they're consolidating...and they need cash flow...they need cash flow above all else so...get it done today...above all else. That's pretty hard, but it's true."

– In-house Recruiter

"I think (the IP Systems way) is maybe haphazard. We want to get the business and then, uh...how we go about doing it is...is the afterthought. It's just...trying to put together the elements to get it done...I don't think there's a philosophy or a procedure behind it."— Software Engineer

When faced with moral issues, the company does not seem to operate based upon the principled logic found elsewhere, ranking *doing the right thing* as the least important criteria, and choosing instead to focus on the *resulting outcomes*.

The client is estimated to be the most important stakeholder at IP Systems. This external focus may help explain why respondents indicate the lowest *company morale*, yet the highest perceived *reputation* in the external marketplace. Moreover, staff indicate frequent interactions with the founders, yet feel that founder *communication on culture and values* is unclear and their *commitment to training* is ranked lowest of all companies queried.

Identifying Purpose *(based upon interviews and supported by other indicators)*

What is the 'Purpose' at IP Systems?

"To allow the founders to do what they want with their lives...to achieve their dreams. Although the dreams may have changed over the years the purpose remains the same." – Ratcliffe, Co-founder

"To provide (the founders)...(and the employees) with a good standard of living and a good working environment." – Co-founder

"I don't think IP Systems really has a purpose. I suppose to keep (the founders) in a job and expand. If we do have a business plan or mission statement, people don't really pay attention to it."— Software Engineer

Vision statement (from 2004 Business Plan):

To become the largest independent IT organisation in Aberdeen by:

- *Development of the skills of all staff*
- *Expansion of the business of the existing divisions*
- *Where appropriate, selective divestment of divisions*
- *Creation of new divisions to reflect new opportunities*

Mission Statement (from 2004 Business Plan):

To hire and develop the best people and to become a market leader in the production of innovative technical solutions for a range of markets.

Company's 'Overall Strategy' (from historical documents):

To be a diverse, product based software development business.

IP Systems' 'Main Business' (from historical documents):

The development of computer software for a wide range of clients and markets, ranging from television to subsea exploration.

'Core skills' of the company (from historical documents):

Recruiting and developing good people.

Based upon the general survey responses, compared to the various ways in which historical and existing documents and interviews have attempted to define what is the driving motivation and focus of the company, a few things are clear:

1. The purpose of the organisation is founder-centric. As such, employees generally do not know what the purpose of the company is; yet seem aware that the interests of staff are not the primary concern (despite written statements such as those featured in the Business Plan).
2. The product-centric aspirations of the founders, and their desire to pursue a wide variety of technical innovations, are generally understood among staff.

Identifying Success *(based upon joint inquiry exercise and supported by other indicators)*

When asked how it is that IP Systems measures success, there is great agreement among the respondents, indicating the following (in priority order):

1. Profit
2. Growth (in the form of new projects or divisions)
3. Staff Stability

Identifying Excellence *(based upon joint inquiry exercise and supported by other indicators)*

When assessing organisational culture, Rousseau has suggested that there are three generic dimensions across which cultural values and behavioural norms may be fixed. These include:

Task/role, Interpersonal, and Individual dimensions (1990, p. 179). Research findings from IP Systems have been mapped across these dimensions, where appropriate, in the summary tables below. When asked what excellence (or the best aspirations) for the company are, responses varied but can be divided into three distinct dimensions as follows:

Internal Excellence

The following responses were submitted as the primary forms of internal excellence (either achieved or aspired toward) at the company:

- *Technical competence/expertise*
- *Technical enthusiasm/interest*
- *Intuitive/Self-teaching approach*
- *Staff satisfaction*
- *Collaborative problem solving*

Task/Role Excellence

The following responses were submitted as the most appropriate qualities with which IP Systems might approach various tasks and roles at the company:

- *Product (and service) quality/stability*
- *Modern/cutting-edge technologies*
- *Versatility*
- *Efficiency*
- *Cost-effective projects in defensible niche areas*

External Excellence

The following responses were gathered as indicators of the excellent ways in which the company might relate with those outwith the company:

- *Client support/responsiveness*
- *Professionalism*
- *Diversity (in relation to technology, product, client and industry)*
- *Client satisfaction/retention/loyalty*
- *Industry marketing/reputation strength*
- *Integrity*

Identifying Balance (*based upon joint inquiry exercise and supported by other indicators*)

One way of looking at the ways in which tangible success factors and the less tangible excellence factors work with or against each other in support of the company's driving purpose is by graphical depiction as follows:

IP Systems' Ethos on the Scale

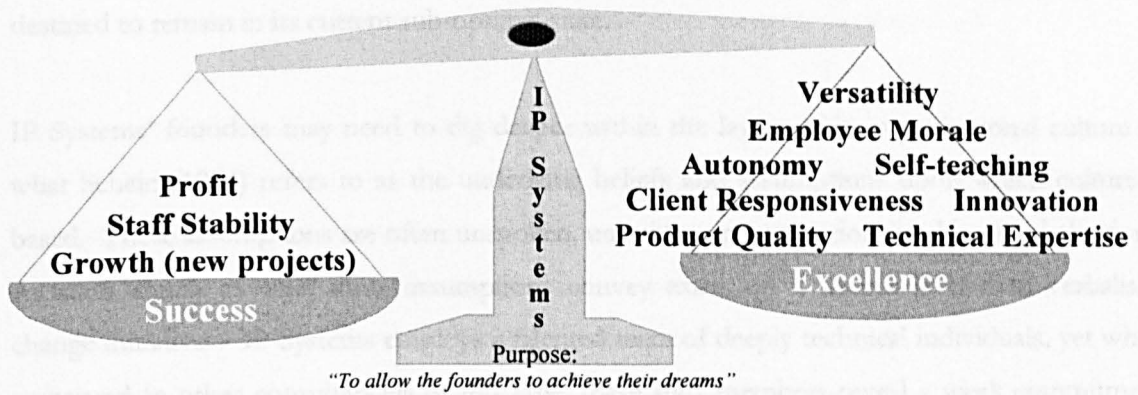


Figure 7.3

When respondents were asked to indicate which side of the scale IP Systems places the greatest emphasis upon, the success side was clearly favoured. There is strong consensus which side of these scales the IP Systems culture tends to place the greatest weight upon, particularly when times are tough.

"It changes over time. The general values of our ethos is pulling us back toward the centre now that we have more stability, (but) in January it was here (success score of '10'). The extremes are certainly not feasible, but I would want to see us on the excellent side of things. You know, when I'm on my deathbed, that's what I would like to think I have done." – Ratcliffe, Co-founder

"In the early days, (IP Systems) had a real 'can do' culture. But in the last couple of years when the money has gotten tight, it became different...a 'blame' culture." – Ex-IP Systems Employee

There was also consensus that the two sides of the scale are strongly interdependent, and that typically, when you focus on the excellence side, success is a natural by-product.

Summary

The founders at IP Systems are expressly intent on adding managerial responsibilities, distributing ownership, gaining certifications, refining organisational structure and increasing morale throughout the organisational culture. However, such initiatives have proven much easier to talk about than to actually implement, indeed, the more these things are spoken about without progress, the less credible the founder's appear in the eyes of staff. This paradox suggests that the founders know some of what needs to be done to address pressing cultural issues, yet they lack the time, commitment level or other capacity to affect such changes.

Without progress in these and yet to be identified areas, the organisational culture seems destined to remain in its current sub-optimal state.

IP Systems' founders may need to dig deeper within the layers of its organisational culture to what Schein (1984) refers to as the underlying beliefs and assumptions upon which culture is based. These assumptions are often unspoken, unwritten and operationalised in tacit behaviour. As such, much of what these assumptions convey exists on a deeper level than verbalised change initiatives. IP Systems employs a talented team of deeply technical individuals, yet when compared to other consultancies of this type, these staff members reveal a weak commitment and awareness of, or buy-in to, the unspoken values and vision of the company. The company is seen to hold billable hours pre-eminent, and the staff are committed to providing billable hours, but so limited a social contract does not bode well for the growth of relational trust or excellence. Increasingly, the founders will need to find ways to let go of the control and authority they have historically held to themselves. Increasingly, the most ambitious staff need to see a more legitimate form of staff development than new books to read or projects to tackle. Staff desire empowerment and ownership such as that alluded to in external documentation, but seldom implemented in serious fashion.

"In the end, it was lack of resources, responsibility and recognition from the directors that made me leave. I'd been asking for a pay rise for 2 ½ years and they wouldn't give it to me. Ratcliffe would tell me, 'As long as we're making money, I don't care if you're happy or not'. In my current role, the directors listen to me...they actually give me the resources I need." – Ex-IP Systems Employee, Competitor

When asked to explain why some staff have recently left the company, a Software Engineer says,

"I think it comes down to the (unstructured) management or lack of training...take your pick."

These trends, and the apparent disconnect between founder and staff perspectives and unspoken assumptions, seem likely to be aggravated by the founders' stated intent to play a lesser role in the company's leadership in the next five years. At IP Systems today, the staff feel valued solely for their billable hours, short-term outcomes are deemed all that matters, personal and moral matters are not considered business concerns, staff are expendable and the purpose of the company is to fulfil the founders' interests, no others. Until these underlying assumptions

are challenged, changed or reconciled to the interests of staff (and clients), there seems little lasting cultural impact resulting from the present initiatives under consideration.

A summary report noting some of the points made above was presented to Ratcliffe upon completion of the fieldwork. He informed the researcher that he found this report to be “a bit of a reality check”, and seemed surprised by many of the findings, many of which he found to be critical. For instance, in response to statements from his employees suggesting that the company is too short-term focused, Ratcliffe was incredulous,

‘It amazes me that they could say that we think short term...virtually every pound we earn gets plugged back into the company.’

Comments such as these further illustrate the differing perceptions between Ratcliffe and his staff. He couldn’t understand why they considered “subliminal training” as roughly equivalent to “no training at all”. He had never thought that his hiring practices might run foul of anti-discrimination standards, but he could produce charts that show child-bearing females are less productive than married men, and married men are less productive than single men. There were two things that Ratcliffe felt he needed to feed back to the researcher in response to the report:

- 1) The shareholders are what it’s all about, just as in any company, and*
- 2) If IP Systems hadn’t just come out of a crisis, it would be easier to get a more favourable impression of the company.*

Ratcliffe is undoubtedly correct on the second count. However, the fieldwork was conducted once things had begun to stabilise, so it seems IP Systems was studied at a time that was almost as peaceful as can be reasonably expected in this volatile industry. Furthermore, crises at similar companies did not seem to have the same negative effects as they did at IP Systems, suggesting that crises can also generate positive responses in certain organisational contexts. The first point made by Ratcliffe is also understandable and illuminating. Ratcliffe explicitly subscribes to the traditional mandate of profit-maximisation, and as such, he will find it difficult to understand employees and other stakeholders that ask for their interests to be allocated a similar priority.

This feedback meeting with IP System’s Co-founder underscores the dichotomy between the underlying values and assumptions which Ratcliffe and his employees use at work. Even when

the same words are used, they often assume a different meaning due to fundamentally different tacit understandings and expectations. Resolving these differences remains a daunting task at IP Systems.

Blairs Services

Blairs Study Overview		
Company Description	Employees	Approximately 34
	Primary Location	Historical building near Aberdeen
	Founder(s)	1
	Year Founded	1995
	Primary Focus	Project management consulting & design engineering
	Primary Clientele	Oil & gas drilling companies
Fieldwork Summary	Internal Respondents	9 In-depth interviews and additional discussions with employees to confirm/deepen findings
	External Respondents	2 (both ex-employees, now competitors)
	Time Spent at Location	Approximately 4 full days of interviewing and observation
	Observation	Approximately 5 hours of dedicated observation, mainly in-between meetings and tours of the building
	Historical Archive Material	More than 5 documents and presentations
	Current Material	Over 20 marketing and internal operations documents

Table 7.10

Specific Methods and Data Collection

Data collection involved in-depth, semi-structured interviews with all nine Blairs Services employees based in the central offices of the company. Although there are some 34 employees associated with Blairs, there are only 10 working in the core competency or central office of the company, making this in many ways the smallest culture in our study. The remaining 25 employees at Blairs are contract personnel (e.g. welding technicians, etc.) that Blairs provides for Scottish rail and oil industry clients in places like Tunisia. In an effort to gain confirmation and deepen the understanding developed in internal interviews, one of these contract employees was interviewed and additional interviews were also held with two recent ex-employees (one of which serves as Co-founder of a competing company). Observation time within Blairs offices took place over the space of two weeks, generally in-between and around scheduled interviews. Historical documents, current marketing material and internal documents also proved helpful for triangulation and for tracking changes over time.

Cultural Distinctives

Interestingly, unlike many consultancies of this type, Blairs does not seem to rely heavily on a small number of sizable, long-term clients. The founder has as a stated aim, however, of making clients increasingly more dependent upon Blairs' in the future. The company prides itself on possessing a scrappy determination which includes tenacious sales initiatives and a willingness to

solve *any* problem faced by potential clients. There are few client needs Blairs will not attempt to address, regardless of its prior experience or available personnel. Like IP Systems, Blairs is a company that adapts to meet diverse and unusual client demands. When asked what makes Blairs unique, the general consensus among respondents is that the company is unlike others due to its close-knit, family atmosphere and a diverse array of project work. According to many respondents, what makes Blairs unique can be summarised in two words: “*Adam Grant*”.

“He’s the driving force. I have to hand it to him: he’s a good listener, he’s very loyal to his people...and that might be a failing, but it’s also a strength. He’s definitely the driving force. I don’t really see any other driving forces in the company.” – Procurement Manager

Grant founded Durris Management in 1995, and expanded in 1997 by purchasing his mentor’s company, Blairs Services. Over time, Grant chose to do business under the Blairs name instead of Durris Management, partially to honour the deceased founder who was its namesake, but also to capitalise on the strong reputation still associated with his mentor’s company.

Based upon common organisational culture types (Handy, 1993), Blairs seems a *task*-oriented company. The common assertion that the securing (and fulfilling) of new projects is the most central objective of the company is certainly a strong indicator that this is the case. The value of individual members, and the procedures and roles that they hold, seem to pale in comparison to this overarching task-bias revealed in the Blairs culture.

The Business Model

Blairs seems a combination of two different (but related) types of organisational models, one which it seemingly *needs* as justified by market demand (consulting and contract employment), the other which it *wants* (product development) based upon its desire to differentiate itself in a viable niche market. Integrating these two models has not proven easy, yet it seems Blairs’ best hopes for differentiating itself from the field involve a continued shift toward added product development, away from its historic strength in a crowded field of consultant engineers. A third type of business model is found in the personnel placement service which it operates. Technically, the people placed on client locations are Blair’s employees, but there is a significant division between these and those people and services occupying the central office. The personnel division at Blairs was created to respond to what seemed a one-time opportunity, but during consultancy downturns, this division has helped sustain the company.

The way in which Blairs has begun to engage in product development work is worth commenting upon. In recent years, an ambitious university graduate was hired and soon identified some trends in wireless and Internet technology that he felt Blairs could take advantage of. When it became clear that Blairs could not offer the financial and personnel resources to capitalize on these opportunities, this employee started a company in his home country of India. His company rapidly employed an entire team of qualified technical developers and delivered key solutions to Blairs at a fraction of their UK market price. It is upon this out-sourced development company and their technical capabilities that Blairs has begun to build customized applications on which it hopes to differentiate itself. Additionally, for large industrial equipment manufacturing, Blairs has also seen fit to form a separate strategic partnership of a more arms-length nature. Increasingly, Blairs is placing its focus on these potentially lucrative 'windfall' opportunities rather than the incremental opportunities in consulting upon which it has historically relied.

Historical Context

Historically speaking, Blairs has pursued a strategy of survival by diversification into more than just product development, including:

Local vs. International

Blairs would like to stay focused on the oil and gas sector, and is willing to pursue opportunities around the globe if needed. This willingness has already resulted in opportunities in Nigeria, Singapore and North America, and is likely to continue as emerging oil fields require the services Blairs has historically delivered locally.

In-house vs. Off-site

Blairs is committed to working how and where the client prefers. However, increasing emphasis on product development work may require Blairs' central office to utilise more in-house personnel. The contract employees whom Blairs has placed at various client locations are likely to remain in these distant locations.

Beyond Consulting Engineers

At one time, consulting engineering was a sufficient focus for companies like Durris Management and Blairs. According to Grant:

“If we were only consulting engineers at Blairs, there’s no way we’d still be here today...no way. We’re about providing technical solutions...that’s about it. We’re here to solve problems. Unless we’re willing to tackle every element of that problem, then we’ll always be a little bit pigeonholed.”

This statement underscores the current initiative at Blairs to broaden and expand wherever it seems feasible. The motivating logic behind this expansion is an assumption that the company that provides a complete solution will be much more profitable than one that only offers a portion of the complete solution. For this reason, Blairs has added contract personnel services, procurement services, an online materials exchange, inspection software development and safety management systems. No one company has required more than two of these services to date, but Blairs has begun to promote and integrate these as a whole in the hope that synergistic benefits will eventually emerge and, in this way, larger clients can be attracted.

The Cultural Web (Secondary Embedding Mechanisms)

At Blairs, cultural embedding seems a largely informal and often unintentional process that reveals itself in some of the following ways:

Routines/Rituals: Demonstrate what founders see as important

Indicators: In-house buzz tends to focus on the status of the potential projects in the pipeline and, secondarily, the issues related to their fulfilment. The process of bidding for work seems to have evolved into something of a ritual. According to one respondent, Grant is the consummate salesperson, but he is not always clear on what it takes to meet project schedules and client demands:

“Grant might come in and say, ‘We need this in 2 days’ and we’ll have to say, ‘no, that’s going to take 2 months’. He tends to get a bit ahead of himself and tells clients. So, he sets the priorities, but we set the process/schedule.” – Graphic Designer

Blairs holds an annual Christmas party and also hosts occasional social events (e.g.– paintball wars) held for all employees and clients. Grant has also endeavoured in the past to make attempts, with varied success, at holding weekly meetings with certain employees.

Stories: Subtle mechanism for informal value internalisation

Indicators: The Blairs culture divulges a number of classic legends, including one about the time Grant's mentor spent some £75,000 on US and UK intellectual property rights for a tethered tanker which they were never successful in selling. That story serves as a painful reminder that it is never wise to secure legal intellectual property rights before a solid business case, and paying client, can be found.

Nearing the end of 2001, some new business initiatives were apparently beginning to pay off and the oil industry, as a whole, appeared to be strong. Grant built a full management team and the company employed approximately 70 people at that time. Blairs was preparing for rapid growth when 2002 ushered in a new oil industry crisis. By mid-year, the company was counting a £150,000 loss instead of the anticipated profit of £250,000. By September of 2002, Grant saw no alternative but to cut 20 employees, including all four of his divisional directors. One of these directors set up a business to compete directly with Blairs. Looking back at that year, the otherwise upbeat Grant recalls:

"2002 was the worst business year of my life. Our people are certainly our greatest asset, but because I've been burnt... I've found they can also be our greatest liability. Some of our senior directors in the past have been extremely qualified and capable people, but because they lacked faith in the company, they were not very useful when times got tough."

One employee explains why she left Blairs during this time, returning two months later when it looked like the company was beginning to turn the corner.

"During the really horrible bad times, you just didn't want to come into work in the morning. Morale was really low in the company and one of the Directors didn't like me and I didn't like him, and there was a lot of backstabbing stuff going on in the company which I didn't like...so I left. But luckily...it all turned. For me, the difference was when that Director left. (Now) we're almost down to the bare minimum amount of people that we need to have, and it's like we're a little family." – HR Administrator

The year 2002 remains so vivid a part of Blairs' past, it continues to be used as the referent standard by which the best and worst of present issues are measured.

“The people that Adam’s left with here want to see it grow...want to see it really, really successful. And that helps as well...although the morale can get very, very low. There’s a buzz going on right now because there’s lots in the (business development) pipeline, there’s lots happening...so it goes up and down. From the downturn until now, it’s been a wee bit difficult. It’s definitely back up...but not at it’s (2001) peak...not yet.” – Administrative Manager

Another classic story offers a vivid depiction of business development and the haphazard form it often assumes at Blairs:

“We actually went to Scottish Rail one day and we wanted to sell them something but we didn’t know what to sell. And, um...Adam was giving the presentation, and I wasn’t allowed to show a slideshow presentation (about handheld inspection technology) because Adam believed that these guys wouldn’t actually buy into it. So, I had this fantastic audience who I could sell, but he wouldn’t let me sell it. He was using my laptop, and I’d actually got the slides ready for them in there. He was telling them about the company...but the guys were actually interested in (something else). So I said, ‘Your doing this kind of inspection, you can change it, you can do it by handheld.’ Adam said, ‘Would you like to show them something?’ I said ‘yes’ and it was the first time Adam had seen (the slides) as well. (laughter) He was looking at (the slides)...he didn’t have a clue what I was doing. So um...(the client) was relaxing and had his legs kicked (up) on the table and after I say you could actually track all the cracks (in the rail lines)...use GPS to actually sort of position where it was...this guy put his legs down and started writing everything that I said. And after the presentation, he said, ‘How much would it cost, Adam?’ And (Adam) didn’t have a clue what he would say. (The client) just wanted (our handheld inspection solution) and they accepted (it). We sold (it).” – Software Engineer

Nigeria is one of the more promising oil industry frontiers, albeit one fraught with significant political and other risks. Blairs began working with a new Nigerian client on business *“that everybody else would’ve shied away from”*, according to Grant. Many of the large oil companies and material suppliers would not do business with this Nigerian company because it could not provide the necessary credit documentation. As the Procurement Manager recalls,

“(Our Nigerian partner has) a small operation. The guy wanted £2,000 worth of electrical components, he knew the part number...he sent the cash...Grant bought the components and sent (it) on to him. Sounds good. But then, he wanted a big generator sent to him...a big £250,000 item...not on a

credit card he couldn't (get this). As long as they can keep up the payments from Nigeria, we've got a bit of trust."

By taking the risk and developing trust with this Nigerian partner, Blairs has managed to find a lucrative mechanism for connecting its contacts and procurement expertise to emerging regions in the oil industry. Because trust was deemed to have been misplaced in the crisis of 2002, examples such as this seem to be gradually restoring the company's faith in the value of relationships built on trust.

Symbols: Visual signals of what's important

Indicators: The company name has been maintained, in part, out of respect for Gene Blairs. It seems to serve as a visual symbol of Grant's loyalty to his former mentor. Similarly, Grant has maintained two employees from Blairs' company for over 16 years. Years ago, one of these employees, a valued engineer, decided to marry his Australian girlfriend. When the newlyweds decided they would move to Australia, Grant ignored the threat of losing one of his best engineers and instead saw it as an opportunity to set up an Australian office. Visible commitments such as this can be construed as important symbols of opportunistic behaviour, two-way loyalty, or both.

Another symbolic emblem at the company is the historic building it occupies. Blairs is one of the sole tenants in a gigantic, otherwise vacated building that was once a training college for Catholic priests. By claiming this beautiful estate and castle-like facility as its home, Blairs benefits by appearing to be a stable and long-established company. When asked what makes the company unique, the Commercial Manager states,

"This building. It creates an impression of size...whether it's a lie, or whatever, (depends) how you perceive it."

On one level, this building is another symbol of loyalty to the past. On a more cynical note, however, it seems this is also an apt symbol of Blair's approach to business development. Like an impressive building, Grant is adept at swooning clients with words and appearances, but when given a look inside the company, the client is likely to realise the vast emptiness and unrealised potential concealed by these initial impressions. Grant can build a striking facade if a client tells him what they want, but only after the contract is signed will the client

discover that some of the supporting walls have yet to be built. To its credit, Blairs seems to honour its client commitments, but the necessary building required after the ink dries on the contract may entail a chaotic or slapdash attempt to meet expectations. In a similar way, viewing the former seminary from the outside is inspiring while touring its vacant interior tends to disappoint.

Standardisation/Control Structures: Common procedural guidance

Indicators: Staff are expected to be self-directed and fulfil their duties autonomously. Financial expenditures and priorities are dictated by the founder, and as his primary responsibility is business development, the most promising new client prospect tends to garner the most attention. Controls are historically created at Blairs on an as needed basis and the only sufficient motivating factor seems to be client (and regulatory) requirements.

The recent hiring of a second-in-command has challenged this cultural legacy, however, as his extensive background was in monitoring compliance with quality and safety standards among oil companies. One of his first initiatives upon joining was the crafting of three documents:

- 1) *Blairs Business Objectives*
- 2) *Blairs Quality Policy*
- 3) *Blairs Health, Safety & Environmental Policy*

Each of these documents were introduced at a company meeting with some ceremony, as Grant put his signature to the bottom of each. They have since been framed and placed on a wall near the entrance where they are visible to all. However, the “Commercial Manager” sums up his frustration in the way this initiative has progressed:

“I have reworked us to comply with ISO 9001. Adam sat on (this initiative) for weeks...it didn't move the way I wanted it to move. (These) Business Objectives....none of them achieved...they won't be achieved. Well, we all agreed, all aware of it... (The staff have) found many of these to be meaningless. Why? Because Adam is fire-fighting. This (pointing to Business Objectives) was what we were going to achieve...this was his guide to planning and it should be used to describe how we are going to move forward. (It) hasn't happened...”

This example highlights the fact that Grant's business development efforts are the focal point of the company and compliance to seemingly abstract documents and management concepts is not a top priority, partially because standardised controls do not seem to relate, in practical terms, to Grant or initiatives to generate more business.

Organisational Power Structure: Pyramid vs. flat hierarchy

Indicators: Having recently been a much larger and more hierarchical organisation, Blairs is now content to be smaller and much flatter. Still, there is a significant degree of separation, visible in ownership and control issues, between Grant and the rest of the company. Otherwise, all employees are estimated to be on fairly equal footing at Blairs, regardless of individual title or status.

"I've always thought you've got to treat everyone the same" – Grant, Founder

"Adam's the boss, and then, from below, there's no boxes/levels." – Sales Manager

Recently, an experienced manager was employed to help Grant with operational and administrative issues, but in a company as small and informal as Blairs, this person's elevated status seems to add little in the way of added responsibility or social standing.

"Bob is now the Commercial Manager...but I don't see him as a boss, really." – Graphic Designer

Grant is approachable and is generally regarded a good listener with a big heart who will help someone if he can.

"You know, Adam, although he's a Managing Director, you almost feel like you could speak to him about anything. I think a lot of people, if you've got any personal problems or whatever, they know that they can go and talk to Adam." – HR Administrator

"I know that sometimes it is hard for folks to think of the boss as a friend, but I must admit, I try to do everything I can to try and give people the confidence to do that kind of thing." – Grant, Founder

Organisational Socialisation Structure: Social enculturation mechanisms

Indicators: Blairs does not use mission statements or documents of guiding values or core principles. Instead, expectations are made known in the context of doing work and fitting in with the team.

New employees are generally chosen and introduced to the company by Grant himself.

“There was a formal induction (in 2001). Adam does all the introduction and that bit himself now. (Company inductions are) not something that is really, really necessary until we start to grow a little bit. (Now) it just seems a bit...silly.” – Administrative Manager

Primary Embedding Mechanisms

Adam Grant is a primary factor in informal culture development and his influence is revealed and embedded in some of the following ways:

Criteria for employee selection and development: The selection process seems a key determinant of the organisational culture at Global and generally proceeds through the following sequence:

- 1) At Blairs, recruitment is a fairly opportunistic endeavour. Two individuals that work in Blair’s personnel placement service are sometimes utilized to identify in-house candidates based upon basic competencies. Otherwise, Grant’s extensive network may identify someone recently on the job market.
- 2) Grant personally interviews candidates and it seems the most likely to be hired are the first to express availability or interest. Interviews are also used to confirm personality and other ‘fit’ based upon ideals such as: willingness to do self-directed work, versatility and an avoidance of people seeking their own agenda.
- 3) Once the candidate has been selected, induction materials, when presented, have been reduced to something of a formality– mainly limited to procedures on quality, personnel and health and safety. Grant introduces the new employee to the company, casting his vision for where he sees Blairs in the future.

Once hired, cultural embedding is also revealed in the following:

- 1) Staff quickly discern that honesty and loyalty are important at Blairs, but otherwise, they are left to apply their own personal values and initiative

“A very, very important thing to me is 2-way loyalty (between staff and company). That really is such a big thing and the hardest to achieve.” – Grant, Founder (respondent’s emphasis)

“I believe its Adam who instils the qualities I mentioned (honesty, determination, versatility), but each individual here has some of the values required to make the company successful...I suppose Adam nurtures these qualities.” – Administrative Manager

- 2) Formal enforcement mechanisms are employed when necessary (rarely), as Grant tends to avoid confrontation whenever possible.

Role modelling: Respondents describe Grant as a well-connected, hard-working, opportunistic and loyal manager. These and other cultural values seem to reflect Grant’s leadership. Role modelling is limited by the division of ownership and types of responsibilities between the Founder and his employees, although his approachability and concern for staff does serve to bridge this distance. Staff are largely left to establish their own best practices based on their own personal values and the characteristics of their individual roles. If staff are expected to follow Grant’s modelling, it is likely in applying a loyalty, versatility, self-management and enthusiasm to all that they do in their responsibilities.

Grant’s enthusiasm, in particular, seems to hold some contagious properties, as many respondents speak of how it impacts the way Blairs operates.

“(Grant) is very enthusiastic. He tends to kind of get a wee bit hyper, and speaks a bit to fast (when selling something). Which is good...enthusiasm is best.” – Sales Manager (respondent’s emphasis)

"If other people are excited then you get excited...if other people are depressed, then they can drag you under too." – Administrative Manager

When asked to describe the culture at Blairs, one respondent said,

"It's pretty much dictated by Adam and his way of doing business. Adam is a very disorganized individual (laughter)...that comes out in the employees here...we do lack a bit of focus." – Business Development Manager

Leader reaction to critical incidents: As mentioned earlier, Blairs downsized considerably during tough market conditions in 2002. Over 20 people were made redundant, and some divisions closed entirely. In the face of such difficulties, the Blairs approach is embodied in Grant's persistent attempt to find the next project, no matter how far and wide the search requires. The emotional toil and strife of letting staff go is clearly difficult for Grant, but remaining staff do seem stronger and more cohesive for such adversities.

Even in regard to personal circumstances, Grant is viewed as approachable and caring.

"I just broke up with my girlfriend of 5 years about a month ago, and (Grant) came up to me and said, 'Ah, on you go...why don't you take a few days off...relax and whatever'. I thought that was quite cool of him...to give me a couple days to just chill out and get things sorted. He didn't even take it out of my pay check or anything. It's just things like that that make it a bit better here." – Graphic Designer

Other indicators:

Internal communication: Business development news is widely shared via word of mouth. This seems to serve to unite the small office around a common enemy: regular project work in a cyclical industry.

"The only (core) value is to try to make a profit on every bloody job, really." – Business Development Manager

There are only two female employees, both associated with the personnel services arm of Blairs. Together, they form something of a subtle, social bonding agent for the office,

“They’re part of the comfort in the whole organisation, they keep everybody happy...like a holding influence, it just gives a stability to the whole place. They’re very friendly people and they keep people calm. (They also) act as a medium in communicating sentiments...if something’s important, (they) act as messengers” – Procurement Manager (respondent’s emphasis)

Sub-culture: Within the large historic building which Blairs occupies, workstations tend to be spread between numerous rooms and long hallways. Three workstations, however, exist in one large room occupied by what has come to be known as *“the creative team”*, or (more derisively by consultant engineers) *“the crèche”*. These three are distinct from the others as the only young, male, technologically-proficient university graduates in the company. They generally do not log billable hours as is customary of consulting engineers. However, they represent the chief embodiment of Grant’s loyalty to young talent and they are seen to be developing the technological advances that will provide a long-awaited differentiator for the company. Some of their responses differed consistently from the responses of other in-house staff, yet agreed with each other, suggesting they may be a small sub-culture amidst the small team of in-house staff. Yet despite their differences, they still share the core Blairs values of flexibility, loyalty and initiative, and are thus fused to the broader culture.

Exit Survey Responses

Summary Survey Findings- Blairs

Exit Survey Questions	Aggregate Answer
1. Which of the following best describes what motivates this company? (1-3)	
Efficiency	2.33
Responsibility	2.11
Excellence	2.00
2. What would you estimate this company places the highest priority upon? (1-2)	
Short-term Gain	1.22
Long-term Value	1.78
3. When moral/ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)	
The Resulting Outcome	2.56
Doing the "Right" Thing/ Action	2.44
Being the Right Kind of Person	1.78
4. Please put the following stakeholders in the priority you feel this company assigns them (1-5):	
Employees	2
Owners (Directors)	3
Community	4
Environment	5
Client	1
Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)	
5. How would you rate the morale at this company at this time?	4.44
6. How would you rate this company's reputation in the marketplace?	4.00
7. How would you rate your own job satisfaction at this time?	4.39
The following questions were asked of every respondent <u>except</u> the founder:	
8. How long have you worked at this company?	3.03 years
9. How many times a month, on average, do you interact with the founder?	~28
10. How committed would you say you are to this company?	5.13
11. How would you rate this company's commitment to your training and development?	4.88
12. Regarding the communication of company culture and values at this company....	
12a. How consistent would you say the founders are?	4.75
12b. How clear would you say the founders are?	4.63

Note: Answers in **bold** are markedly higher or lower than answers provided by respondents at other companies

Table 7.11

These tabulated results will be discussed later in the comparative case analysis, but there are a few key points worth highlighting. Of note, *efficiency* was regarded the primary motivating concern of the company, perhaps explained by the pressure to find and complete new projects.

"The number 1 priority here is to do the job quickly...I don't like it this way, but doing the job properly is probably number 2. Doing the job faster is what counts." – Business Development Manager

This pressure is also confirmed in assertions that the client is the most important stakeholder at Blairs. As compared to other companies in this study, Blairs respondents divulge the lowest *job satisfaction* score. Job satisfaction seems to be rated higher at companies where pride in a specific

type of work is high; while at Blairs, respondents seem more likely to work outside of their specialty areas to meet whatever the diverse client demands of the day happen to be.

"There is a joke that what Blairs does depends on how Adam feels on any given day. For myself, there is no typical day. I just act like my own owner/manager and get things done." – Business Development Manager

Morale has received high ratings at Blairs, and this seems largely explained by continued comparisons between present conditions and the dire conditions of 2002. Using such a referent, it is easy to see why remaining staff feel they have much to be happy about and committed to.

Identifying Purpose (based upon interviews and supported by other indicators)

What is the 'Purpose' at Blairs?

"To meet the demands of the oil and gas industry, whatever they may be"– Grant, Founder

Purpose in use:

Description given at receptionist: *"Project management and design"*–HR Administrator

"Adam doesn't believe in written business plans, he doesn't believe in objectives, so the purpose, I would say, is not very clear. I think a lot of employees would say, 'no, it's not clear at all.' It's probably just to win every job that we can when we're tendering and...no, I wouldn't say anything else. That's our biggest problem...we don't have any long-term objectives or plans and...I'm not saying they should all be written down on a plaque...but as things are, priorities change everyday." – Business Development Manager

Mission Statement: *"I really don't have a definitive mission statement...(unfortunately) it's not politically correct just to say 'make money & enjoy life'."* – Grant, Founder

Statements such as these lead one to draw a few conclusions about the driving motivation at Blairs:

- 1) The purpose of the organisation is fairly founder-centric. As such, it is not described in any formal sense and employees generally do not know what the motivating concern of the company is except in the broadest of terms (e.g. *"make money"*).

- 2) It is understood that the company intends to remain focused on the oil industry, and that web-based technology has been selected as a key differentiator.
- 3) In the absence of an overarching vision, the latest job prospect on any given day seems to be happily adopted as the company's chief reason for existence.

Identifying Success *(based upon joint inquiry exercise and supported by other indicators)*

When asked how Blairs measures success, there is great agreement among the respondents, indicating the following (in priority order):

- 1) Profitable Turnover
- 2) Staff Stability (low turnover/good teamwork)
- 3) Growth (in the form of new clients/work)

The fact that staff turnover has been high is an indication of how 'successful' the respondents estimate Blairs to have been over the past four years, as measured by the second measure above. Still, many would be content if Blairs could simply maintain the few staff that remain. Grant has his own take on how success is currently measured at Blairs,

"The only measure we've got is the bottom line at the moment...and managing to stay together as a team. We've got no metrics in place...we've got quality objectives, but...in reality, that's almost something just to keep the ISO auditor happy...it doesn't make me feel good. The only thing that makes me feel good is to see that we are able to make a profit and we are keeping the people we've got and maybe grow(ing) things a wee bit." – Grant, Founder

Identifying Excellence *(based upon joint inquiry exercise and supported by other indicators)*

When asked what excellence or the best aspirations for the company are, the responses vary broadly but can be divided into three separate dimensions: *internal, task/role* and *external*.

Internal Excellence

The following responses were submitted as the primary forms of internal excellence (either achieved or aspired toward) at the company:

- *Loyalty*
- *Flexibility/ versatility*
- *Close-knit team*
- *Competent staff*
- *Efficient quality procedures*

Task/Role Excellence

The following responses were submitted as the most appropriate qualities with which Blairs might approach various tasks and roles at the company:

- *Product and service quality*
- *Comprehensive capacity*
- *On time/ low cost delivery*
- *Unique technologies*
- *Fit for purpose solutions*
- *Cost-effective projects*

External Excellence

The following responses were gathered as indicators of the excellent ways in which the company might relate with those outwith the company:

- *Flexible*
- *Strong people/ communication skills*
- *Honesty and integrity*
- *Responsive customer service*
- *Strong reputation for diverse capabilities*

Identifying Balance *(based upon joint inquiry exercise and supported by other indicators)*

One way of looking at the ways in which tangible success factors and the less tangible excellence factors work interdependently is as follows:

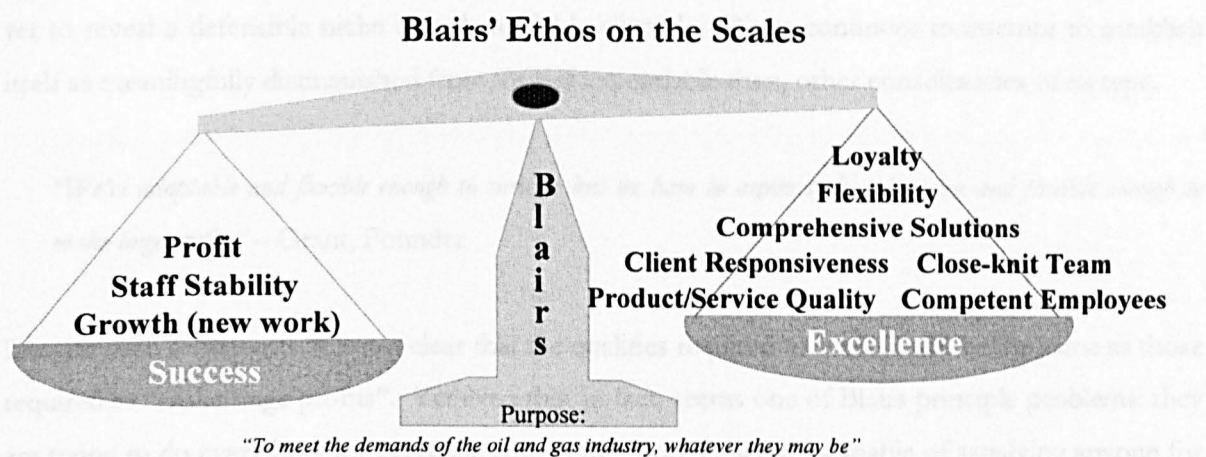


Figure 7.4

There is a clear preference for the success side of the scales when respondents were asked to indicate where the company placed the greatest emphasis or importance. Most respondents implied that Blairs, and its culture, places the weight on success measures, particularly when times are tough. There was also consensus that the two sides of the scale are strongly interdependent, and some claimed that success is not possible if you do not first have excellence. Furthermore, one 60+ year old Blairs Sales Manager, with limited educational qualifications, and over 35 years of oil industry experience, had his own way of explaining the sequence. Although provided earlier, it bears repeating here:

"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)."

While acknowledging that a company can't simply focus on short-term success, Grant asserts:

"We don't have the luxury of excellence, we're too focused on survivability." – Grant, Founder

Summary

Blairs is a company with a unique formula for survival in the volatile oil industry: If you put enough fishing lines in enough different pools, sooner or later, you'll catch something. Ideally, when you finally do catch something, try to do so with a fishing rod of your own making, (i.e. one that cannot be easily duplicated) and one which enables access to a large supply of the biggest fish. In order to succeed with such a strategy, Blairs has demonstrated a patient determination to keep plodding away with various diverse initiatives in the oil industry. The company has succeeded in identifying client needs and has become adept at propping up potential solutions, yet this opportunistic approach has

yet to reveal a defensible niche or a dependable clientele. Blairs continues to attempt to establish itself as meaningfully distinguished from, or less expendable than, other consultancies of its type.

"We're adaptable and flexible enough to survive, but we have to aspire to be adaptable and flexible enough to make huge profits" – Grant, Founder

Despite such sentiments, it is not clear that the qualities required to survive will be the same as those required to "make huge profits". Yet even this, in fact, seems one of Blairs principle problems: they are trying to do everything for everyone and, in the process, seem incapable of satisfying anyone for long. As it stands, Blairs is versatile enough to fulfil the needs of any paying client, and if one can't be found in its area of expertise, Blairs is versatile enough to work in unrelated areas. Moreover, unlike other companies in our study, Blairs has found it necessary to resort to 'factoring' for the last few years as a way of finding some liquidity based upon anticipated contracts (vs. cash in the bank). The founder seems to lack the time, commitment or lucky circumstances that will allow him to establish a proactive strategy for breaking this reactionary cycle.

"I don't know what opportunity will happen to us tomorrow...like this opportunity: 'Will you write a safety management system for the Sudanese pile mill?' That's not our core business...never done one before...but if we play our cards right and bullshit enough, we'll get the job. We've got to back it up...but we've got to convince them that we can do it. I never would've envisaged that. I mean, the truth of the matter is: I will never say 'no' to any potential opportunity...because you've got to do that. We've not been fortunate enough to have found that golden nugget...to be in the right place in the right time." – Grant, Founder

"If somebody wants something, (Grant) will find it...whether it's a person, or a piece of equipment...if there's a problem, he'll find a way around that to fix it or step in. We're not going to turn up our nose at anything...cause out of that small acorn, grows a big tree. There's very few jobs where we've ever had to say, 'We can't help you, we can't do that.'" – Administration Manager

The characteristics that Grant appreciates most in his staff are the traits he demands of himself: a committed loyalty, flexibility, and a capacity to manage and motivate oneself. Blairs has nurtured young people that possess these traits and has placed great store in the technical developments these people are contributing. However, if Blairs is intent on becoming a product-centred business, it will seemingly need to turn some of its most glaring weaknesses (e.g. quality control, depth of domain-specific knowledge, and clarity of long-term vision) into strengths. After the crisis of 2002, the

remaining staff have developed a deep loyalty to the personable and determined Grant. However, as young prodigies become increasingly frustrated by the inability to make significant progress, and increasingly confident in their own abilities to affect change, it seems Grant runs the risk of losing his loyal staff because of an inability to cast a compelling vision or invite others to share in its ownership.

Global

Global Study Overview		
Company Description	<i>Employees</i>	Approximately 86
	<i>Primary Location</i>	Remodelled farmstead in rural village outside Aberdeen
	<i>Founder(s)</i>	2 Co-founders
	<i>Year Founded</i>	1987
	<i>Primary Focus</i>	Corrosion engineering consultancy
	<i>Primary Clientele</i>	Oil & gas operating and service companies
Fieldwork Summary	<i>Internal Respondents</i>	13 In-depth interviews and discussions with additional employees to confirm and deepen findings
	<i>External Respondents</i>	2 (both ex-employees; 1 current competitor)
	<i>Time Spent at Location</i>	Approximately 6 full days of interviewing at primary office
	<i>Observation</i>	Approximately 72 hours of dedicated observation, mostly as part of participation in company-wide quarterly meeting
	<i>Historical Archive Material</i>	3 documents and presentations
	<i>Current Material</i>	Over 15 marketing and internal operations documents

Table 7.12

Specific Methods and Data Collection

Data collection involved in-depth, semi-structured interviews with 13 Global employees. In an effort to gain confirmation and deepen understanding, an extensive interview was also held with one ex-employee that had worked at Global for a number of years and now works for a competing consultancy. The researcher was invited to attend a three-day quarterly company retreat in the remote Shetland Islands. This time proved helpful as it presented the opportunity to better understand the subtleties and complexities of the company as viewed in formal and informal settings. Furthermore, this retreat presented a unique opportunity to meet with key employees (from distant regional offices) that would not otherwise have been included in the study. Observation time at the Global offices was also facilitated over the three week period when interviews were being conducted. Historical and current documents, designed for internal communication and external marketing purposes, were also obtained by the researcher. These proved valuable resources for triangulation and tracking relevant changes over time.

Cultural Distinctives

At Global, there has been a historic reliance upon a small number of sizable, long-term clients within the local oil and gas sector. However, since 2000 the company has quickly moved into new regions, new products and services and entirely new business models which seem to mitigate the company’s dependency upon a few large contracts. Global has accomplished this diversification

through the acquisition of established companies. Growing in this fashion has revealed some interesting implications for cultural development that many consultancies never have to face. David Smith, Co-founder and chief visionary at Global, describes what has happened since the acquisitions were made in 2000,

"Now with that change in size, change in emphasis, we've broke through the sort of £1-2 million (turnover) barrier...we're now at £3-4 million...coming up on £5 million. So we've got a different set of problems now...we've got systemisation problems and issues...of unifying the systems. So the challenge is to make sure that everybody has the right system at the right time...so then you have the right approach: systemisation and integration across multiple site and country projects."

To help to navigate such a challenge, Smith unveiled a 20/20 Vision plan, looking out 20 years to the year 2020 in "a combination of documents and philosophy". As a result of rapid growth since 2000, Global now has eight offices. Four of these offices offer the venture's traditional consulting services in corrosion engineering, three specialize in contracted work (one a commercial diving service), and one is a product manufacturer. Three of these offices are in Scotland, three in England, one in Kuwait and one is in India. Some offices seem willing to solve any problem faced by any company in any industry, while other offices offer a very narrowly defined product or service to a narrowly targeted industry segment. In this and other ways, some offices reveal the cultural assumptions which marked their work before they were acquired by Global. The company is committed to meeting or exceeding minimum industry expectations in each area it operates, which is no easy task, given their diversity. For this reason, Global's growth initiatives also include regular communication and an explicit, concerted effort to monitor and improve client satisfaction throughout its offices. Initiatives to encourage quality products and services have revealed themselves through a number of presentations, standardized procedural guides and documentation. Smith is fond of saying,

"There is a document for everything that is important to do at Global, and if there isn't yet, there should be."

This may be partially explained by the industry and 'asset integrity' sector in which Global operates. This is a sector dominated by safety inspections and a fiduciary obligation to provide regular, concise measurements of materials that are susceptible to corrosive effects.

“(The founders) were always big on the procedures that needed to be used. In our business, though, that’s what the clients are looking for. In order to be QA certified, etc., you have to have that.” – Ex-Global Employee, Competitor

Whereas many entrepreneurial firms are reluctant to add bureaucracy or procedures until they are required by present circumstances, Global sees such measures as critical for unifying its offices and accommodating future growth. Global seems to possess twice as much ambition and bureaucracy as one would expect of a company its size, and this has certainly set the company apart as somewhat distinctive.

Based upon common organisational culture types, Global also seems to differ from the consulting norm. The most central objective of the company is to meet expectations toward growth and constant improvement, driven by team structures and efficient systems. Of the types suggested by Handy (1993), this seems to best fit the *role* culture. The overarching growth objective seems to permeate the culture in a way that overshadows the relative value of *people, tasks* and *power*.

When asked what makes Global unique, respondents offer a long list of qualities, including: the Global way of doing things (e.g. a combination of values and procedures), a family-like environment, the importance placed on commitment, a willingness to invest in young, inexperienced people, rapid global expansion, an emphasis on team-building, and a “refreshingly different” way of viewing and promoting the company. These characterisations will be explored in greater detail in the following pages.

Global is also differentiated by its chosen location and the values language it uses in its offices. The company recently moved out of a business park in Aberdeen, choosing instead to operate from a restored farmhouse in a village 20 minutes from Aberdeen. When walking into the office, one can’t help but notice a number of emotive posters on the walls that are meant to convey some of the “*value rules*” subscribed to at Global: *Communication, Cooperation, Consideration* and *Commitment*. These guiding values are also imprinted on mouse pads and other office paraphernalia. They are striking because few technical consultancies of this size, in this part of Scotland, would find it appropriate to speak so blatantly about such matters. Smith claims that Global is unique, not for simply using such terms, but in living by them. Still, others are more sceptical,

*"A lot of us out here (Offshore technicians) think of that as a bit of bull(****)...not in touch with reality. Part of this is because of the Scottish culture, but also from the ground floor of the oil and gas industry. I think (the founders) really believe that stuff though...it wasn't just words like some companies. (My current employer) and other companies I know wouldn't do it though."* – Ex-Global Employee, Competitor

According to Smith, Global operates according to the same core values featured in its office.

"These are the four rules. Other than that, all this sort of contractual bumsf and all the rules and regulations you've got to comply with and have in place...to me they're secondary to the four principles."

Fun is also an important value at Global, something of a fifth principle. As Smith frequently makes the point,

"If people were unhappy working in the organisation that we have, I would rather that they move on and move away than continue to be unhappy."

Such comments are meant to motivate employees to see their work as something that is enjoyable. Many staff enjoy their work and feel that this is one of the things that makes Global a unique and rewarding place to work. Some take a more cynical reading on this sentiment:

"Fun? That doesn't apply for those of us on the sharp edge (revenue accountable Managers). The (founders) may not know that. That's for the administrator types (in the central office)." – Manager

At the other end of the organisational hierarchy, this sentiment may also be construed in a way it was not intended. Smith is particularly keen to root out what he terms "neg ferrets", staff that have a negative attitude, rather than the positive attitude conducive of a fun environment. Yet when asked why the turnover at Global might be so high, one respondent said,

"I could easily see how Smith would say things again and again that made it seem that employees are expendable...if you don't fit, he'll find someone else...you could easily feel that way." – Ex-Global Employee, Competitor

Global does indeed speak about organisational values and the importance of *fun* at work more than an average consultancy of its type. Global's founders are actively working to diffuse these

genuinely-felt sentiments throughout the various hierarchical levels and regional offices of a rapidly growing company. The struggle is making such sentiments pervasive throughout the culture without diluting their intended meaning.

The Business Model

Global is a combination of a few, loosely-related types of organisational models. The company has historically been based on consulting services, but a series of acquisitions in recent years has meant that the company now offers a much more diverse range of products and services across a number of industries. Global now has a team of underwater divers in the Shetland Islands, an equipment manufacturer in England, and two offices that do a wide array of contract labour work. The company even has a dedicated “Improvement Manager” that trains outside companies on ‘quality’, ‘excellence’ and ‘improvement’ standards while also refining Global’s inner workings. Integrating these different models, and their respective staff members and cultures, is one of the chief challenges which Global faces at present.

Historical Contextualization

Tied to Global’s recent growth strategy, there are some historical trends worth noting:

Product vs. Service

Initially a specialist corrosion engineering services (i.e. “*asset integrity management*”) consultancy, Global has in recent years added additional services (diving, painting, contracted labour) as well as products (manufacture of corrosion monitoring equipment). Although many of these were opportunistically added, Global hopes to combine the disparate elements into a more holistic ‘turnkey’ solution than they have traditionally offered. To date, the ‘full package’ of Global products and services has not been proven in the marketplace, but the company hopes to take advantage of this possibility as integration and promotional efforts continue.

Local vs. International

Global is actively seeking to establish offices in each of the major continents of the world, serving the corrosion protection and servicing needs of various industries. This expansion relies on some basic assumptions made by Smith:

- a) Corrosion is a universal inevitable, it happens wherever metal and moisture collide, and
- b) Global offers a unique approach to corrosion engineering consulting that is unlike that provided by competing firms in the various regions of the world.

In-house vs. Off-site

Global's preference to work by its own principles and in its own dedicated teams is more conducive to in-house work, however, client needs typically dictate a great deal of off-site work. The company remains committed to working wherever the client requires.

The Cultural Web (Secondary Embedding Mechanisms)

At Global, culture seems to be embedded and revealed in some of the following ways:

Routines/Rituals: Demonstrate what founders see as important

Indicators: The founders see a shared vision and measured progress toward achieving it as important requirements of every team and every individual. Quarterly company meetings provide a forum where leaders of each functional and regional team delineate a plan and the status of progress toward exceeding it. Typically, few below the *Team Leader* level are invited or present at these meetings, but their off-site settings comes at a significant expense to the company, signifying the importance the founders place on such gatherings. Participation in a quarterly off-site meeting seems an important rite of passage for new employees and leaders. Training sessions, meetings to discuss 'quality', 'improvement' or 'excellence', personal assessments and after-work gatherings also provide social group rituals.

There are a number of founder interactions that seem to have become established as a form of ritual. The most popular and oft-repeated seems to be summed up by the sentiment: "*don't bring me problems, bring me solutions.*" Most of the employees queried could recall a time when they or someone they knew took a "problem" to Smith,

'If you go 'David, I've got a problem' he'll say, 'Get out of my office, come back when you have a solution.'
If you come and say, 'David, I've got a solution', he'll say, 'Good, you can tell me the problem later.' –
 Team Leader, Kuwait Office

As a result, the word “problem” is banned from office use in favour of “challenge” or “solution”. It may seem merely semantic, but Smith is known to enforce it religiously, publicly correcting even the most senior staff, because he knows that the company can act more efficiently if staff take responsibility to solve their own problems.

Stories: Subtle mechanism for informal value dissemination

Indicators: During a quarterly meeting in 2000, Smith offered a “resignation” as Managing Director of the company. This resignation was largely a symbolic act, meant to convey his estimation that he is a temporary caretaker of the Global vision, but one that will remain until he has “the right people in place,...the right infrastructure in place”. This legend seems to hold more meaning for Smith than it does for his staff, many of whom were unsettled by the gesture and couldn’t see how Global could survive without Smith.

Smith’s Co-founding partner speaks of the importance of the ‘bamboo principle’ for company growth. Bamboo apparently grows invisible beneath the surface for as many as four years before becoming visible to the outside world. The Co-founder uses this story to emphasise the need for behind-the-scenes preparations prior to great achievement.

There are a number of Global stories that have become legendary examples of the freedom which staff have to pursue their own ambitions while extending Global’s territory. A junior Indian staff member working in Kuwait initiated efforts to start an office in India. With the encouragement of the founders, and a year of remote preparations, the office has become a promising addition the company under the management of this instigating employee. A senior staff member wanted to relocate to his home town of Glasgow and the founders gave him the green light to establish a client base and office. And there are similar stories that strike a more personal chord,

“Smith came to me at the end of my placement (internship) year and said, ‘What would you think if we continued to pay your full salary while you returned to University full-time (for the final year of your degree), but you work what hours you can and pay us back a little bit at a time...and we’ll discuss that later on. The only conditions are: that you find someone to be here full-time (while you’re gone), and when you finish your degree you come back to join us.’ I was impressed by Smith’s offer. And he let me establish what payments I wanted to make. They also took on my partner (as an employee) and a lot of companies have a policy

against that. So, in general, I very much feel there's a family feeling to the company." – Team Leader, IT Support

Negative stories have also served as cultural embedding mechanisms. Recently, Global lost one of its longest-lasting, major contracts. This story is revisited today as a painful reminder of the need to think of long-term client needs, and business development, before it is too late.

Symbols: Visual signals of what's important

Indicators: The company name is meant to convey novelty and ambition (both internally and to the outside world). In a way that is not typical of a Scottish consultancy of this type, Global places its bold, colourful logo on bumper stickers, buildings, vehicles and elsewhere. The logo is in the shape of a circle to convey the holistic and balanced union of the various products and services offered by the company. The way that the company is promoted suggests that this is a company that is not afraid to be bold and different.

The founders seem to have orchestrated everything they can toward promoting the company as a unified 'brand' with a common image and way of doing things. There are times, however, where this commonality seems more talk than reality. While staff are asked to lend their opinions on matters, the final decision often seems the one Smith would have made without their input (e.g.- design of the new logo). There are also some symbolic differences between those in leadership other staff. For instance, at the company meeting, Managers and Co-founders have a dress-code that includes a tie, while most attendees dress very casually.

Smith loves to use circle imagery to convey his business philosophy and the ways in which it stands to shape a cohesive, balanced whole. Metaphors involving spheres, concentric circles and even gyroscopes are commonly used in Global meetings.

Standardisation/Control Structures: Common procedural guidance

Indicators: As mentioned earlier, procedures and standardised controls are often created before they are needed.

"To me it makes good leadership sense: you start with the end in mind and then you work towards it. We're putting things in place now that we may need in 1-2 years...for a much bigger organisation. But they need to be in place now, and we need to think about them now." –Smith, Co-founder

"We have...the Global culture. It took me about 4-5 months to get into it. I've never worked with so many procedures and work instructions in my life...everything has a procedure or an instruction. It's been hard to get used to. We've got the structure to be running a company 2-3 times the size of this. The foundations are there to grow and we're now on the first rung of that growth"– Finance Manager

"Sometimes, the systems feel like they're policing us. You're not to break the rules. Smith will just say, 'Look at the procedures...' and if you're a recent graduate and taught (these procedures) then it's easier. But for me, it's really tough...it satisfies the requirements and completes all the hoops, but it doesn't make me a better engineer...it doesn't help my technical ability."– Manager

Global embraces procedures and standardised documentation as a way of putting the structures in place to support future growth. This sometimes makes this entrepreneurial company feel more like a large corporation. Financial expenditures, priorities and procedures are firmly dictated and controlled by the founders, but staff otherwise have great leeway to work toward their own ambitions while in line with Global's ambitions.

"Anything important does, in the end, need to go through (the founders)...but up to a certain point, you run things the way you want to run things. It's great. They give you enough rope so you can either hang yourself or get on with it."– Finance Manager

"(The founders) sometimes find it hard to let control go a bit. I mean, it's their baby, so you can understand that. But immediately when I got to (competitor), I had a P.O. signing responsibility up to a certain limit without authorization...I never had that there. The Chairman of (competitor) is much more out of the day-to-day, too. Smith would be more likely to jump in and show me how to do a job."–Ex-Global Employee, Competitor

Organisational Power Structure: Pyramid vs. flat hierarchy

Indicators: The company has added the titles and levels of responsibility that it feels it will need in order to match anticipated company growth. The Co-founders oversee about eight *Managers*, who oversee about six *Team Leaders*, and together these oversee the remaining staff. Management acknowledges that the individuals to fill key roles have yet to be identified, but at least the organisational structure is being put into place. Despite these three clearly defined layers of management, there has been talk of adding a fourth: managers to oversee business

development and operations in each of the regions they occupy. As it is, each office and functional area is expected to act autonomously in support of the direction set by the founders, in this way, much of the responsibility is delegated away from the founders. The founders remain the sole owners of the company, and this centralization of financial and operational control highlights a large disparity between the founders and other layers of the company. There is also a significant disparity in the types of responsibility *Managers* and *Team Leaders* hold, as compared with that of other staff.

Organisational Socialisation Structure: social enculturation mechanisms

Indicators: According to Smith, Global wanted set out to be unique from the start,

“We said, ‘when we set up...we want to do it differently. We want to make sure that folk are involved in the business, make sure that we bring folk along...we want to get the right sort of ‘motives’ in the business.’ And, I suppose from a very, very early time we had this sort of ‘fun’ culture.”

There is a limited interview and formal induction process that is often handled by one of the founders or key leaders overseeing the candidate’s functional area. In atypical fashion for a consultancy in this region, great emphasis is placed on cultural characteristics, guiding values, principles and vision throughout this process.

Expectations are conveyed in the context of one’s role and the secondary ‘teamwork’ responsibilities which some staff members are expected to fulfil. When attending the offsite quarterly meetings, pressure is applied to *Team Leaders* and others, not only participate in the formal agenda of the retreat, but to lead by example at informal social gatherings as well. Great priority is placed on the social agenda at these off-site meetings. At the quarterly meeting attended by the researcher, one *Team Leader* was reprimanded for not participating in the nightly socialising, and another *Team Leader* was (apparently) not reprimanded when he socialised so long and hard the night before that he collapsed in the middle of his formal presentation. According to the Improvement Manager, working autonomously and meeting individual performance metrics are not enough,

“Global has a specific culture coming from the top which includes...you must buy into the overall package. If you don’t buy into the Global culture, then really your long-term sort of situation is highly suspect...(you) might even really have to buy into it to really contribute best to the company.” (Respondent’s emphasis)

Instant messaging has been purposively used to increase spontaneous and informal discussion across geographical and other barriers; thus increasing a feeling of openness throughout company (and sanctioning the value of having fun at work). These less formal mechanisms are utilised to minimise what may otherwise seem stark differences between functions, offices and geographic regions.

“There’s a lot of cultural learning. There are some people in this part of the organisation that have been here for 8-10 years, and there are people in this part of the organisation that have been here 8-10 weeks. So, you’ve got an old set of values within an old organisation, and then you’ve got Global values within Global people.” – Smith, Co-founder

Primary Embedding Mechanisms

It is generally understood among respondents that some of the core values embedded in the company (empowerment, ambitious vision, “flexible rigidity”, commitment and communication), have been largely established by the founders (especially Smith) via the following mechanisms:

Criteria for employee selection and development:

The selection process seems a key determinant of organisational culture at Global and generally proceeds through the following sequence:

1. Candidates are recruited to match basic competencies with clearly defined job descriptions
2. One of the founders typically conducts a brief interview to introduce candidates to the company and cast an ambitious vision for its growth.

“Bringing in like-minded people, when you’re setting up in business, is one of my pet things that I want to see.” – Smith, Co-founder

The primary interview is held with a *Team Leader* or *Manager* from the relevant functional area of the company. The founders seem particularly keen to find new, young staff that they can train in the Global ways.

“I believe that we need to motivate and inspire the young talent to help to achieve their dreams. This will be the success indicator for our own futures.” – Smith, Co-founder

“I think (the founders) like to hire and train young people.” – Ex-Global Employee, Competitor

Interviewing is used to confirm the personality ‘fit’ of each candidate, based upon ideals such as the following: willingness to take initiative; open-mindedness, versatility, and a teamwork mentality.

3. Once fit has been established and the candidate has been hired, induction materials underscore the company values in explicit terms and extensive procedural guidance is provided. Additional individuals introduce the new member to the team and other relevant functional areas.

Once hired, cultural embedding is also revealed in the following:

1. Staff are given a few basic values to employ and extensive procedural guides, then they are asked to personally engage by committing to the team which they are associated with.

“It’s sort of ‘formalised chaos’. It’s getting the balance between rigidity of system and flexibility of approach. We’ve got an expression: ‘rigidly flexible, flexibly rigid’. They need to have a framework within which they work, but within that framework they need to have the freedom to adopt whatever works for (them)...but I think we need to put a bit more rigidity in the systems as we get bigger.” – Smith, Co-founder

“Anyone can come up in the company (if they choose). As long as they are smart, take the initiative... the opportunity is there for them.” – Manager

Each employee is encouraged to add their own vision to the team and solve their own problems. Interaction with founders and others in this process seems to refine not only the Global way of doing things, but the Global attitude with which it should be done.

“Most of the things I’ve heard, in terms of values...have come from Smith...but I’ve also heard the same from (the other Co-founder). It must have come from these two characters.

They're like: "You've come to the company...these are our values, you listen to them and you listen to them good, everything else is up for discussion."

–Team Leader, Kuwait Office

2. Formal appraisal mechanisms are employed regularly in order to follow aspirations for “*constant improvement*”, monitor progress and standardise excellence across disparate functions and locations. Global even has a dedicated team of people that are responsible for “*Administration and Improvement*”.

Role modelling: The role modelling effect is limited when staff find it difficult to see a clear correlation between their role and that of the founder(s). This seems the case at Global, where there are significant degrees of separation between the founders and other staff, particularly when it comes to company ownership, fiscal controls, location and types of responsibilities. This is particularly the case with Smith, who is the more outspoken, visible and purely administrative of the two founders. Smith has a unique business philosophy that he is constantly attempting to embed in Global people and culture, but the primary mechanism for doing so is procedural more than the less formal approach of role modelling. Although the founders are approachable and consistently communicate their guiding values and “*refreshing*” philosophy, staff are largely left to adopt those values.

“Although I’ve been with the company 4 years, I’m still learning...the way that the management thinks. And sometimes I’ve amazed myself (and ½ my colleagues) when they ask a question, (I think) “OK, how would Smith do this?” Immediately, I can...just about think the way he would think to do things...because it’s just the way the company does business. But here in (Scotland) it’s different. Kuwait is very different...just because of the people you’re dealing with. You’ve got to get into the way people think.”– Team Leader, Kuwait Office

Entry-level employees seem to experience the role modelling effect, not directly from the founders, but through their immediate supervisors.

“The (founders) definitely show (the core values) to the external world. Internally, the Team Leaders tend to demonstrate these things...like flexibility, etc.”– New Consultant Engineer

Staff attempt to apply Global values as best they can to their own unique interests and the characteristics of their role (in a ‘do as I say’ more than ‘do as I do’ fashion), but it is clear

that many staff, particularly those in non-leadership roles, prefer to work in the ways they had been accustomed to before Global became their employer (e.g. in a less procedural context).

Leader reactions to critical incidents: In 1999 and more recently, Global has seen fit to reduce staff considerably in the face of poor market conditions and lost contracts among the oil and gas sector on which they have relied. These crises help to illuminate where Global places its priorities when pressed.

‘Within the fun, there also has to be some realisation about the hard knocks and, What do you do about it?’ We tried to...whenever possible, minimise losses in terms of people or financial...but these things do happen in a cyclic basis.”– Smith, Co-founder

Rather than retrench to prior positions, Global has responded by expansion of its future vision...to seek out new industries, regions, products and services. Although these changes seem to have been made in reactive and opportunistic fashion, it is clear that the company has attempted to learn and adapt in the face of difficulties in order to avoid future crises and narrow client dependencies. During these times, attempts have been made to deal with the needs of remaining staff and the founders have made attempts to place departing employees in other areas of the company, where feasible.

What leaders pay attention to, measure or control: Quarterly meetings happen every three months at Global, and the formal speeches, from each office and functional area of the company, centre around progress toward self-imposed performance metrics. Because these meetings take place in front of peers and founders, there is significant social pressure on the presenter to meet and exceed performance objectives. This is one of the clearest forms of administrative delegation beyond the hands of the founders. Smith coaches each presenter to set measurable and realistic but ambitious goals. However, because the meetings happen so frequently, it must feel like pressure with limited practical progress between each meeting. Global’s guiding values are often expressed in informal, social interaction, and while they are meant to compliment formal procedures and performance to plan, it seems they are also eclipsed by these formal mechanisms at times.

Different people are motivated by different things. Realizing this, the founders have made a conscious decision to pay modest salaries, because they hope to attract people that are motivated by something other than financial compensation. This practice seems to favour young, ambitious individuals that are willing to take the initiative to create their own opportunities. Unfortunately, this more subtle form of remuneration is not always understood or appreciated, particularly among entry-level technicians.

“They’re having problems right now because they refuse to pay overtime. It’s angering a lot of people...(offshore) technicians especially. It’s just a niggle, really, but you’ve got to do it.”

– Consultant Engineer

“We get new people, train them up, then they get a better offer somewhere else. We lost a lot of our guys working for rival companies. It’s usually just pay, a little better offshore perks.” – Offshore Technician

Other Indicators:

Open communication: Word of mouth and other forms of informal communication are given great priority at Global. These mechanisms are seen to express the core values and unified actions of employees. Interoffice and in-person communication across all levels is actively promoted in an explicit attempt at moulding and standardising organisational culture. This also aids in the establishment of a fun and friendly organisational environment.

One strong illustration of the importance of informal communication is the company’s use of instant messaging. This form of communication is primarily used as a form of internet-enabled ‘chat’. Through instant messaging, every Global employee knows which employees are available to chat (i.e. sitting in front of their computer and ‘logged on’). Because it is a form of real-time conversation, each response tends to be much shorter and less formal than standard e-mail messages, and dialogue continues back and forth quickly, more like you would expect of a phone conversation. Convinced that this would be a great way to bridge social, functional and geographical divisions in the company, the founder has prescribed this form of communication to everyone in the company. To encourage adoption of the unfamiliar software, everyone was initially encouraged to “play” with it and

use it for non-business communication. For some, it has replaced the phone and e-mail as the primary method of company communication, and an additional way in which Global is unique among businesses of its kind.

External communication: At Global, marketing is largely construed to be a promotional function, instead of a strategic consideration or sales utility. Interestingly, the materials used to convey the Global value proposition reveal more about *how Global hopes to be seen*, than solutions aimed at *what clients hope to find*, as is common at most companies. In this way, it seems clear that Global is a bold and different type of company, whether clients appreciate it or not.

In its basic business brochure, Global claims to be a company that *listens* to clients and *delivers* on tailored client needs according to its published belief that “if we exceed customer expectations we will be rewarded with repeat business”. Global places its colourful logo on bumper stickers, buildings, vehicles and elsewhere as if this simple image conveys everything necessary about the company. The company business cards feature nothing but the logo, employee’s name and title and the Global website information (no mailing address, phone number, etc.). Smith has seemingly orchestrated everything toward promoting the company as a unified ‘brand’ with a common image and way of doing things. Here again, we see Global acting as if it were a company many times its size.

Sub-cultures: As a result of acquisitions in recent years, Global has had to embrace and re-train most of those currently employed into a new (and very different) way of thinking than they were accustomed to. Some of these differences are explained by region and religion (i.e. Kuwait and India offices), some by different personalities and ways of doing things, and some by different business models. Employee and education levels vary widely and also seem to aggravate progress toward adopting the refreshing business approach envisioned by the founders. (e.g. Least likely to appreciate such an approach are older technicians with no significant leadership aspirations and insignificant interaction with Global’s central office). In effect, Global faces the challenge of unifying many different sub-cultures that have developed independently into a unique organisational culture that is commonly shared by all.

The founders have acknowledged the challenge of melding many diverse units into one cohesive culture,

“(In 2003) we established that 90% of our people (all but 6 employees) were in the company less than 3 years. When David presented the statistic to people (at the quarterly meeting), it’s like, ‘if you had a pot of red paint, and you had a pot of something else...and you took 90% of that and added it into the red...it would make a heck of a dilution.’ So you’ve got to have fairly strong values and um...a strong culture to be able to take on board these people who, in some cases, are on board, and in other cases, are not on board with everything...to get your principles and values going forward.”

– Co-founder (respondent’s emphasis)

This is one reason that the founders have made it a top priority to do what they can to reinforce a uniform set of procedures and “value rules”. For all the differences represented among staff, traces of the core values (e.g. commitment, teamwork and personal initiative) seem to be cited across all functional and geographical segments of the company. Still, despite verbalised agreement with collective aspirations, there seems to remain a hidden threat that sub-cultures and counter-cultures will subtly or explicitly do otherwise should their context warrant it.

Exit Survey Responses

Summary Survey Findings- Global

Exit Survey Questions	Aggregate Answer
1. Which of the following best describes what motivates this company? (1-3)	
Efficiency	1.62*
Responsibility	2.15
Excellence	2.69
2. What would you estimate this company places the highest priority upon? (1-2)	
Short-term Gain	1.08
Long-term Value	1.92
3. When moral/ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)	
The Resulting Outcome	2.77
Doing the "Right" Thing/ Action	2.69
Being the Right Kind of Person	1.62
4. Please put the following stakeholders in the priority you feel this company assigns them (1-5):	
Employees	1
Owners (Directors)	3
Community	5
Environment	4
Client	2
Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)	
5. How would you rate the morale at this company at this time?	3.54
6. How would you rate this company's reputation in the marketplace?	3.92
7. How would you rate your own job satisfaction at this time?	4.96
The following questions were asked of every respondent <u>except</u> the founder:	
8. How long have you worked at this company?	2.32 years
9. How many times a month, on average, do you interact with the founder?	~22
10. How committed would you say you are to this company?	5.50
11. How would you rate this company's commitment to your training and development?	4.86
12. Regarding the communication of company culture and values at this company....	
12a. How consistent would you say the founders are?	5.45
12b. How clear would you say the founders are?	4.59

*Note: Answers in bold are markedly higher or lower than answers provided by respondents at other companies

Table 7.13

These tabulated results will be discussed later in the comparative case analysis, but there are a few key points worth highlighting. Of note, *efficiency* was not regarded as a worthy concern for motivating the company, a likely result of internal improvement initiatives that have made terms like ‘quality’ into household aspirations. Respondents indicate the importance of *long-term* interests, and suggest that *resulting outcomes* as well as obligations (i.e. *doing the right thing*) are important criteria for addressing moral issues. Global has the fewest long-term employees in its ranks among companies featured in this study, despite the fact that it is also the largest and oldest organisation. This seems largely explained by the acquisitions which have swelled the employee ranks in recent years.

Identifying Purpose (based upon interviews and supported by other indicators)

What is the Purpose' at Global?

Because of Global's propensity to have a document in place to describe every aspect of the business, we are not surprised to find that Global is the only respondent company that already has a written 'purpose' statement. According to Smith,

"The 'conventional' purpose is documented in our core business policy:

To provide project management, risk-based engineering, condition monitoring, cathodic protection and maintenance products and services safely, profitably and to the total satisfaction of our customers.

The real purpose is to have a meaningful working life before we retire."

According to the Co-founder:

"People think that you're in business just to make profit...well, without profit you couldn't be in business, but that's not the reason why people would be setting up business. I think it comes down to...being part of something that is um...maybe a bit different...(to) leave some sort of legacy...with similar principles and values."

Vision statement:

To be recognised throughout the world as an innovative organisation

The following construct has been built to summarise some of the most credible statements of purpose (formal and informal) used by the two founders:

To achieve customer and personal expectations through meaningful work; establishing a different kind of company.

Identifying Success (based upon joint inquiry exercise and supported by other indicators)

When asked how it is that Global measures success, there is great agreement among the respondents, indicating the following (in priority order):

1. Profitable turnover
2. Growth (new offices, staff, clients, projects, industries and types of work)
3. Staff development

Identifying Excellence (*based upon joint inquiry exercise and supported by other indicators*)

When asked what excellence or the best aspirations for the company are, the responses vary broadly but can be divided into three separate realms: *internal*, *task/role* and *external* forms of excellence.

Internal Excellence

The following responses were submitted as the primary forms of internal excellence (either achieved or aspired toward) at the company:

- *Committed to team/company/ideals*
- *Individual empowerment/ownership*
- *Positive & solutions-oriented*
- *Approachable/open communication*
- *Standardised procedures*
- *Fun/friendly environment*
- *Innovative/different*
- *Rewarding work*

One respondent attempted to sum it up as follows:

"That would be excellence: everyone following every single procedure...if everyone knows the procedures and follows them...to the letter...or close enough...so that we don't have problems. That would be excellence."

– Finance Manager (respondent's emphasis)

Task/Role Excellence

The following responses were submitted as the most appropriate qualities with which Global approaches various tasks and roles at the company:

- *Completed projects (on time/budget)*
- *Integrated systems/procedures*
- *Safe projects*
- *Meeting/exceeding standards*
- *Product and service quality*
- *Comprehensive capacity/solutions*
- *Original/innovative approach*

External Excellence

The following responses were gathered as indicators of the excellent ways in which the company might relate with those outwith the company:

- *Exceeding customer expectations*
- *Worldwide recognition*
- *Caring/cooperative*
- *Worldwide capacity*
- *Uniquely different/ambitious*
- *Flexible/creative*

Identifying Balance (based upon joint inquiry exercise and supported by other indicators)

One way of looking at the ways in which tangible success factors and the less tangible excellence factors work interdependently is as follows:

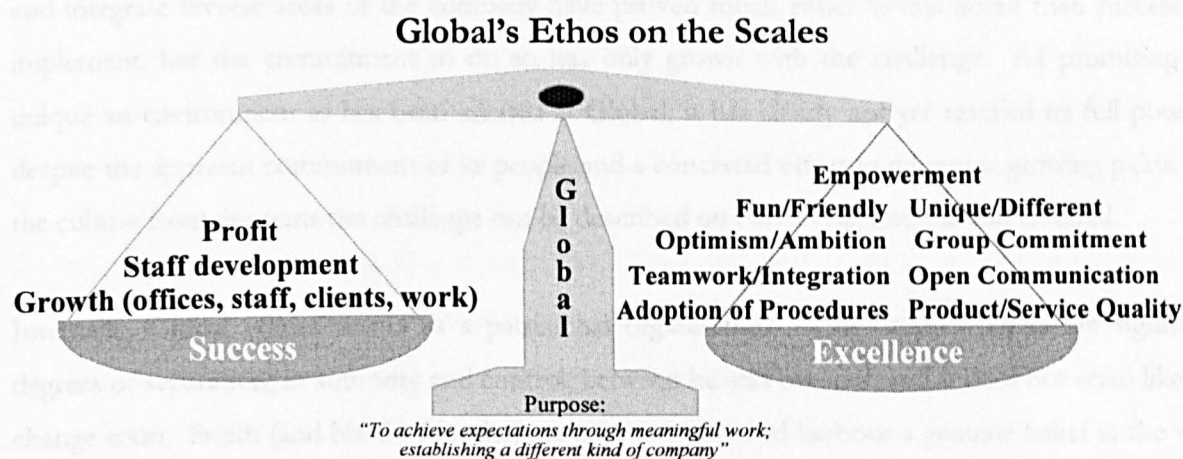


Figure 7.5

When respondents were asked to indicate which side of the scale the company put the greatest emphasis/importance upon, they asserted that the company slightly favoured the *excellence* side. Most respondents implied that Global, and its culture, places greater weight upon the less tangible, more intrinsic, excellence qualities. This has changed, however, as affected by industry downturns and other external factors. There was also strong consensus that the two sides of the scale are strongly interdependent, but that you would be much more likely to get success by focusing on excellence (vs. the opposite corollary). Both founders used similar imagery to describe this dynamic:

"If success is the destination, then excellence is...arriving at the destination through a journey that's beneficial...rather than tortuous. So I would say you need both."— Smith, Co-founder

"Is the vision (success) important or is the getting there (excellence) important? It's both, isn't it? But you can't stand still. What's excellent today is not excellent tomorrow."— Co-founder

Global is the largest, most geographically dispersed of the companies featured in this study. In the context of this joint inquiry exercise, it has also revealed the greatest disparity between informant responses. This disparity helps explain why the aggregate respondent balance landed closest to the fulcrum point on these scales, but it also hints at possible levelling effects and ethos dilution associated with firm size.

Summary

Global has offered a fascinating picture of an ambitious company that has chosen to reach its goals by acquiring companies that offer new and complimentary products and services. Current plans to grow and integrate diverse areas of the company have proven much easier to talk about than successfully implement, but the commitment to do so has only grown with the challenge. As promising and unique an environment as has been created at Global, it has clearly not yet reached its full potential despite the apparent commitment of its people and a concerted effort to minimize growing pains. On the culture front, it seems the challenge can be described on two levels, internal and external.

Internally, Global comes across as a patriarchal organisation led by Smith. There are significant degrees of separation, in authority and control, between he and his staff, and it does not seem likely to change soon. Smith (and his Co-founder) are approachable and harbour a genuine belief in the value of empowering their employees. However, the Global values are often accompanied by a 'top-down' or 'take it or leave it' sentiment and are rapidly reduced to "value rules" and "procedures". Accounts such as the following imply that some of the most senior members of the company can be made to feel like wee children:

"(Three Managers) got our fingers rapped last week, because we went...to employ an Administrative Assistant. We came back and it was like, 'No that's not what we're looking for...(that salary is) not in the job range...' And we're like, 'But yeah, she's better than we're looking for'...but (Smith's) like, 'No, what we're looking for is this... If you want her, then you must set up your own job description, but then that has to be approved and that has to be generic to the whole company and then, there has to be (a similar role) that can go into every single office...' So we all got rapped for that. And all that was us...not following procedures. In the end, we sort of went back to her and said 'we've verbally offered this...it's been overruled by the Directors...'" – Finance Manager

Young new members are welcomed and nurtured, and many are enthused by Global's refreshing approach. Yet when these individuals become mature and confident enough to challenge or accept authority, there seems to be something missing. It is unclear whether staff are afraid to accept accountability or the founders are too afraid to relinquish control. There are very few employees that have worked with the company for more than five years, and those that seem most fulfilled are those that have created their own opportunities, and obtained some control, far from the central office. Unfortunately, those employees that seem least likely to succeed at Global are the individuals with the most external experience to contribute and whom have their own considered philosophies for how business should be done. Some staff have taken the initiative to create significant achievements

within the Global parameters, but at least as many seem alienated and oppressed by the guidelines provided. The more Smith and others speak of a “fun”, “empowerment” and “excellence” that does not seem to translate to practical impact for these employees, the more such words are construed as spin or unrealistically optimistic. Ironically, the more emphatic and rigid Smith becomes with such messages, the less likely his staff are to find their own intrinsic motivation for their pursuit. This internal dilemma only seems to aggravate the conditions whereby Smith would see fit to relinquish control.

“If Smith was taken out of Global for any reason, Global would really struggle. At the moment, the sort of grand design is that: you put the systems in place, you put the people in place...and as that sort of coalesces, it becomes stronger and then perhaps Smith might want to play golf and the business will not only survive but thrive and prosper. But it does emanate from Smith.” – Improvement Manager

Acknowledging this challenge, Smith has spoken about what he sees as the greatest limitation to his grand design,

“However, the actual fundamental development of the business is going to be, in my personal view, limited by our ability to get similar, motivated people into the organisation. I think the issues will be to get the inspired individuals and inspired teams together...and put the catalyst in there to make it flourish. It takes a very, very unique individual to be able to go from the strategy to the tactics and back to the strategy...in a matter of an hour. But it seems to be what we need to be doing. And my own view is that there are more people that are not in the organisation at the moment...to make it work than we currently have in the organisation. There are people out there that don’t know that they’re Global people yet...but they’ll know and we’ll know when we see them.”

“How do you make an excellent company? Having the right culture. Now what makes the right culture? It’s...the values and the people within it that make the right culture.” – Co-founder

For the many introspective challenges that have occupied Global during the rapid expansion of recent years, there seem significant external challenges that have yet to be addressed. Global is determined to be a refreshingly different consultancy, and despite the difficulties in explicating what this means to staff, it is uncertain that the marketplace will adequately appreciate it. For the time being, performance objectives are the focal point, and these do not seem synergistically or explicitly linked to the unique Global way of doing things. Furthermore, Global has succeeded in achieving significant

growth, but it is not yet clear that the market will validate the many diverse products and services the company must now struggle to integrate. At Global, there is certainly no lack of ambitious vision, but the question remains: Can you succeed in creating a unique organisational culture if the people in it and the people it serves, are unconvinced of, or indifferent to, its unique features?

Praxis

Praxis Study Overview		
Company Description	<i>Employees</i>	Approximately 43
	<i>Location</i>	Business park in suburb of Aberdeen
	<i>Founder(s)</i>	3 original co-founders; 2 remaining
	<i>Year Founded</i>	1991
	<i>Industry Sector</i>	Technical consulting specializing in SAP (business logistics) software for mid-size to large corporations
	<i>Primary Clientele</i>	Oil & gas operating companies
Fieldwork Summary	<i>Internal Respondents</i>	11 In-depth interviews and 2 additional discussions with additional employees to confirm/deepen findings
	<i>External Respondents</i>	3 (1 ex-founder; 1 ex-strategic partner; 1 competitor)
	<i>Time Spent at Location</i>	Approximately 9 full days of interviewing and observation, including 3 hours spent at the offices of a major client
	<i>Observation</i>	Approximately 10 hours of dedicated observation time, including participation in a company-wide quarterly meeting and in various industry networking events
	<i>Historical Archive Material</i>	Over 20 documents and presentations (including a document summarizing the guiding values at founding, as well as 3 rd party and in-house client feedback studies)
	<i>Current Material</i>	Over 30 marketing and internal operations documents

Table 7.14

Praxis is a pseudonym used to conceal the true identify of this company. Interestingly, Praxis was the original name the founders chose for the company, so despite the potential for confusion between Praxis and the Aristotelian concept of *praxis*, it is used here as the pseudonym for this company (which currently operates under a different name) in order to explore whether or not a company named for such a concept can be seen to exhibit the same.

Specific Methods and Data Collection

Data collection involved in-depth, semi-structured interviews with 11 Praxis employees, including the two co-founders. In an effort to gain confirmation and depth of understanding, with a particular interest to juxtapose emerging and disconfirming themes (Yin, 2003), two additional employees were queried and interviews were held with three external contacts familiar with the company (including a Co-founder who had since departed). The researcher was invited to attend a quarterly, company-wide meeting where every function of the company was discussed and the researcher had the opportunity to present initial findings while soliciting additional comments and questions from employees. This time proved extremely helpful as it presented the opportunity to better understand the complex subtleties of employee relations in formal and informal settings (i.e.

to see the way they reacted to each other's statements). Furthermore, this informal setting presented a unique opportunity to meet employees that were not included in the interview schedule. Observation time within the Praxis offices took place over the space of four weeks, largely in-between and around scheduled interviews. Historical documents, as well as current marketing and internal documents and communication (including financial data), proved a helpful resource for yielding added confirmation and for tracking changes over time. The researcher was invited back one year later in order to follow up specific questions and update matters relevant to culture development.

Cultural Distinctives

Past and present dilemmas at Praxis proved particularly revealing of cultural values and relative priorities, many of which are discussed in what follows. Based upon common organisational culture types (Handy, 1993), the Praxis culture seems to be centred on *people*. Praxis's long-term relationship with its staff and clients differentiate it from many technical consultants, particularly those it competes directly with. Praxis is an SAP (a particular brand of business logistics software) consultancy, but its culture divulges a number of additional points of differentiation.

Praxis was the original name given to the company, although it operates under a different name today. The name is meant to evoke Karl Marx's use of the word to describe the translation of ideas into practice. The original visionary, Brian MacDonald, recalls the genesis of the company in 1990,

"I had all this stuff running about in my head and I couldn't sleep, so I got up for an hour and I basically wrote down what a company run by us would look like. And...arranged a meeting with my two colleagues on the afternoon of that Christmas Eve and basically went through all the values that we were going to have as a company and agreed that."

Three co-founders met at Brian MacDonald's home that holiday and sketched out the original business concept, complete with a list of the values for governing company conduct. The following statements from this document hint at the type of organisational culture the Co-founder envisioned (emphasis in original):

- *Business orientation:*
 - *All staff must be committed to the growth of our business and must accept their role in that responsibility*

- *All staff must understand their client's business; there is no room for technological gurus who operate in blissful ignorance of their client's need for cost effective solutions to their particular needs*
- *Honesty and openness- a small company, to survive and grow, must be one which engenders trust at all times.*
- *Profit sharing to all employees*
- *Salaries/fees will not be secret*

Although they have seldom been put to paper since this initial document, the values seem to have retained their saliency and traceability to the founders 15 years later.

The founders are presently working (as they have since the foundation of the company), at client locations across Europe and the Middle East. Often, the founders will enter the Praxis office only a couple times each quarter, as required by quarterly meetings and administrative matters. Moreover, when the Co-founder comes in to handle financial documentation, he often does so on the weekend, when the office is empty. In this respect, it is anticipated that the ways in the founders influence the organisational culture of Praxis may vary from that found in companies where the founders share physical location with their employees. Interestingly, findings reveal that the founders' absence has not significantly devalued the importance of company culture or the capacity of the founders to shape it, but their impact is transferred in subtle, informal ways.

MacDonald likes to describe Praxis as “the low bull(xxxx) consultancy” and quips, “Mission statements are for the church”. This philosophy signifies his reluctance to codify Praxis' values in any formal vision or other written statement. It is as if MacDonald expects his staff to act in accordance with some unwritten law governing proper conduct. Recently, employees have alluded to this expectation in terms of “the Praxis Way” of doing things. Every employee has heard of the Praxis Way, and many sense that it conveys something meaningful, but each employee defines its meaning in their own terms. According to the Co-founder,

“Doing the right thing. I'll use a few words, (they might be a bit flip, but...) Honesty. I think it's important to us (honesty and integrity...if they're different things). Technical and business competence. That's the Praxis Way.”

“How we work with people; how we build relationships. It's very difficult to encapsulate. We generate trust in our relationships with people. They like to work with Praxis.” – Marketing Manager

"I'm a little bit embarrassed the way it is being spoken about...the Praxis Way is just to aim for excellence. If we disguise it in any other way, if it just becomes a marketing policy...then it doesn't mean anything. The Praxis Way is level of responsibility. Not airy fairy...just things that should be expected. That's definitely come down from (the founders)." – Support Centre Manager

"I think a lot of the ethical values of other people in the company would be the same. Whatever the Praxis Way is, I think that is a big part of it." – MacDonald, Co-founder

Simply put, the *Praxis Way* seems to refer to conducting oneself with professionalism and ethical integrity because it is the right thing to do. In a recent attempt to gauge the extent to which potential clients appreciate the *Praxis Way*, the Marketing Manager surveyed 19 potential SAP clients with a list of nine descriptive terms and the respondents suggested that the following terms were deemed of greatest value:

- *Commercial integrity, openness, honesty*
- *Value for money*
- *Actively transferring knowledge*
- *Delivering on promises*
- *Customer control*
- *Depth of quality of service*

In a 2003 survey, calling on 27 existing clients and carried out by a third-party research firm, the following were confirmed as some of Praxis' key strengths: *flexibility, trust, quality, responsiveness, reliability, relationship/people skills, and breadth of experience*. Furthermore, the same study found Praxis' image to be associated with: *professionalism* and *friendliness*.

When Praxis employees were asked to indicate what makes their consultancy unique, respondent answers vary, but most allude to a similar list of qualities, including: professionalism, staff autonomy, long-term client relationships and a diverse range of capabilities (and places to work). Praxis is an organisation with a flat hierarchy and minimal procedural bureaucracy which prides itself on ethical business conduct, experienced and business-savvy consultants, and heavy investments in staff development. These behaviours represent some of the ways in which Praxis is distinctive, as will be described in further detail below.

The Business Model

Praxis operates a standard consultancy business model. One major variation from this model has been the addition of a division of the company that is dedicated to SAP technical support. Support

contracts often afford smaller fees than standard consulting projects, but these contracts have the potential to last indefinitely (unlike most project contracts). An additional variation on the standard consulting model, Praxis occasionally conducts technical training sessions for clients.

Historical Contextualization

In recent years, Praxis has gradually succeeded in diversifying. Historically, over 80% of their revenue has been generated from one large client in the oil and gas sector. By 2005, the company was forced to look for business elsewhere and has largely succeeded, both in the oil and gas sector and in other industries. Other historical trends are alluded to in the following:

Product vs. Service

The company has dabbled in the past with product development ideas, but these efforts have failed in somewhat legendary fashion and are not likely to be pursued again. The market seems to indicate a clear value for niche specialisation in technical consulting services, and Praxis has limited its other options in order to focus on this niche.

Installation vs. Project Work vs. Support

In the business of consulting for a large software package like SAP, there is the potential to provide a complete range of client needs along a logical, evolutionary sequence. Some clients have hired Praxis to install the SAP package in their corporate information network, proceeded to work with Praxis to implement the system throughout subsidiary offices, (or add new updates or add-ons to the basic package), and finally retained Praxis' support to maintain the systems. The size of the fees (and complexity of the project) decreases with each sequential step, eventually resulting in a small yet reliable revenue stream for technical support. Over time, Praxis has improved its capacity to offer and integrate services across each of these incremental stages.

In-house vs. Off-site

Historically, the vast majority of Praxis work has been conducted in remote client locations. This has been so much the case that when asked if it is beneficial for the founders to work off-site as much as they do, the HR Director states,

"Praxis is at its best when it is in the field."

Gradually, however, an increasing number of employees are working at Praxis' central office. One reason for this is the fact that the growing support department is based in this office. Another trend that has enabled work from the central office is the capacity of technology to enable remote work, and hence decrease the need for costly travel. Given the growing number of employees at the home office, and a chronic difficulty for communication and procedures to keep pace, MacDonald is attempting to play a more visible role at the central office that has historically been the case.

Local vs. International

Praxis has always done a tremendous amount of work outside Scotland and as long as they continue to serve the oil and gas sector, it seems this trend will only increase. Many Praxis employees enjoy and thrive on diverse projects and client locations, and see this as one of the greatest benefits of consulting at Praxis. However, the constant travel can be taxing and senior consultants are rarely satisfied by central office jobs in the support department. Thankfully, work in industries other than oil and gas have provided locally-based consulting opportunities, and this trend may continue to add to the number of staff working from home or the central office.

The Cultural Web (Secondary Embedding Mechanisms)

The 'cultural web' depicts many different facets of organisational culture, both formal and informal mechanisms. At Praxis, enculturation seems sometimes intentional and almost exclusively informal. Culture formation is operationalised in the following ways:

Routines/Rituals: Demonstrate what founders see as important

Indicators: MacDonald and his Co-founder share a common philosophy for how business should be done, and it this is sometimes illustrated in the rituals they have embedded in the company, including quarterly company-wide meetings and an internal newsletter. Because employees do not share a common office, the quarterly meeting is often the only time they see each other or visit the Praxis offices, and this is paid for at some significant expense to the company, signifying the importance the founders place on these gatherings. The quarterly meeting plays an important role in sharing relevant information from all sectors of the company, and there is typically a strong social element to the gathering as well. Along with the internal newsletter, the quarterly meeting plays an important role in highlighting both personal

and work challenges shared by distant staff members. Such routines provide a link to staff that may otherwise feel fairly isolated.

Stories: Subtle mechanism for informal value dissemination

Indicators: At Praxis, stories seem to hold a primary role in conveying what is important and how things should be done. When employees are asked to explain the *Praxis Way* or other cultural values at Praxis, they tend to use one of a number of classic legends to illustrate what they mean. The best example of this is found in a lucrative contract that was under consideration. According to some, before the contract was signed, one of the founders looked into the problem and suggested a simple fix that would take just “five minutes” (“half a day” according to the Co-founder) and would preclude the client from requiring Praxis’ additional services. Marketing staff chide the Co-founder for throwing away this and other opportunities as a one-person “Sales Prevention Team”. Yet when asked why he has done so, he responds,

“I believed it was the right thing to do, it was just the honest thing to say.”

It is clear that this story has permeated the company with deeper meaning than might have been associated with an official company document that said ‘honesty’ was a core value. Furthermore, actions modelled in this way have become easier for others to replicate in practical circumstances than more formal values statements.

Symbols: Visual signals of what’s important

Indicators: Praxis places an extremely high value on melding technical competency with relevant business understanding. Their logo features a set of interlinking rings as an explicit symbol of this link. Although subtly implied in external marketing materials, these rings are also used to symbolize dependability, holistic service provision, and relationship strength. Furthermore, the fact that the founders are actively working on client projects is symbolic: it suggests to staff that they share responsibilities that are similar to theirs, that everyone is expected to act autonomously, and there is no room for administrative myopia at the central office.

Standardisation/Control Structures: Common procedural guidance

Indicators: Praxis puts very few standards and controls in place, and when it does, it is with reluctance. MacDonald comments,

"As soon as you make a rule, there will inevitably be a situation that causes you to break it."

Praxis prefers to hire people that know how to solve particular client problems without reference to a generalised code of solutions. All are offered a similar introduction to the company and appropriate training as required. In the words of one of Praxis' newest employees,

"When I started here I did five weeks training down in London...and that was just a month after I started here"— Technical Support Consultant

"Some can take a one-week course and then be out in the field, one person took about a year, just because he didn't know what exactly he wanted to do. Praxis gives people time to find their own way. Many companies wouldn't bother training them, let alone being this patient. We work...with a longer-term vision... vs. short-term gains." — IT Director

This commitment to training seems to standardize the technical competency of Praxis consultants. For non-technical and procedural matters, however, the continued growth of the company has resulted in calls for clarity and consistency between remote, autonomous individuals, some of which have resulted in hierarchical changes described below.

Organisational Power Structure: Pyramid vs. flat hierarchy

Indicators: Praxis has a fairly flat hierarchy, and despite recent growth, the founders have attempted to minimize additional layers of management. Between 2001 and 2004, the number of full-time staff at Praxis nearly doubled to over 40 people, and this rapid growth has resulted in some uncomfortable growing pains,

"Either we're not telling them or they're not listening, there's a bit of both, but there are problems, communication problems. And you know as you grow...and people spread over diverse locations, it's harder to keep the ethos going without programs. It's something we have to consider...but I don't know what the answer is." — MacDonald, Co-founder

The founders know that it is getting more difficult to communicate clearly and standardize processes, and this partially explains a renewed interest in operational issues. Reluctant to create an added level of hierarchy, the members of the board of directors (representing all functional

areas of the company) have also united as members of an 'operational management team' designed to serve this function. Increasingly, the company has begun to develop certain individuals for the management of specific project teams and functional areas. In this and other ways, Praxis hopes to spread responsibility without spreading unnecessary hierarchy, job titles or bureaucracy.

As is common in consulting companies, more qualified individuals have a higher billing rate, or perhaps a more senior title, but in many ways these are treated as mere formalities at Praxis. Such status is validated and valued by external clients, but internally, the same status does not differentiate staff from one another to nearly the same degree. Virtually everyone is expected to play some role in ensuring their billable hours are fully utilized, and even though Praxis has a dedicated business development manager, consultants are expected to help find new project work. In order to further encourage the sharing of responsibility and a feeling of shared destiny, Praxis has offered every staff member of the company ownership shares. Unfortunately, despite significant encouragement, very few employees have purchased those shares offered to date.

Organisational Socialisation Structure: Social enculturation mechanisms

Indicators: Praxis has a comprehensive formal induction process, and manual, which is "primarily here to help you and ensure that your safety and comfort are maintained". There is nothing in the way of explicit, value-laden statements of company history or vision in this material. Generous training is often provided to new employees and those that wish to develop new skills. Such training comes at great 'opportunity cost' to the company, and exceeds that provided by consultancies of similar size, but demonstrates the high priority placed on technical competency and personnel development. E-mail provides a powerful device for communication, and even remote socialization, at Praxis. There are company-wide opportunities for in-person socialization, but just as the founders expect staff to act with autonomy in conducting their work, staff are assumed to have the autonomy to create social gatherings as and if desired. Those members of the support team based at the Praxis offices provide an example, as they have seen fit to coordinate a number of 'games nights' and other social activities.

Primary Embedding Mechanisms

Respondents generally agree that the core values embedded in the company (e.g. autonomy, honesty, etc.) have been largely established by the founders with the benefit of the following mechanisms:

Criteria for employee selection and development:

The selection process seems a primary determinate of the organisational culture at Praxis. Interestingly, it is a responsibility that the founders have delegated to one key individual, the Human Resources (HR) Director, through the following sequence:

- 1) Using proven recruiting agencies and personal networking, recruiting focuses on finding those with a basic SAP technical competency and business experience. The Support Centre Manager put this challenge as follows,

“The SAP marketplace is just mercenary...people have a ‘me, me, me’ attitude. And yet we don’t have a ‘me, me, me’ attitude here...so how do you get people that don’t have a ‘me, me, me’ attitude in an SAP world?”

- 2) Candidates are extensively interviewed by the HR Director as well as one or two others (often a relevant supervisor). This step is critical in order to confirm the personality and ‘fit’ of each candidate. Since her first attempts to help Praxis’ founders, she has identified the following as the primary concern: Can this candidate demonstrate a personal motivation to act with honesty and empathy in solving practical business issues? In the words of one founder,

“She seems to have the same sort of vision (as the co-founder and myself), has grasped the concept of the type of person we are looking for, and has the skills to discern the personality and culture of a person. She has developed a much better track record of selecting them than we have when we’ve tried recruiting ourselves. She looks for something beyond (technical skill) to see if they can deliver this so-called ‘other’, broader vision of what they’ll be asked to do.”

According to the HR Director:

"I tend to dig quite a bit during interviews...to get candidates to open up, to find out what really motivates them...who they are and what they want to do. The best can communicate the right attitude and motivations."

For a consultancy of its type, Praxis employs a large number of experienced (and typically older) consultants. Praxis' emphasis on practical business understanding has been a key reason for selecting these candidates. The HR Director makes it clear that there is a sizable difference between 'classroom education' and 'business understanding'. Praxis prizes certain character traits, and neither these nor the understanding of practical business matters are very discernable in new university graduates with no work experience (no matter how impressive their C.V.). Respondents indicate that the ideal Praxis employee possesses the following qualities: strong technical competency, business awareness, honesty, professionalism, and enough proactive, problem solving ability to address client needs with minimal supervision.

"One of the easiest ways to make sure that we get the right people is to hire those that are already fairly independent and naturally have the same values. We would rather hire the right type than train that into them." – IT Director

- 3) Once fit has been established and the candidate has been hired, induction materials and other documentation set out the basic procedural standards in writing, but that is not all:

"As part of the induction, I give them a talk on the Praxis values and way of doing things." – HR Director

Once hired, enculturation is reinforced in the following ways:

- 1) Employees are hired with the expectation that they intrinsically possess the right types of character traits and values, and will prove capable of developing these qualities when placed in active client service. Once hired, staff are often given months of technical training before being placed on a project, and are given the opportunity to personally engage with clients soon thereafter. Interaction with

founders and others in this process may be limited, but available as needed. MacDonald asserts:

"We do tend to give a lot of responsibility to other people. You know, we could mollycoddle (them) all the way along, but you're never going to find out until (they're) absolutely out there."

- 2) Formal appraisal mechanisms are employed regularly in order to underscore a continued desire for staff training and development.

Role modelling: As with employee selection, role modelling is a critical enculturation mechanism employed at Praxis. This is interesting, given the fact that the founders work off-site. Because most every employee will need to work off-site, the fact that the founders work remotely is part of what makes them so effective at modelling relevant behaviour. By the time an employee has worked for the company over four years, there is a strong likelihood that they will have been granted the opportunity to work offsite with one of the founders. If not, they will certainly have gleaned some sense for the way the founders work, via e-mail and those that have worked with them. When asked how cultural values are transmitted through Praxis, the Co-founder states:

"A lot of it is through example. The amount of hours I put in demonstrates commitment. Another thing people notice about me is the range of skills that I'm offering to customers...I never say, 'that's not my department'...I would hope that, through demonstration, that would come through as well."

There is the sense that this subtle mechanism holds effective power:

"It's like there is a basic, core value set we all share; I think there was like a process of osmosis that went on...you absorb it through (Praxis) people"—Marketing Manager

"They never say anything about them (core values), but the people pick it up by working with them."—IT Director

"(The founders) are truly excellent consultants...with integrity. Their values are all modelled, and they expect a similar level of commitment from staff. They trust staff to take responsibility and be individuals. But they certainly act as role models. (Praxis values are transmitted) mainly through the people that have worked alongside (the founders) for the longest...that is how...these things have been embedded in the company. These things have never been consciously formed." –HR Director

The following statements provide anecdotal evidence of this process of transference, first highlighting someone who attempts to mimic the founder's example, then recording the impression that his modelling has left on one who has not worked as frequently with the founders:

"In 1999, we made a loss...(the founders) used their own money to keep people employed; and when I've had problems, they've always been there...so, that's what I tell other people...cause not everyone has worked with them." – Support Centre Manager

"I work quite closely with the Support Centre Manager, and...I suppose you can tell by the way he gets along with...customers on the phone...he gets on with them quite well. His enthusiasm, he's quite good at solving their problems." – Technical Support Consultant

One even gets the impression that there is some benefit to the founders working offsite, not only for what it symbolizes, but for the self-reliance it inspires:

"Focusing on turnover can cause you to lose your bearings, but (the founders) are out in the field doing the same thing we are." – Consultant

"Because (the founder) is not here, I just do it, then ask afterward if I did the right thing...if he were here, I would ask him about things more." – Finance & Administrative Assistant

"The fact that they aren't here has forced us to accept a higher amount of responsibility" – Support Centre Manager

Leader reaction to critical incidents: When the 1999 oil crisis hit, Praxis' founders feared they would lose the very employees they had worked to develop. By withholding their own

salaries for approximately 6 months, they were able to buy some time. Although lay-offs were considered, they were narrowly avoided and the company successfully weathered the storm and found enough new work to sustain their workforce. To this day, however, very few employees know of the quiet sacrifices that the founders made in order to permit everyone to keep their jobs.

"(The founders) went without a salary (I know because I know MacDonald's wife). They didn't make a big deal about it. I don't think they understand the quality of the leadership that they provide." – HR Director

Praxis has had to make staff redundant in subsequent industry downturns. Still, it has maintained high levels of staff retention for so volatile an industry.

"I'm personally proud of the jobs that we've created. I doubt that there have been more than 60 (employees) throughout the history, and we've still got 45 of them. We spend heavily on training...try to develop people. We have carried some of the pain of retraining...people rather than get rid of them. We try to fit people's own development preferences within our overall feeling of where the company needs to go and what it needs to be doing."

–MacDonald, Co-founder

There have also been a number of major health crises (e.g. cancer) that staff or their family members have dealt with in recent years. These have also provided an opportunity for Praxis' ethos to reveal itself.

"Over the last two-three years, we've had a number of major illnesses to cope with amongst staff. You know, we could go by the letter of the law and cut people's pay, etc. By and large, we have not done that. We've tried to give the people concerned the backup to get better and uh, put that as the priority...rather than just looking after the business. I would hope that, while we're obviously aiming to grow and make profits, etc., along the way we're managing ourselves and looking out for the people that work for us." – MacDonald, Co-founder

"On more than one occasion, Praxis has continued to pay people that have been out on long-term illnesses. On one of these occasions, even though the company offered to pay, the employee (because

he was a very conscientious individual) declined to be paid for the time he was away.” –HR Director

Criteria for allocating rewards: Before 2001, Praxis paid consultants a minimal stipend and the consultant could make an infinite amount above that depending on the billable hours they were willing and able to work. However, in order to provide a more equitable and manageable salary structure, in 2001 each consultant was placed on a fixed salary. While this fixed salary is much greater than the minimal stipend they made under the prior scheme, the revenue potential has been limited and adapting to this new model was more readily accepted by some than others. Generally, it seems this trade-off has been accepted as a necessary part of becoming a larger organisation.

In attempting to accommodate a growing number of employees, Praxis demonstrates a preference for developing internal candidates to lead teams and hold senior posts. Initial attempts to hire senior-level executives from elsewhere have yielded mixed results, at best. Even when these individuals have met performance expectations, they have typically failed to fit the cultural expectations of the company, eventually leading to the employee's departure. The following statement offers another indication of the value placed on staff and the ethos they embody:

“Personally, I'd like to hand over to the staff. Because we could go sell ourselves to IBM or Logic or whatever, the company would get swamped, the ethos would die, people would just end up as small people working for huge companies.” – MacDonald, Co-founder

“From day one, (the founders) decided that it was going to be an employees' company. The employees were as much a part of the company as they were. That has been very important. The staff are really valued.” – Finance & Administrative Assistant

Other Indicators:

Open Communication: E-mail is the primary method of communication at Praxis; text is the most common language used. An internal newsletter has recently begun to be circulated, including information on client projects, baby announcements, etc. Another notable exception to Praxis' reliance upon electronic communication is the

quarterly meeting, wherein financial and other data is openly shared to employees as if they were shareholders in the company.

External Communication: Praxis doesn't like to speak about their core values for fear of cheapening their benefit or causing their authenticity to be called into question, however, the following statement from their marketing material suggests that they know these values to be a unique benefit to potential clients:

To build and maintain successful, mutually beneficial, long term relationships with our customers.

Sub-culture: Praxis has expanded in recent years, and its expansion in the support centre has created something of a sub-culture in the organisation. These employees are based in the Praxis office, are billable on different terms, and spend a greater percentage of their time on the phone. The Support Centre Manager, noticing these and other differences, has initiated social events and other opportunities to strengthen the coherence of this unique group. Many of these employees go on to become consultants, so this centre seems to serve as an introductory school for the socialization of those that do not yet have the experience to serve as consultants.

Exit Survey Responses

Summary Survey Findings- Praxis

Exit Survey Questions	Aggregate Answer
1. Which of the following best describes what motivates this company? (1-3)	
Efficiency	1.91
Responsibility	2.18*
Excellence	2.73
2. When moral/ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)	
The Resulting Outcome	1.82
Doing the "Right" Thing/ Action	2.64
Being the Right Kind of Person	1.64
3. Please put the following stakeholders in the priority you feel this company assigns them (1-5):	
Employees	1
Owners (Directors)	3
Community	4
Environment	5
Client	2
Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)	
4. How would you rate your own job satisfaction at this time?	5.41
The following questions were asked of every respondent <u>except</u> the founder:	
5. How long have you worked at this company?	4.89 years
6. How many times a month, on average, do you interact with the founder?	~5

*Note: Answers in **bold** are markedly higher or lower than answers provided by respondents at other companies

Table 7.15

As the first company featured in this study, some of the questions that the researcher saw fit to pursue at subsequent companies were omitted at Praxis. This is due to the iterative methodology employed in this study, one which calls for the flexibility to add new data sources and inquiries as justified by the need for deeper understanding (Eisenhardt, 1989).

The above survey results will be discussed later in the comparative case analysis, but there are a few key points worth highlighting here. Of note, respondents suggest that *excellence* was the primary motivator at the company and that *responsibility* was also a driving concern. Also, respondents indicate that *doing the 'right' thing* is the most important criteria for resolving moral issues. This point highlights the duty-based, or deontological, thinking which is pervasive at Praxis and reflects the founders' assumptions. Employees are given priority over clients, which may help explain why Praxis employees remain at the company longer than most in our study. Because the founders do not work in the Praxis office, we should not be surprised that interaction is more limited (and less personal) at Praxis than it is at other respondent companies, but it is not entirely clear what effect this may have on the cultural embedding process.

Identifying Purpose (based upon interviews and supported by other indicators)

What is the 'Purpose' at Praxis?

Recently Selected Quotes:

"I like being my own boss, so it's a vehicle towards serving that particular end, um...to a much lesser extent, it is to provide a means of wealth to myself, but that's not terribly important to me...personally...probably slightly more in the business sense. If I don't become a millionaire...it won't be a source of regret..." – Co-Founder

"To provide SAP services for customers in the best possible way" – IT Director

"Beyond recovery. We've exceeded revenue and profit (expectations), but that is not enough."
– MacDonald, Co-founder

Purpose Statement Construct (*approved by MacDonald*)

To be our own bosses, ethically make money by serving our customers in the best possible way and look out for our people (staff)

Identifying Success (based upon joint inquiry exercise and supported by other indicators)

When asked how it is that Praxis measures success, there is great agreement among the respondents, indicating the following (in priority order):

1. Profitability
2. Client Growth/Diversity
3. Staff Turnover/Development

Identifying Excellence (based upon joint inquiry exercise and supported by other indicators)

When asked what excellence or the best aspirations for the company are, the responses vary broadly but can be divided into three separate dimensions: *internal*, *task/role* and *external*. The qualities underlined in the following are directly correlated to the original business concept document created by the founders.

Internal Excellence

The following responses were submitted as the primary forms of internal excellence (either achieved or simply aspired toward) at the company:

- *Independent; autonomous*
- *Career development; training*
- *Determination; commitment; "driven"*
- *Individual excellence; Personal best*
- *Going the extra mile; giving 110%*
- *Intrinsically motivated*
- *Empowered*
- *Professional; quality standard*
- *Personal responsibility; ownership*
- *Empathy; care*
- *Personally satisfied; "happy"*
- *Satisfied with a job well done*
- *Personally valued*
- *Intuitive*

Task/Role Excellence

The following responses were submitted as the most appropriate qualities with which Praxis might approach various tasks and roles at the company:

- *Business understanding + technical expertise*
- *Promise + deliver*
- *Relationship beyond contractual performance*
- *Individual + team effort*
- *Range + depth of skill*
- *Problem solving*
- *Concern for client's need: proactive + immediate + long-term*
- *Doing "the right thing"*
- *Holistic (+ balanced) approach*
- *Simple, elegant + effective*
- *Enthusiasm*
- *Listening; learning*

External Excellence

The following responses were gathered as indicators of the excellent ways in which the company might relate with those outwith the company:

- *Honesty*
- *Leading with actions; modelling*
- *Excellence*
- *Reliability; interdependence*
- *Subtle leadership*
- *Flexible*
- *Fairness*
- *Other-focused (client's best interest)*
- *Integrity*
- *Openness*
- *Approachable*
- *Transparency*
- *Relaxed; laid-back*
- *Ethical*
- *Friendly; comfortable*
- *Trust*

Identifying Balance (based upon joint inquiry exercise and supported by other indicators)

One way of looking at the ways in which tangible success factors and the less tangible excellence factors relate to one another in support of the company's driving purpose is as follows:

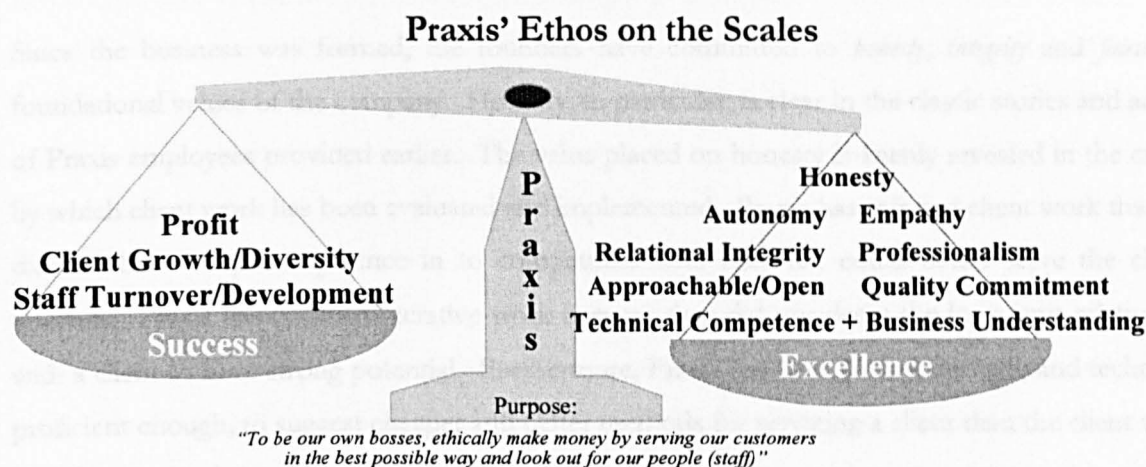


Figure 7.6

When respondents were asked to indicate which side of the scale the company put the greatest emphasis/importance upon, they asserted the company favoured excellence (score of 5.55) over success (score of 4.55). Most respondents implied that Praxis, and its culture, places the greatest weight upon the less tangible, more intrinsic, excellence qualities. The founders are also clear, however, that this balance can and has varied with trying times and external factors. There was also strong consensus that the two sides of the scale are interdependent, but that you would be much more likely to get success by focusing on excellence than excellence by focusing on success.

Summary

Despite consulting work that requires most staff members to spend most of their time away from the office, there is a surprisingly coherent set of deeply-held values shared across departments, seniority levels and longevity with the company. This is more remarkable for the fact that Praxis refuses to utilize statements of mission, vision, guiding values or procedures.

Staff selection and role modelling emerge as the primary mechanisms for shaping culture at Praxis. One key individual is responsible for the consistent screening mechanism that assures only particular types of individuals are hired, and in the few cases where the person hired seems other than what was hoped for (i.e. failing to possess the right types of character traits or habits), training has been painful to ineffective, typically leading to the individual's departure. Secondly, because most Praxis employees hold similar responsibilities to those off-site duties conducted by the

founders, role modelling proves particularly appropriate for setting expectations and living out the *Praxis Way* in practical terms. The rich stories that permeate the culture are effective at informally transferring values and assumptions modelled by the founders.

Since the business was formed, the founders have committed to *honesty, integrity and fairness* as foundational values of the company. Honesty, in particular, is clear in the classic stories and actions of Praxis employees provided earlier. The value placed on honesty is keenly revealed in the criteria by which client work has been evaluated and implemented. Praxis has referred client work that they did not have deep competence in to competitors who they felt could better serve the client's interests. Praxis has declined lucrative work because they did not deem the long-term relationship with a client to have strong potential. Furthermore, Praxis has been honest enough, and technically proficient enough, to suggest cheaper and better methods for servicing a client than the client would have known to choose for themselves.

The Praxis culture fits the Praxis work environment. The fact that staff are hired for their personal character traits and autonomous problem solving abilities is explained by their need to work remotely and often in isolation. When diverse problems face staff at client locations, they can act appropriately and autonomously based upon a few basic principles which the founders all work to be governed by. With time, the degree of separation between the founders and the newest, most remote employee has grown. This trend seems likely to increase the need for clear communication and processes as well as pressure to instil formal mechanisms for embedding cultural values. Still, the founders refuse to put in writing what they believe all Praxis staff should be intrinsically motivated to do. For this reason, the company's reliance upon the HR Director's capacity to screen and employ the right type of people will continue to be a crucial factor.

At Praxis, much of what is important is not verbalised. Interestingly, what is left unsaid is still found to be communicated in subtle ways and commonly held among staff. The following example helps to deepen our understanding of the way in which organisational culture takes place in such a setting. Recently, Praxis employed a senior Consultancy Director to help with external relations as well as internal operations. She was unlike the typical Praxis employee in that there was little subtlety about the way she talked, felt or lived. The founders and HR Director warily hired her in the hope that there was something in these differences that could help them resolve pressing communication and administrative issues. This was realised in some ways (e.g. the internal newsletter was one of her contributions to making the organisation more communicative and friendly). Over time, this

Consultancy Director became a strident, explicit champion of the very same values the founders had subtly imbued in the organisation. In a public forum, this individual would make pronouncements such as, “Praxis is the most ethical, honest company I know”. Many staff members would cringe at such statements, fearing that talking about such profound qualities would cheapen their value. Yet because this was largely an unspoken assumption, this concern was not aired or challenged. This Director even defined the Praxis Way in her own unique fashion: “the warm and fuzzy face of SAP consultancy”. Eventually, the Consultancy Director and Praxis parted ways, ironically, due partly to a perceived dishonesty and unethical behaviour on the part of this individual. The person that spoke loudest about Praxis’ subtle values was branded as the person least embodying those values. The entire organisation was shaken by the aggravated departure of so senior and visible a figure. At the time of this writing, the organisation’s culture has begun to bounce back to what is widely acknowledged to be a more healthy state, and one that is truer to the subtle values transference which had historically characterised Praxis culture. It feels like there is a collective sigh of relief now that the uncomfortable threat to the organisation’s unspoken assumptions has gone. This is just one of a recent number of incidents that reveal the distinctively tacit assumptions behind the *Praxis Way*.

Geoscience

Geoscience Study Overview		
Company Description	Employees	Approximately 48
	Location	Purpose-built structure in village 20 minutes from Aberdeen
	Founder(s)	2 original co-founders; 1 remaining
	Year Founded	1990
	Industry Sector	Technical consulting specialising in geology and geophysics
	Primary Clientele	Oil & gas operating companies
Fieldwork Summary	Internal Respondents	11 In-depth interviews and additional employee discussions
	External Respondents	1 Ex-founder, now Business Development Manager with direct competitor
	Time Spent at Location	Approximately 7 full days of interviewing and observation
	Observation	Approximately 10 hours of dedicated observation, including participation in company-wide, offsite planning meeting
	Historical Archive Material	Over 15 documents and presentations (including client feedback studies conducted by a 3 rd party research firm)
	Current Material	Over 25 marketing and internal operations documents

Table 7.16

Specific Methods and Data Collection

Data collection involved in-depth, semi-structured interviews with 11 Geoscience employees, including the founder. In an effort to gain confirmation and depth of understanding, an extensive interview was also held with one of Geoscience’s co-founders that had left Geoscience to work as Business Development Manager at a directly competitive consultancy. The researcher was also invited to attend a one-day, offsite planning meeting where every employee was included in a discussion on strategy for future threats and challenges. At this planning session, the researcher summarized some of the initial findings from the study of Geoscience’s culture. At the end of the session, the researcher was invited as a consultant to report to any summary insights that had been gleaned throughout the day’s planning session. This time proved extremely helpful as it presented the opportunity to better understand the subtleties and complexities of employee relations in formal and informal settings. Furthermore, this planning session presented a unique opportunity to meet employees that were not included in the interview schedule. The researcher was invited back at a later date, to speak to employees in a more informal setting and field questions that the offsite meeting could not accommodate. Observation time within the Geoscience offices took place over the space of 3 weeks, in-between and around scheduled interviews. Historical documents, as well as current marketing and internal documents and communication (including financial data), proved a helpful resource for yielding added confirmation and tracking changes over time.

Cultural Distinctives

What was revealed at Geoscience offered a privileged perspective of a number of current dilemmas facing the company. Geoscience employees tend to be very competent at the technical consulting work they do, and enjoy doing it. One of the hazards associated with this finding is that employees often tend to provide a higher standard of service than the client has required or been billed for. This has become a chief concern that has been addressed with added accountability measures for correlating billable hours with hours worked. The hope is that when clients are made aware of the added work that has been going on, they will appreciate Geoscience even more than they have (and yet be willing to pay for it). Integration and knowledge management have been buzzwords in this type of consultancy for many years, and while Geoscience is proud of its unique ability to integrate distinctly separate disciplines, it does not offer as many types of disciplines as some of its competitors. This is partially explained by the fact that James Milne, Co-founder and Managing Director, is not as concerned with growth as he is with creating a unique company culture founded on what he sees as unconventional management principles that place pre-eminent value on 'quality of life' issues.

Geoscience has historically relied upon a small number of sizable, long-term clients within the local oil and gas sector. However, business development has slowed of late, and management has instituted accountability mechanisms to ensure that new business is a responsibility of every staff member. Because Geoscience often behaves as a community with a common objective and way of doing things, this new development mandate has further underscored everyone's shared objective and role in its pursuit. At the same time, Milne has put these measures in place reluctantly, fearing what it might do to the close, comfortable culture of Geoscience.

Although the finite project or client task at hand is often the focal point of consulting company culture, this is but one of the many ways in which Geoscience seems unique, as the most central objective of the company revolves primarily around "staff fulfilment". Geoscience is a culture that de-emphasizes *power*, *role* and even *task* in favour of its *people* and their impact on the community. In a 2004 survey, conducted by a 3rd party market research firm and featuring 30 current and prospective clients, respondents indicated that there were three distinguishing features of the company:

1. Technical capability rooted in geology and geophysics (21 responses)
2. Knowledgeable employees (6 responses)
3. The company's unique way of doing business (3 responses)

In the context of in-depth interviews, Geoscience respondents indicate that the company is unique in the following ways: a friendly culture, Milne's business philosophy and "Milne's personality...his 'goodness', if you like", open communication, a strong emphasis on work/life balance, very flat and empowering structure, and its location in a remote rural village. Another feature that sets Geoscience apart is partially explained by the type of consulting that it does. Firms employed by specialists in the 'geology and geophysics' disciplines tend to be more creative, environmentally-aware, more accepting of uncertainty and more likely to have female staff than most technical engineers.

The Business Model

Geoscience features two different, but related, types of business models. The company has historically been based upon a consulting services model, but a series of acquisitions and added employees have afforded the company a range of software products that directly correlate to the specialized geoscience competencies which the company has developed. Accordingly, when the consulting business has abated, the software products have provided a critical alternative source of revenue. Integrating these different models, and their respective staff members and subcultures, has not always been easy. At this point, however, the combination has proven a beneficial one. An additional, emerging revenue stream has been found in client training sessions.

Historical Contextualization

In recent years, Geoscience has rekindled its commitment to business development and staff accountability. Other historical trends include:

Product vs. Service

Initially a narrowly defined geoscience consultancy, Geoscience has in recent years added two separate software product lines which it regularly updates and licenses to a growing base of installed users. Integration between these products and the consulting work, and between the two product lines, has been slow but steadily progressing.

'Exploration' vs. Production'

Geoscience was founded upon the assumption that there was a great need for *production* geoscience work, or work on oil fields that had already been tapped. However, with the addition of competitors and industry changes, *exploration* (work on new field discoveries) has

become a primary area of investment and has gradually become an area of competitive advantage for Geoscience. In order to add another level of diversification to their efforts (and yet another business model), Geoscience has set up a separate company with which it can compete for new oil field licenses. Entering this business offers significant upside potential with limited costs, but as it sometimes entails competing for licenses against potential consulting clients, the creation of a wholly-owned subsidiary affords Geoscience a form of 'arms length' participation.

Geoscience vs. Engineering

Despite its historic roots in geology and geophysics-based consultancy, the company is now hiring consultant engineers in an attempt to offer a wider range of integrated services...beyond merely scientific research toward actual implementation.

In-house vs. Off-site

Geoscience takes pride in its office culture and location in a rural village office, and has since the beginning contended that the two go hand-in-hand.

"We are really geared up for nurturing an in-house culture, that is what we always intended to develop. Even our capital expenditures are wrapped up in it, in this building, etc." – Milne, Founder

However, an increasing number of clients are requesting consultants to work on site in their offices. This has had a growing impact on the opportunities for social interaction and informal culture development at Geoscience offices. Still, it is not yet certain how lasting a trend this will be, and Milne hopes that they can limit the number of consultants working off-site.

Local vs. International

Geoscience is proactively seeking to establish business in other countries, while maintaining its historic reliance upon the oil and gas sector. Still, the hope has been that overseas work can still be serviced from the present location.

Relaxed vs. Responsible

The company operates in a very comfortable, relaxed environment. However, due to another industry downturn in 2003, and disappointment by what seemed to be staff complacency, Milne felt compelled to introduce some accountability measures. These were meant to encourage staff to find new business and bill every hour worked. As expounded by one consultant,

"I think before I joined, (people) were saying that profit isn't important...but I think that has changed and there is a realisation that profit is important and you have to get that right or you won't have a company."

The shifting emphasis places greater responsibility on individual staff to find work rather than waiting for it to be found for them. Hearing Milne speak of the effects of this shift, one gets the impression that he has been personally grieving what he felt he needed to do,

"It has made a very marked difference. The environment has become a bit more harsh, less friendly, but it has certainly seen results in the few months (since introduction). Expenses have gone down. Utilization is way up. Those without a budget to bill their time to seem to be panicking a bit. People seem to be getting the message and trying harder to sell services."

Flat vs. Hierarchical

According to Milne, the solution they are going for is an "upside-down" management structure (Lorrman et al., 1995), wherein he is the point of the pyramid at the bottom and serves to support and empower the work that the consultants do at the base. He subscribes to a philosophy that holds the primary role of any manager is that of coaching and developing staff. And he is fond of quoting Collins and Porras's (Built to Last, 2000) assertion that a company "must be ready to change everything about it except its basic beliefs as it moves through corporate life. The only sacred cow in an organisation should be its basic philosophy of doing business." Despite company growth, it remains reluctant to add more hierarchical layers than absolutely necessary.

Petroleum vs. Renewable Energies

Because of the deep-seated concern for environmental issues at Geoscience, the company has sought to be a pioneer in pursuing renewable sources of energy. In recent years,

research and development efforts have begun to make headway into geothermal energy and carbon sequestration projects. It remains difficult to make the economics of these projects work, but an increasing amount of interest and government funding in these alternatives may make these an important area for Geoscience in future years, and the company is committed, as stated in its five year strategic plan, to expanding in these areas as soon as it is feasible.

The Cultural Web (Secondary Embedding Mechanisms)

The 'cultural web' (Johnson, 1992) depicts many different facets of organisational culture, including both formal and less formalised mechanisms. At Geoscience, enculturation seems an intentional and largely informal effort that is operationalised in the following ways, as illustrated by key indicators found during this investigation:

Routines/Rituals: Demonstrate what founders see as important

Indicators: Milne and the management team see shared vision, knowledge and way of doing things as important components of their unique community. Geoscience attempts to facilitate open communication on broad strategy as well as personal issues that encourage these bonding components. At least once a week, all available staff attend 'Coffee Talk' in the conference room. Some staff even come in from client sites to attend and hear subjects including: stories about recent holidays, charity drives or the technical advances made on recent projects. Quiz nights and regular 'field excursions' to geologically-interesting areas are also planned. The internal web and client newsletter also reflect this uncommon mix of professional fulfilment and informal, personal information (e.g. birth announcements).

Stories: Subtle mechanism for informal value dissemination

Indicators: Geoscience employees like to point out that to understand what makes the company unique, it helps to know that James Milne, their Managing Director, bikes to work in shorts whenever weather permits. Many of the employees take breaks to workout in the village athletic centre or go for scenic river or hill walks outside the door of their rural office location. The voluntary cut in pay (during the 1999 industry downturn discussed elsewhere), is a classic Geoscience legend describing the ways in which staff have struggled together toward a common goal.

Symbols: Visual signals of what's important

Indicators: Geoscience values the fulfilment of its staff, including their needs as people with personal lives and social roles outside of work. The most striking symbol of this is the company's location in a rural village that is 20 minutes drive from its major clients. This location is justified almost exclusively on 'quality of life' terms. In this way, Geoscience explicitly hopes to serve as a role model to other companies while at the same time making an important contribution to a small, local community. The fact that Milne doesn't lock up the bike which he parks in front of the office is not insignificant; it symbolises a unique freedom, trust and informality which one would be hard-pressed to find in more 'typical' consulting offices in Aberdeen.

Standardisation/Control Structures: Common procedural guidance

Indicators: Geoscience puts few formal standards and controls in place, especially for internal relations, and when it does, it is often reluctantly. The company would prefer to trust individuals to provide staff members with all the knowledge they need in order to manage themselves as they deem best for the company. As mentioned, new timesheet and incentive 'controls' have been recently implemented for the first time, and have been effective, but Milne wishes such measures were not necessary. An additional form of standardized control is seen upon completion of each project, as each team member involved meets to review client feedback and discuss areas for making improvements.

Organisational Power Structure: Pyramid vs. flat hierarchy

Indicators: Geoscience is very flat and fairly integrated. Consultants are billed at different rates, but relate to one another as equals. Virtually everyone is expected to ensure their billable hours are fully utilized, and that business development is everyone's job. In order to fulfil the social and committee agendas at the company, most employees also hold secondary roles of some sort (e.g. 'Coffee Talk' coordination). Every member of the company has been granted some share of ownership in the company, and they are expected to work together without political or power struggles. One Consultant put it this way,

"It's kind of one business unit, and we're all working together for the same goal...(there's) quite good support between the people. You feel like you (are) very close to the source...decisions."

Organisational Socialisation Structure: Social enculturation mechanisms

Indicators: Employee candidates often meet more than 50% of the company before being made an offer. Speaking of this unique interview process, one Consultant states,

“There’s a lot of weight put on that...a lot of time allocated to try to maintain the company’s particular ethos and feel...to make sure the technical qualifications are right, but it’s not just that alone...it’s also to get the right person...fit...personality.”

Milne personally introduces each employee, highlighting the history, vision and values of the company. The formal induction process is limited, but does include an honest telling of the Geoscience story to date.

“I just remember thinking (the staff handbook) was really quite meaningful. Sure it covers the practical things about the company, but to me, the ethos of the company shines through it.”– Consultant

New candidates are expected to learn the Geoscience ways by working closely with other team members. Milne personally meets every employee in ‘one-on-one’ meetings every six months, largely to ensure open communication and consistency across the company. The many opportunities provided to meet socially tend to facilitate the informal fun and common values of the company.

Primary Embedding Mechanisms

As Schein (1992) points out, the primary embedding mechanisms for an entrepreneurial firm are often different and less formalised than ‘cultural web’ elements discussed in the context of larger organisations. James Milne, the founder, is a primary factor in informal culture development, mentioned by 100% of respondents in statements like: “It’s very much Milne who has developed this ethos.” They describe Milne as a principled, determined and “unconventional” manager responsible for instilling the following qualities into the Geoscience culture: openness, a flat structure, an emphasis on knowledge management, staff ownership, a laid-back attitude, and a particular concern for environmental and local community issues. These and other cultural values are revealed and embedded in the following mechanisms:

Criteria for employee selection and development:

The process of staff selection generally proceeds through the following sequence:

1. Recruiting to match basic competency to meet established job description.
2. Candidates meet and/or are interviewed by more than 50% of the company. Milne plays an important role in this process, introducing each candidate to the history, vision and values of the company. This step is also used to confirm the 'fit' of each candidate based a list of ideal qualities including: team-orientation, versatility and forward-thinking. Candidates that reveal a preoccupation with political manoeuvring or individual achievement are avoided. According to Milne,

"I think there's this sort of, uh...self selection. We're very keen to make sure people join us not purely for the money. So, we want to make sure people join us because they like the work, and they like the environment and they like the style...just to try and understand their interest in us and what motivates them."

3. Once fit has been established and candidate has been hired, induction materials and other documentation underscore the value of knowledge sharing and work/life balance. The employee handbook honestly describes the Geoscience story, the good and the bad of it, and lays out the company values and approach to things in some detail.

Once hired, cultural embedding is also revealed in the following:

1. Employees are hired with the expectation that they intrinsically possess the right types of character traits and values, but lack the best environment for employing them. The culture is designed provide that environment, providing mentors, relevant knowledge and informal development mechanisms. Once hired, staff are given opportunity to personally engage with clients while working closely with mentors and other members of the Geoscience team. Interaction with founders and others in this process seems to refine the Geoscience way of doing things, as well as the proper attitude to employ. According to a Software Developer,

"Nobody's on your back....treating you like a child. We're treated like professionals. You have to have the right people in here, Geoscience are basically giving the environment for the right people to flourish."

2. Formal appraisal mechanisms are employed regularly to underscore desire for staff development and fulfilment.
3. Informal meetings are held twice a year with Milne to assure that through open communication, the company will feel less hierarchical and the values will be consistently shared. According to a Board Member (that also happens to be Milne's wife),

"There has been some talk about having the senior managers do (one on one's), and James has been very resistant to that, because that defeats the whole point."

Role modelling: At Geoscience, role-modelling is facilitated by the general proximity, flat hierarchy and shared ownership of the organisation. Milne's unconventional management style, casual manner and dress and basic concern for others is visible to all staff. Furthermore, Milne asserts that these features are explained by his attempt to pursue work/life balance and fulfilment, pursuits which he hopes every employee will see fit to pursue in their own way. Milne is the only dedicated employee committed to senior administration and business development matters (i.e. he no longer participates in billable consulting work), so there in this respect there is some distance between the types of responsibility he and the rest of the company have. Still, founder approachability and consistent communication help to facilitate the modelling effect, as the 'one-on-one meetings' ensure even the most junior employee will have at least some direct interaction with Milne every six months. One experienced Consultant put it this way,

"(James Milne) is the dominant factor really...he wants that culture to be there. I don't think you can impose a culture on a company. It's not easy to nurture a culture either, but it's probably more sustainable to do it that way. And we've got a culture now that's been pointed, and pruned and trimmed andhow it is. James kind of leads that. He wants the kind of place that everybody's happy working in...you can't dictate, but you can lead by example...and nudge (here and there)."
(Respondent's emphasis)

"I think Milne has made himself close to everybody in the company. The values of life outside of work and staff happiness...they're very much the way he feels about life. The environmental issues are something he's a very strong believer in. He's very enthusiastic about these things and it rubs off on people that work around him...it then continues to cascade around the company. Having worked

with Milne for seven years in this office, I'm certainly well aware of...you know, what his desires are for the company...and the people that work here." – Off-site Consultant

Leader reaction to critical incidents: In 1999, Geoscience faced an external crisis in the form of an oil industry downturn, while at the same time facing internal crisis in the form of a break with their strategic partner (recounted in the *Preface* and *pages 109-110*). In the face of this difficulty, Geoscience employees voluntarily agreed to restrict their own salaries for an extended period of time in the hope that the cyclical oil industry would eventually bounce back. When it did (approximately one year later), Geoscience's culture had been strengthened and bonded by the struggle such that they were able to seize the opportunities of the rebounded market with a full team and strong morale. This crisis illuminates where Geoscience places its priorities when pressed. Rather than retrench to prior market positions, Geoscience responds by making shared sacrifices and sticking to what they do best for as long as possible. Remarkable for so volatile an industry, Geoscience has never yet seen fit to make someone redundant. One Consultant described Geoscience's approach to crisis as follows:

"The company has ridden (out) the storm by being completely open and saying, 'this is the way it is...we've got to deal with it' and giving people the opportunity to help input."

What leaders pay attention to, measure or control: Respondents understand that Milne bikes to work most days and values the things he does because he believes that working life is just one part of a good quality of life. Two employees put it as follows:

"While the company treats profit as very important, it doesn't assume that profit is the only thing that's important in company life...it is also concerned that people enjoy working here, that they spend time with their families or whatever, and um...basically get more out of their life than just work." – Off-site Consultant

"People seem...relaxed. They don't seem preoccupied...you know, like they know they should be somewhere else and they just can't get out of the office to do it. So I think, obviously, they are given that space if they need it. I mean, I don't have any children, but if they need to take their kid to the doctor or something like that...I think it's a very relaxed atmosphere. And it's friendly." – Software Developer

Criteria for allocating rewards: In terms of tangible compensation, Geoscience prefers an egalitarian approach. Recently, to get away from everyone comparing annual pay rises, Milne gave a 3% pay rise across all staff. When the company decided to allocate share options, they asked staff how they would want them distributed. According to one Board Member,

“Not everybody, but virtually everybody said we should split it right across the board...everybody is just as important as everybody else, no matter if you’re doing different jobs.”

As of 2005, 15% of company ownership has been allocated to all staff regardless of seniority or position. Within five years, the company’s strategic plan calls for allocating over 35% of ownership in this fashion. The implications for this form of allocation are explicit,

“The obvious...progression for a company of this size is: you build up to a certain size and sell out to the big boy and the directors get a pile of cash and ride away into the sunset...and the staff carry on working for somebody else. It’s kind of sad the way these things go...and it’s been made clear that’s not the intention of Geoscience...which is a nice kind of thing.”

– Consultant (respondent’s emphasis)

Other Indicators:

Internal Communication: Word of mouth, regular opportunities to meet informally, and other forms of socialisation seem important casual mechanisms for expressing the core values and expectations of Geoscience. According to one Consultant,

“(Milne) tells his staff a very large amount of what’s discussed (at board meetings)...strategy, financials and really wants people’s input...invites input.”

The ‘one-on-one’ meetings with the founder, and frequent admonitions to share and integrate knowledge throughout the office, help the company communicate effectively and consistently. This also aids in the establishment of a fulfilling and friendly environment.

External Communication: Geoscience speaks unabashedly about its unique culture, as depicted here in a brochure the company used around 1995:

‘The quality of any work environment is a significant factor in defining the standard of work generated within it. Geoscience staff live and work in one of Europe’s most scenic locations (in a village along a major river). These surroundings encourage an open company culture, stress-free brainstorming and healthy lifestyle.’

‘We aimed to attract and retain a team of high-calibre staff professionals, for whom work challenge was only one key element in an enjoyable lifestyle. Then as now, we believe in an open management style which encourages participation, fosters a shared sense of purpose, and supports an open-minded enthusiasm for skills enhancement and technological refinement. Above all, however, we are distinctly proud of our client-friendly culture, which is widely appreciated throughout the industry. We work to the highest personal, professional and ethical standards— and we enjoy doing so.’ (emphasis in original)

Sub-culture: Geoscience has expanded in recent years, both in business models and in disciplines, and that has generated its own set of cultural issues. Software developers are characteristically reclusive and independent, and part of the expansion has involved hiring more developers. This has often been difficult to accommodate within a culture that stresses teamwork and social interaction, leaving the new software development teams to feel somewhat removed from the rest of the company. The many opportunities for social interaction, and transition of certain employees between the two parts of the company, have mitigated the division. Furthermore, it seems Geoscience has successfully hired some developers who, while reclusive, yet understand and enjoy the benefits of team interaction. Field excursions have served as an important mechanism to facilitate social interaction and an appreciation of diverse abilities. According to a Software Developer that claims he “didn’t know anything about petrophysics”:

‘There was (a field excursion), up at the West Coast of Scotland earlier on this year. A lot of staff were there...we were actively encouraged to go. I think it was two nights in a posh hotel, all the meals, drinks and everything were paid for. We looked at the rocks and the lay of the land up there. We’re on the side of a hill, and it’s blowing a gale, and

we're freezing, and (a staff Consultant) is like, 'look at this rock...why are those little ripples in that rock? Well there used to be a little shore here, and the waves would come up and very fine sand over thousands and thousands of years (has) been compressed in this rock.' He was very enthusiastic...you could tell he loved the subject. It was wonderful, I learned a lot and we had these experts (staff Consultants) coming along, and it was fantastic!'" (Respondent's emphasis)

The hiring of exploration geoscientists and reservoir engineers has posed a similar challenge, although to a lesser degree since an intrinsic part of their mandate has been to integrate in order to extend the production geoscience competency of the company.

Exit Survey Responses

Summary Survey Findings- Geoscience

Exit Survey Questions	Aggregate Answer
1. Which of the following best describes what motivates this company? (1-3)	
Efficiency	1.64*
Responsibility	2.18
Excellence	3.00
2. What would you estimate this company places the highest priority upon? (1-2)	
Short-term Gain	1.09
Long-term Value	1.91
3. When moral/ ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)	
The Resulting Outcome	1.82
Doing the "Right" Thing/ Action	2.55
Being the Right Kind of Person	2.18
4. Please put the following stakeholders in the priority you feel this company assigns them (1-5):	
Employees	1
Owners (Directors)	3
Community	5
Environment	4
Client	2
Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)	
5. How would you rate the morale at this company at this time?	3.77
6. How would you rate this company's reputation in the marketplace?	4.64
7. How would you rate your own job satisfaction at this time?	4.95
The following questions were asked of every respondent except the founder:	
8. How long have you worked at this company?	5.63 years
9. How many times a month, on average, do you interact with the founder?	~12
10. How committed would you say you are to this company?	5.20
11. How would you rate this company's commitment to your training and development?	4.50
12. Regarding the communication of company culture and values at this company....	
12a. How consistent would you say the founders are?	5.80
12b. How clear would you say the founders are?	5.40

*Note: Answers in **bold** are markedly higher or lower than answers provided by respondents at other companies

Table 7.17

These tabulated results will be discussed later in the comparative case analysis, but there are a few key points worth highlighting. Of note, every single respondent suggested that *excellence* was the primary motivator at the company and that *efficiency* was not the driving concern. Also, respondents indicate that *long-term* interests and *being the right kind of person* are more important than *short-term* interests and *outcomes*. Employees are given priority over clients, which may help to explain why Geoscience employees remain at the company significantly longer than others in our study. Milne’s unconventional business philosophy seems pervasively communicated and clearly received by employees.

Identifying Purpose (based upon interviews and supported by other indicators)

What is the 'Purpose' at Geoscience?

Selected Quotes:

"Provide subsurface technical support to the local oil and gas industry...while developing ourselves" –

Junior Consultant

"To survive and make money...so the shareholders (which is everyone you know...we're developing to an employee-owned company) have a future...and a good working career" -Exploration Consultant

"To demonstrate (Milne's belief) that this is the way business should be. He believes that people should have a (good) quality of life...and that your working life is part of that" -Board Member (and Milne's wife)

"To benefit the marketplace...for our own benefit...and the markets...and (our environmental/social setting)" – Founder (Milne)

Stated 'Objective' in PGL brochure:

Enjoyable, long-term client relationships, shared aspirations and mutual benefits

'Vision Statement' in Company Overview:

A sustainable, globally-known business renowned for its technical experience and expertise, its highly motivated and professional people, and its sought-after service and products

'Overall Business Strategy' in 2003 Business Plan:

To seek to continue to strengthen the profitability and robustness of the company and hence its share price through...

From Milne's Talk at the 2004 Company Offsite Planning Session:

Purpose statement:

- *To take a progressive view of business practices,*
- *To ensure the solid and outstanding application of professional & technical skills in pursuit of understanding the energy-giving rocks and fluids beneath the Earth's surface*
- *To exceed the expectations of our clients*
- *To do things differently*

Identifying Success *(based upon joint inquiry exercise and supported by other indicators)*

When asked how it is that Geoscience measures success, there is agreement among the respondents, indicating the following (in priority order):

- 1) Profitability
- 2) Staff Development/Retention
- 3) Client Growth/Retention

Identifying Excellence *(based upon joint inquiry exercise and supported by other indicators)*

When asked what excellence or the best aspirations for the company are, the responses vary broadly but can be divided into three separate dimensions: *internal, task/role* and *external*.

Internal Excellence

The following responses were submitted as the primary forms of internal excellence (either achieved or aspired toward) at the company:

- *First-rate Technical Skill*
- *Adaptability*
- *Mentoring*
- *Empathetic*
- *Satisfied with a Job Well Done*
- *Responsibility*
- *Team-Working*
- *Knowledge Sharing*
- *Comfortable/Relaxed*
- *Motivated/Proactive*
- *Staff Fulfilment*
- *Innovation*

Task/Role Excellence

The following responses were submitted as the most appropriate qualities with which Geoscience might approach various tasks and roles at the company:

- *High Quality Technical Work*
- *Conducive Setting (rural office)*
- *Relational (More than transactional)*
- *Diversity + Depth of Expertise*
- *Integrated Approach*
- *Addressing Client's Need: Proactive + Immediate + Long-term*
- *Knowledge Sharing*
- *Adaptable*
- *Sustainable*
- *Listening + Learning + Sharing*
- *Cost-effective*

External Excellence

The following responses were gathered as indicators of the excellent ways in which the company might relate with those outwith the company:

- *Responsive*
 - *Satisfied Clients*
 - *Committed to the Community*
 - *Strong, Long-Term Client Relationships*
 - *Unconventional*
 - *Relaxed/Friendly*
 - *Good Communication*
- *Professional*
 - *Committed to Environmental Issues*
 - *Multi-Disciplined*
 - *Knowledge Sharing*
 - *Honest/Ethical*
 - *Commercially Aware*
 - *Industry Recognition/Credibility*

Identifying Balance *(based upon joint inquiry exercise and supported by other indicators)*
Respondents saw these tangible success factors and less tangible excellence factors as part of an cultural equilibrium which may be graphically depicted as follows:

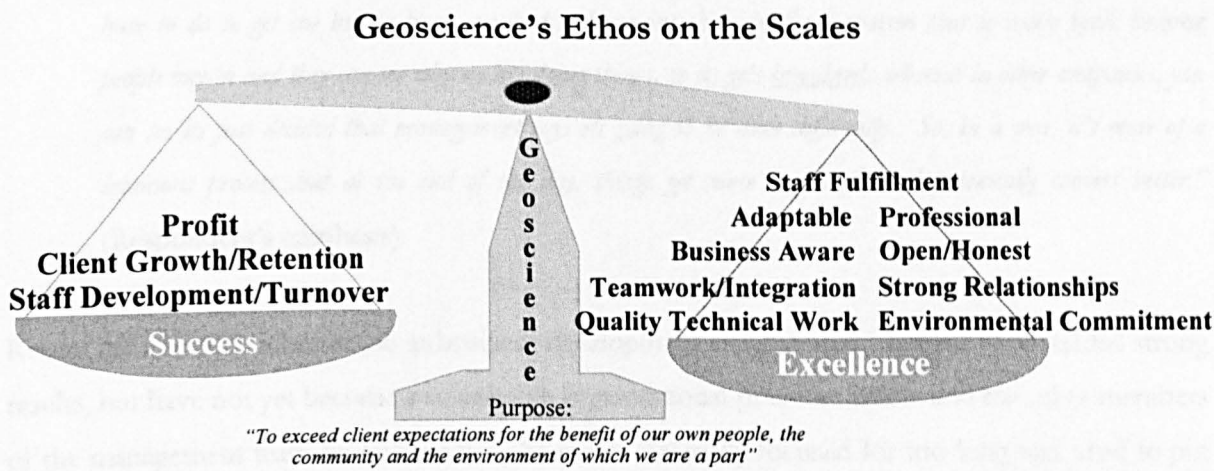


Figure 7.7

When respondents were asked to indicate which side of the scale the company put the greatest emphasis/importance upon, they asserted the company favoured excellence (score of 5.55) over success (score of 4.55). Most respondents implied that Geoscience, and its culture, places the greatest weight upon the less tangible, more intrinsic, excellence qualities...although that can and has varied with trying times and other external factors. There was also strong consensus that the two sides of the scale are strongly interdependent, but that you would be much more likely to get success by focusing on excellence (vs. the opposite corollary).

Summary

As is the case in many entrepreneurial firms, Geoscience relies heavily upon a founding individual for culture formation. From this central individual, the culture seems permeable enough to allow values and deeply-held assumptions to spread until they are adopted by every employee.

‘Everyone’s very committed to the same values. You wouldn’t get any, you know...dissent from this common, shared vision.’— Consultant and staff-nominated Board Member

This benefits the company, since extensive adoption of similar values facilitates stronger teamwork, integration and unification toward common objectives. However, maintaining such a culture comes with some undesirable side effects. One problem could be too much homogeneity, or lack of diversity, amongst the staff. Also, significant change is often a slow and difficult process in such a culture. According to Milne,

‘The difficulty here is that it is sometimes quite difficult to institute quite significant changes because what we have to do to get the buy-in from everybody. It means that...in the long-term that is really good, because people buy-in and they can see why we are doing things, so its gets ingrained...whereas in other companies, you can see its just decided that management says its going to be done differently. So, in a way, it’s more of a laborious process...but at the end of the day, things get more ingrained...and potentially convert better.’
(Respondent’s emphasis)

Recent efforts to do a better job at business development and external relations have yielded strong results, but have not yet become a sustainable organisational practice. Milne and the other members of the management team know they have been too internally focused for too long and need to put greater emphasis on linking their unique culture with the external environment. Still, the best methods for doing so, without sacrificing the benefits which have been gained by focusing internally, have yet to be agreed and implemented. Geoscience has yet to come to terms with its external environment, and it seems uncertain whether the clients they serve will prove to be a synergistic or limiting factor on Geoscience’s unconventional approach to conducting business. Resolution to this question seems to hinge upon whether or not existing and potential clients, in significant numbers, can learn to appreciate the unique motivation and style by which Geoscience operates.

Comparative Case Analysis

Based upon the *within case analyses*, and deepened by the *contextual factors* discussed earlier, it is now possible to consider the key similarities and differences between the five respondent companies. In grounding and developing the emerging theory of virtue, this represents a key process for surfacing any themes, patterns or correlations revealed by the findings. This analysis begins with the basic descriptions of each respondent company.

Comparative Summary of Respondent Companies

	IP Systems	Blairs	Global	Praxis	Geoscience
<i>Founder(s)</i>	2 Co-founders	1 Founder	2 Co-founders	3 original Co-founders; 2 remaining	2 original Co-founders; 1 remains
<i>Year Founded</i>	1988 (17 years old)	1995 (10 years old)	1987 (18 years old)	1991 (14 years old)	1990 (15 years old)
<i>Employees</i>	Approx. 40	Approx. 34	Approx. 86	Approx. 43	Approx. 48
<i>Central Office Location</i>	Business park near Aberdeen	Historical building near Aberdeen	Remodelled farmstead in rural village 20 minutes from Aberdeen	Business park in suburb of Aberdeen	Purpose-built structure in rural village 20 minutes from Aberdeen
<i>Industry Sector</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>Primary Clientele</i>	Oil & gas operating companies	Oil & gas drilling companies	Oil & gas operating and service companies	Oil & gas operating companies	Oil & gas operating companies

Table 7.18

As noted in the previous sections, these five companies are fairly similar, and have been purposively selected in order to limit the variables that may otherwise inhibit comparative analysis. Still, there are certain differences that seem likely to have impacted the organisational cultures under investigation in this study. In particular, the large number of new employees, in geographically dispersed offices (the result of aggressive growth by acquisition), have presented Global founders with a set of cultural issues not faced, to the same degree, by the other companies.

Additionally, the founders at Global and Geoscience are intent on establishing their own “unique philosophies” for conducting business. Each have cited this as partially explaining why they have chosen to locate their primary offices in unconventional, purpose-built structures that are situated in rural villages outside Aberdeen. Office location, appearance and surroundings can play a key role in

culture formation, so it should be noted that the founders of these firms have intentionally situated their offices to facilitate the formation of their respective cultural ideals.

"If this office building were in Aberdeen, I think it would feel different. It influences...it gives it a certain characteristic." –Founder, Geoscience

Our location in (a scenic, rural village)...was carefully chosen. We employ...staff who place a high value upon living and working in this rural community. –Early Geoscience marketing brochure

As indicated by explicit statements such as these, locating offices in these rural settings seems to have played a significant role in determining the staff these companies have been able to attract and the unique organisational cultures each has sought to develop.

An additional difference worth noting is the type of consulting each company does, and the distinctive clientele each serves. As mentioned previously, Praxis and Geoscience are more specialised companies, each employing highly-skilled professionals (many with advanced degrees) that are dedicated to one particular type of software package (SAP) or specialist discipline (geoscience). Although all five companies serve the oil and gas sector, the type of service offered by these two companies seems to indicate more interaction with 'onshore' personnel and administrative professionals. In contrast, the more generalised, ad-hoc products and services offered by the other three companies are likely to be designed for 'offshore' locations and non-administrative personnel. This difference may have some impact on the socio-economic status and education levels of staff members, as well as the clients they serve.

Comparing Purpose

To study purpose in an entrepreneurial context, research must look to the founder(s). Schein (1984) suggested, as discussed previously, that cultural enquiry should focus on the people responsible for its creation, values and assumptions. In young organisations, these cultural elements can be traced to a single individual. In the present study, organisational purpose was typically not made explicit, or in any way conveyed to staff. In the case of Praxis, communication on "mission" and "values" was intentionally avoided. In companies like IP Systems and Blairs, founders spent a great deal of time communicating with staff, yet respondents could not remember hearing the founder say anything regarding 'purpose'. Purpose was apparently gleaned as much by what was *not* said, but rather by what was *done*, as it was from any explicit statements.

Every one of the founders divulged a considered opinion about the true purpose of the company. These founder statements are listed, once again, in *Table 7.19*.

Comparing Organisational Purpose

Company	Purpose Statement
IP Systems	<i>"To allow the founders to achieve their dreams"</i>
Blairs	<i>"To meet the demands of the oil and gas industry... whatever they may be"</i>
Global	<i>"To achieve expectations through meaningful work; establishing a different kind of company"</i>
Praxis	<i>"To be our own bosses, ethically make money by serving our customers in the best possible way and look out for our people (staff)"</i>
Geoscience	<i>"To exceed client expectations for the benefit of our own people, the community and the environment of which we are a part"</i>

Table 7.19

As suggested earlier (*page 107*), MacIntyre’s (1985, p.273) three-part test for identifying virtue can be reshaped and paraphrase for application to the realm of business as follows:

- Stage 1: Does it contribute to the intrinsic quality of the given practice?
- Stage 2: Does it contribute to the integrity and flourishing of relevant individuals?
- Stage 3: Does it contribute to the flourishing of the relevant social tradition(s)?

As already discussed, this three-stage test can be used in evaluating the purpose statements provided by the founders in order to gain important clues about a key element of any teleological perspective: the motivating rationale for which these entrepreneurial ventures were launched. In IP Systems, we can see that the second stage test is addressed, while the first and third are ignored. In contrast, Geoscience seems to satisfying all three stages: 1) seeking the excellence of their craft, 2) the benefit and fulfilment of staff, and 3) the flourishing of the larger social and environmental context.

In this way, research studies such as this one can identify purposeful differences between respondent companies. In estimating the collective ethos of an organisation, however, we must look beyond the founders.

Incidents and Applicants

The process whereby new members were recruited and selected, and their responses to critical incidents, proved particularly fertile for exhibiting the collective ethos, or character, of a company. This is also a particularly useful resource for identifying *praxis*, validating that good intentions are

indeed being translated into tangible actions. Some of the key differences between each company are revealed in the different narratives that have already been provided, depicting broadly divergent responses to the same, or similar, industry crises.

With the support of these narratives, it is somewhat easier to compare and contrast differences in the ways respondent companies have selected and retained new members:

Comparing Staff Recruitment and Turnover

	IP Systems	Blairs	Global	Praxis	Geoscience
<i>Primary source of staff candidates</i>	In-house recruiter; word-of-mouth	In-house recruiter; word-of-mouth	Acquisition target; word-of-mouth	Recruiting companies; word-of-mouth	Recruiting companies; word-of-mouth
<i>Typical number of staff involved in interviews</i>	2	2	3	3	20
<i>Typical length of time spent interviewing</i>	1-2 hours	1-2 hours	3-4 hours	3-4 hours	2 days
<i>Are founders typically involved in staff interviews?</i>	Yes	Always	When present (~50%)	No	Always
<i>Is there an induction manual/process</i>	Yes	Not at present	Yes	Yes	Yes
<i>Are values explicitly conveyed?</i>	No	Sometimes	Yes	Yes	Yes
<i>Key redundancies (approximate year(s))</i>	~15 (2002-2004)	~40 (1999, 2002)	~12 (2003-2004)	2 (2002-2003)	0
<i>Average length of respondent employment</i>	3.64 years	3.03 years	2.32 years	4.89 years	5.63 years

Table 7.20

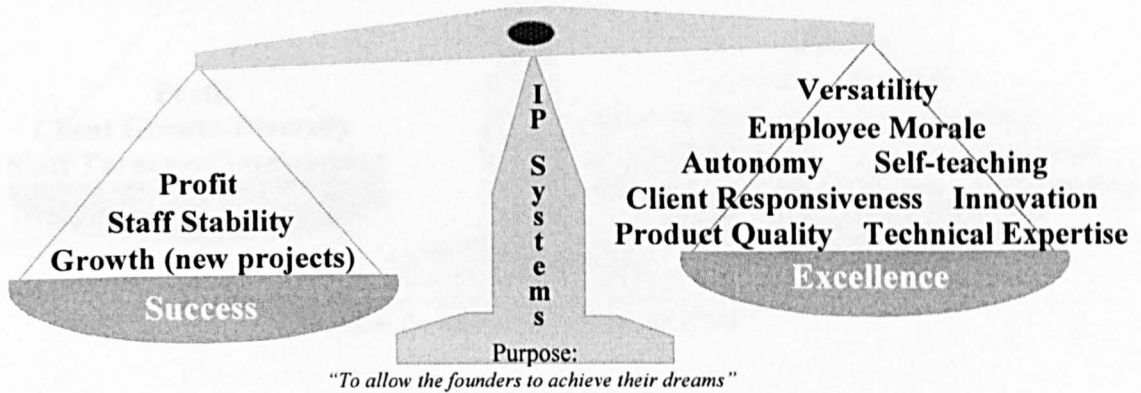
These differences help to explain the way in which staff are recruited and retained, but they are insufficient, by themselves, for divulging the assumptions and values of each organisational culture along Aristotelian lines. For this, we must consider each company according to the types of ‘goods’ which each organisation sees itself as primarily focused on pursuing.

Balancing Internal and External Goods

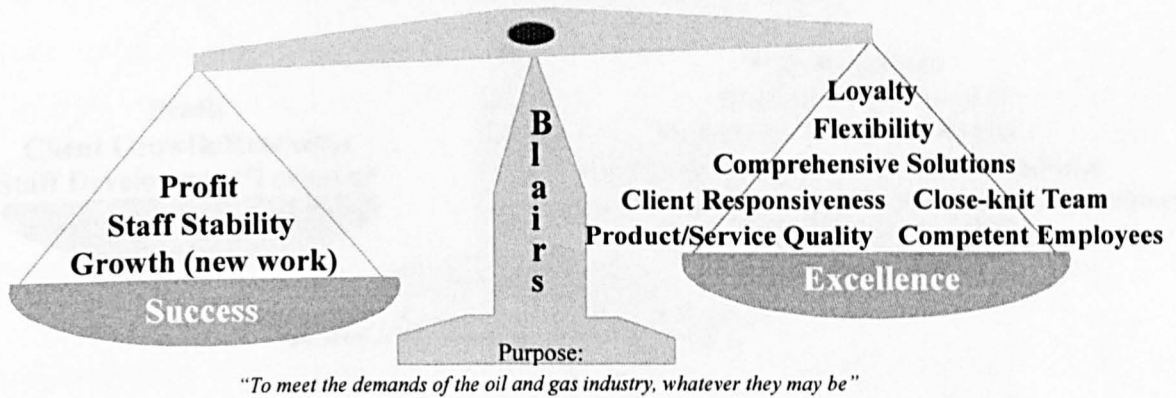
Using the *interactive joint inquiry exercise* described earlier (pages 94-96), each company created an aggregate list of excellence and success, for each side of a conceptual scale. Respondents also provided numeric weightings, which were similarly aggregated for each company. For the sake of comparison, the resulting scales are provided for each company below.

Comparing Organisational Ethos on the Scales

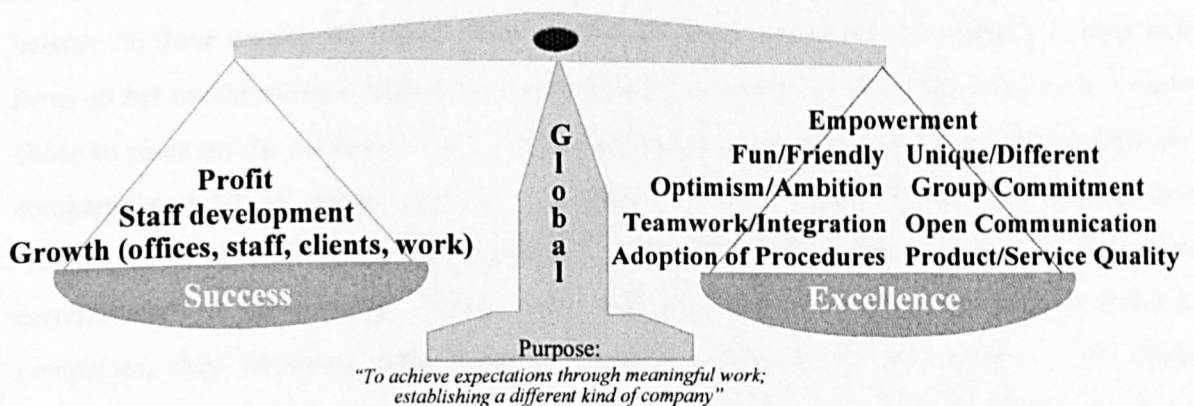
IP Systems



Blairs

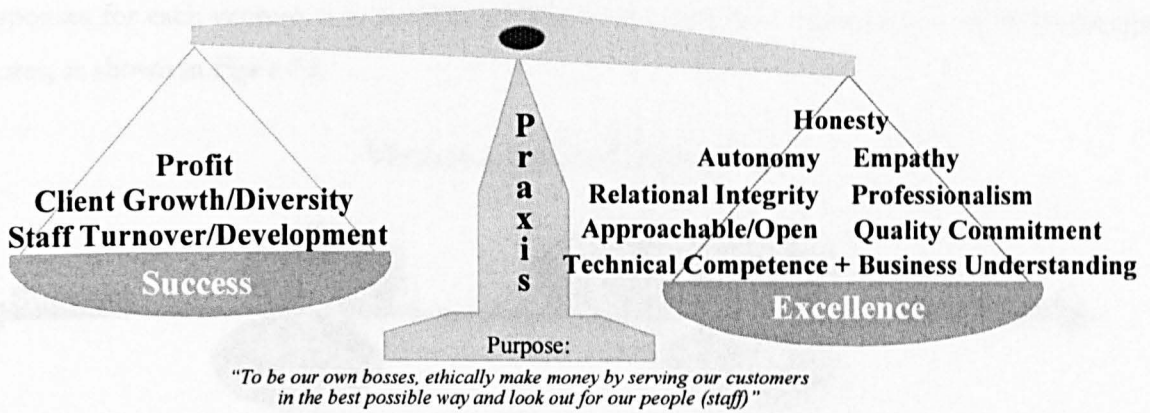


Global



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

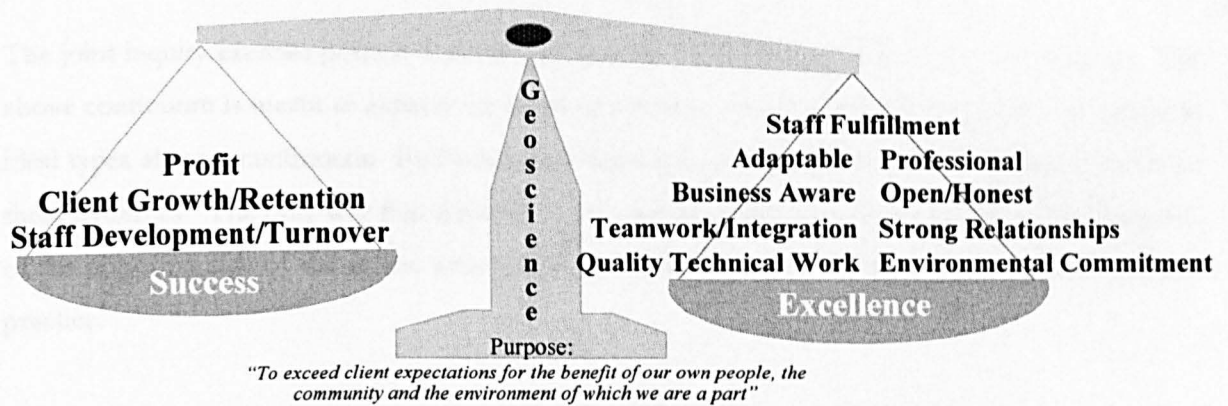


Figure 7.8

As can also be noted in the scales featured above, each company is shown to find 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 qualities were deemed pre-eminent at individual companies, they remained unmentioned by similar companies in the sample. This finding underscores the importance of specific excellence as defined by, and applied within, particularized contexts.

Virtuous Ethos Continuum

This research hoped to test a hypothesis that through in-depth analysis of organisational cultures, it may be possible to determine where any given institution will fall on a *virtuous ethos continuum*. By

analyzing the results from the interactive joint inquiry exercise, and aggregating the individual responses for each venture, it is possible to place each of the five companies, with their aggregate scores, as shown in *Figure 7.9*.

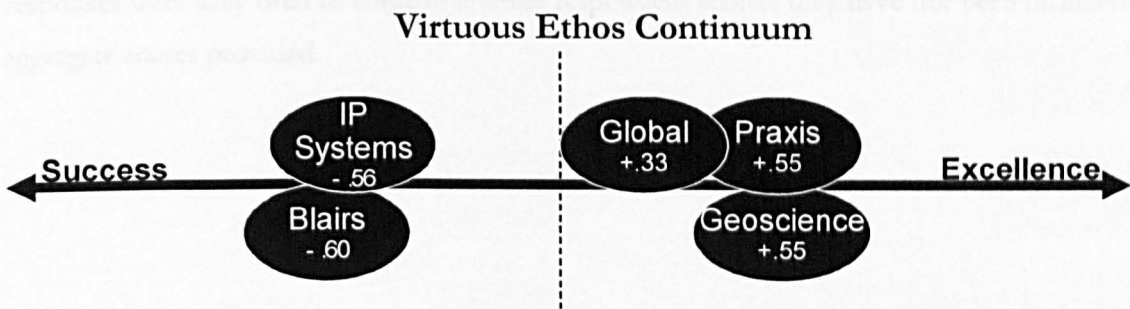


Figure 7.9

The joint inquiry exercise posited ‘success’ on one side of the scales, ‘excellence’ on the other. The above continuum is meant to expand the range of options, positing each of these terms as opposing ideal types along a continuum. By Aristotelian standards, it is impossible to fully achieve either of these extremes. The only way that either extreme may be approached is via the complete dismissal of the opposing side of the scales, which does not seem likely or feasible within common business practice.

At the beginning of this research, superficially, each of these companies looked fairly similar. Yet when analyzed as shown, they fell neatly into three distinctive bands along the continuum. The resulting position of each company seems consistent with what we would expect, based upon the purpose statements, in-depth interviews and external sources of validation gathered. Importantly, this depiction should be read with the understanding that this is where respondents suggest their companies place the highest value or priority. It does not indicate what the company feels it has actually achieved, or even what they would like to achieve, but where it places the balance at present. The chief function of this diagram is to estimate where current priorities are apparently being placed as judged by Aristotelian criteria. The implications of these stated priorities will be discussed in greater detail in the next chapter.

Combining different types of data can be synergistic in case study research (Yin, 1984), both tempering and bolstering findings as a form of triangulation (Denzin, 1970; Jick, 1979). To this end, a standardized survey was issued to each respondent at the close of the interview. The exit-survey data also provided some confirmation of the effectiveness of the joint inquiry instrument employed.

Exit Survey Summary

The following table summarises the exit survey responses gathered for each company. Competitors and external company respondents were also invited to participate in this survey, but as these responses were only used to confirm internal respondent scores, they have not been included in the aggregate scores provided.

Comparing Exit Survey Findings

Exit Survey Questions	IP Systems	Blairs	Global	Praxis	Geo-science
<i>1. Which of the following best describes what motivates this company? (1-3)</i>					
Efficiency	2.27	2.33	1.62	1.91	1.64
Responsibility	2.00	2.11	2.15	2.18	2.18
Excellence	1.80	2.00	2.69	2.73	3.00
<i>2. What would you estimate this company places the highest priority upon? (1-2)</i>					
Short-term Gain	1.70	1.22	1.08	N/A	1.09
Long-term Value	1.44	1.78	1.92	N/A	1.91
<i>3. When moral/ethical issues arise, which seems to be the most important criteria applied at this company? (1-3)</i>					
The Resulting Outcome	2.73	2.56	2.77	1.82	1.82
Doing the "Right" Thing/ Action	2.00	2.44	2.69	2.64	2.55
Being the Right Kind of Person	2.22	1.78	1.62	1.64	2.18
<i>4. Please put the following stakeholders in the priority you feel this company assigns them (1-5):</i>					
Employees	2	2	1	1	1
Owners (Directors)	3	3	3	3	3
Community	4	4	5	4	5
Environment	5	5	4	5	4
Client	1	1	2	2	2
<i>Respondents answered the following questions on a scale of 1-7 (where 7 is greatest)</i>					
5. How would you rate the morale at this company at this time?	3.45	4.44	3.54	N/A	3.77
6. How would you rate this company's reputation in the marketplace?	5.45	4.00	3.92	N/A	4.64
7. How would you rate your own job satisfaction at this time?	4.73	4.39	4.96	5.41	4.95
<i>The following questions were asked of every respondent except the founder:</i>					
8. How long have you worked at this company?	3.64 years	3.03 years	2.32 years	4.89 years	5.63 years
9. How many times a month, on average, do you interact with the founder?	~30	~28	~22	~5	~12
10. How committed would you say you are to this company?	5.33	5.13	5.50	N/A	5.20
11. How would you rate this company's commitment to your training and development?	3.11	4.88	4.86	N/A	4.50
<i>12. Regarding the communication of company culture and values at this company....</i>					
12a. How consistent would you say the founder(s) are?	4.44	4.75	5.45	N/A	5.80
12b. How clear would you say the founder(s) are?	4.11	4.63	4.59	N/A	5.40
<i>N= 55 people; Highest scores in black; Lowest scores in grey; Delineated as effectively equal if within +/-0.05</i>					

Table 7.21

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 as such, they 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 other information from the exit survey data serves to confirm and extend what we have found in the in-depth interviews. The companies focusing most on *short-term gains* and *efficiency* tend to place a greater interest on clients than they do their own staff. The companies that focus more on their *responsibilities* and *long-term value* tend to favour their staff over clients and other external stakeholders. These companies also tend to contain more satisfied staff, and, not surprisingly, employ them much longer than companies that place pre-eminent concern on client interests. Paradoxically, the company where staff interact with the founder most is also the company where company values are conveyed with the lowest degree of clarity or consistency. This company, IP Systems, also yields the lowest scores on staff development and company morale, suggesting that the founder interaction frequently provided is not as constructive as that found at other companies.

Caution must be taken in drawing correlations from this data. For example, without probing further, we have limited ability to gauge whether staff stay longer because of a virtuous ethos or the virtuous ethos results from a greater percentage of long-term staff. Only with our in-depth

interview findings can we begin to identify something of a symbiotic relationship between these two facets, whereby they are seen to systematically extend one another.

Some of these questions seemed highly contingent on recent events. For instance, from the perspective of the researcher, company morale seemed low at Blairs when compared to the other companies in the study. However, Blairs employees scored the highest rating of all the companies on employee morale, largely because they were comparing their present to a particularly caustic time in the company's recent past. Blairs respondents were using time as a comparative reference point, not other consulting environments. Blairs staff may not have even known that company morale could be better in other office environments, but for whatever reason, other settings were deemed less salient in making such evaluations.

It is also possible to measure whether the founder's response differs substantially from employee responses at the same company. In nearly every one of the questions listed above, however, there does not seem to be a significant difference between founder and staff perceptions. Still, company morale is also an interesting topic to consider in this vein. IP Systems and Geoscience had recently emerged from what was generally perceived to be a time of significant internal crisis. Both founders seemed genuinely concerned with how well the organisational culture could heal in the aftermath of such circumstances. At Geoscience, the founder felt he needed to make some tough management decisions in order to resolve the crisis, and seemingly due to a sense of deep personal remorse, he rated the employee morale at his company much lower than his staff had done. At IP Systems, however, most staff rated the morale low while the Co-founders seem to indicate that company morale was near its highest levels. These differences suggest the importance of measuring the extent to which a founder accurately empathizes with staff, or whether the cultural reality they are seeing is only the reality they want to see. Identifying different perceptions such as this can deepen our understanding of cultural embeddedness. Such differences also seem worth noting because they have undoubtedly impacted the findings in both positive and negative directions.

Values Survey Summary

The following table summarises the values survey responses gathered from each of the founders. As various values were mentioned in the context of respondent interviews, they were noted by the researcher. As the founders were typically the final respondents interviewed, it was possible for the researcher to present the list of company values suggested by staff and ask the founders to validate their importance, as judged by their own perceptions. Co-founders were also queried in this

fashion, but as their responses have added little incremental value to those of the “lead entrepreneur” (Ensley et al., 2000), they have not been included in the scores provided.

Comparing Founder’s Values

Value	IP Systems	Blairs	Global	Praxis	Geoscience
(Rate each on a scale of 1-7, where 7 is greatest)	Ratcliffe	Grant	Smith	MacDonald	Milne
Honesty	7	7	6	7	7
Integrity	7	7	7	7	7
Teamwork	4	6	7	5	7
Commitment	7	5	7	6	7
Range of skills	6	3	5	5	5
Depth of skills	5	5	5	5	5
Communication	7	6	6	5	7
Relationships	6	6	5	3	-
Autonomy	6	6	6	-	6
Open/Approachable	7	7	6	-	7
Just 'get it done'	4	4	6	-	5
Learn as you go	6	6	6	-	5
Teach yourself	6	-	6	-	
Project ownership	5	6	7	-	6
Efficiency	4	4	5	-	7
Quality	6	6	6	-	6
Versatility	5	7	7	-	-
Employee Ownership	-	-	6	6	-
Fairness	-	-	-	7	
Job satisfaction	-	-	-	5	-
Empathy	-	-	-	3	-
Safety	-	-	6	-	-
Formal procedures	-	-	5	-	-
Pride in job well done	-	-	-	5	-
Going extra mile	-	-	-	6	-
Determination	-	6	-	-	-
Loyalty	-	5	-	-	-
Integrated work	-	-	-	-	6
Dependability	-	-	-	-	7
Creativity	-	-	-	-	5

Table 7.22

The results of this values survey reveal few surprises, but help to confirm the other data sources used in this study. Unlike the interactive joint inquiry exercise, this type of survey is significantly inclined to possess a ‘social desirability bias’. Because the values listed are generally deemed positive qualities, it is not surprising that the founders have rated each of these a relatively high score. Still, of the relatively few values listed for every organisation, only *integrity* was ranked a ‘7’ by every founder. The founders’ value rankings largely correlate with some of the other generalisations suggested by other data sources used in the study. Yet paradoxically, the founders that have placed

the lowest value on *efficiency* and just 'getting the job done' (IP Systems and Blairs), represent the companies whose aggregate responses from the exit survey suggest are most likely to be motivated by *efficiency* and *short-term gain*. This anomaly gives added reason to suggest that the founders in these companies are not empathising with, or subscribing to, the same values as those commonly seen to govern organisational culture. Otherwise, the results of this survey lend limited value in challenging or deepening previous findings in this study.

Comparing Turnover and Profit

The turnover and profit figures for each of these companies are also worth noting. The following charts serve to highlight the volatility of the oil and gas sector, as well as the uncertainty of the entrepreneurial terrain.

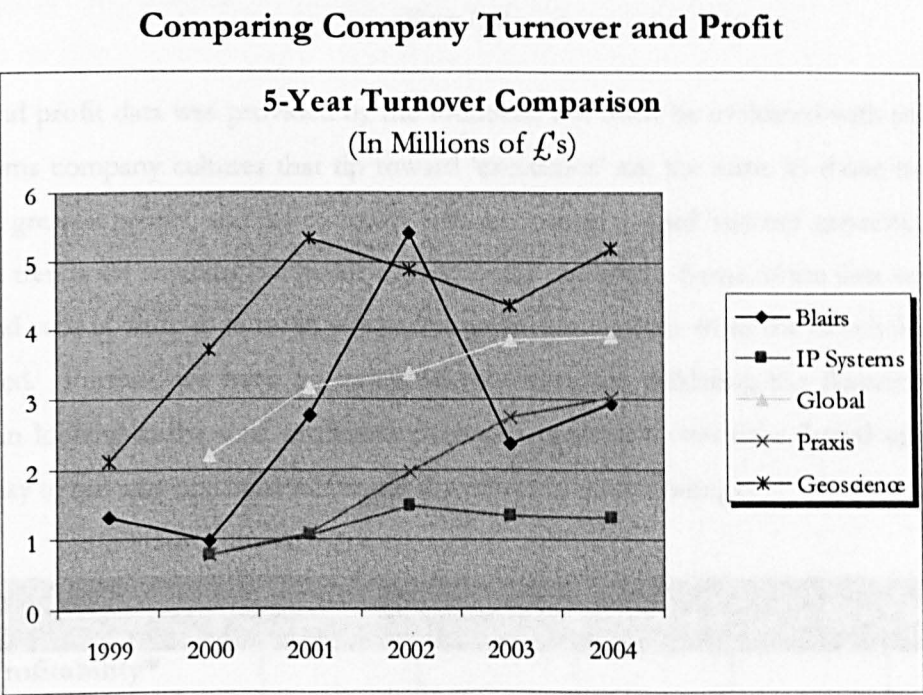


Figure 7.10

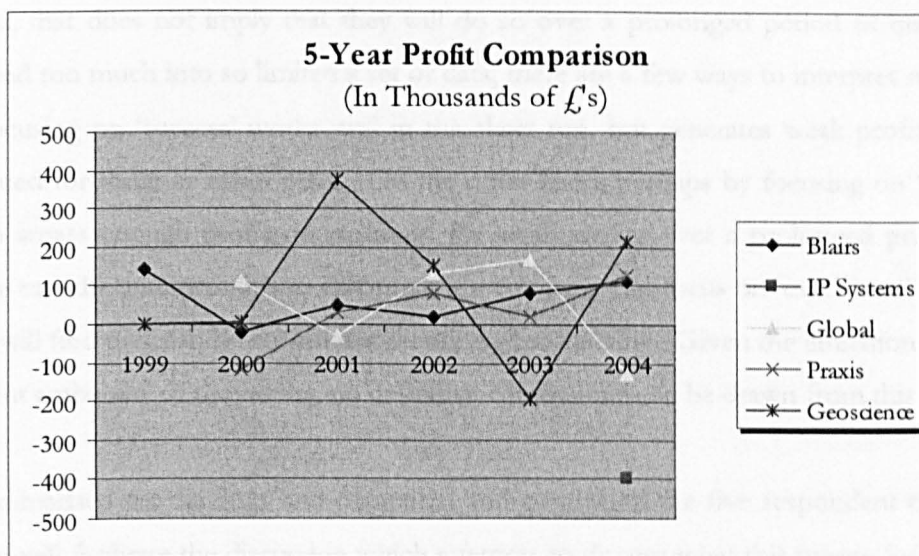


Figure 7.11

Turnover and profit data was provided by the founders, but must be evaluated with some caveats. While it seems company cultures that tip toward ‘excellence’ are the same as those most recently generate the greatest profits, and the company cultures that tip toward ‘success’ generate the greatest losses, these trends are anything but stable or empirically complete. Some of the data was not freely available, and so it is difficult to make any performance correlations from the closely-held financial data provided. Further, we have no independent source for validating the financials provided. Finally, when looking at the total profitability for each company over time (based upon available data), it is easy to see why one must be careful in evaluating these findings.

	Blairs	IP Systems	Global	Praxis	Geoscience
% Profitability* (Derived from aggregate totals for all years where both turnover and profit figures were provided)	2.46%	-30.51%	1.54%	1.44%	2.19%
Virtuous Ethos Continuum (Scores derived from interactive joint inquiry instrument)	-.60	-.56	.33	.55	.55
* Blairs only provided profit (loss) figures for one year, 2004; IP Systems and Geoscience provided profit and turnover figures from 1999 to present; Global and Praxis provided profit and turnover figures from 2000 to present					

Table 7.23

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.

Having summarised the findings and compared and contrasted the five respondent companies in this fashion will facilitate the discussion which attempts to discern what this means for the research question at hand. This is the discussion taken up in the following chapter.

CHAPTER 8

DISCUSSION

Introduction

At this point, it is appropriate to reiterate the research question: How, if at all, does Aristotle's theory of virtue contribute to a better understanding of the strategic and normative issues at the intersection of business and society? Aristotle, with the aid of MacIntyre (1985), has provided a framework for identifying virtue in a contemporary social setting. Using inductive methods for grounding the theory of virtue in a business context, this research has traversed back and forth between a working theory of virtue and rich cultural data to contribute patterns and insights for emerging theory. Multiple theories, methodologies, and data sources were used to triangulate the findings and deepen our understanding of cultural sensemaking in five comparative settings. In what follows, the initial revelations from this study are considered for their capacity to craft a response to our guiding research question.

What the Virtue Lens Reveals and What it Means

Based upon the *comparative case analysis* section featured in the previous chapter, we can make some tentative hypotheses about the value of viewing business through a conceptual lens of virtue. The cultural paradigms of the five respondent companies have revealed a number of relevant 'signposts'. It is now possible to 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 at the particular companies participating in this study:

- 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:

- m. 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.

Because of the limited sample size of this study, and the particular, contextually-bound nature of the theory of virtue, it would be unwise to make generalisations about the above signposts and implications. This study can offer no assurances that these characteristics would hold true in a similar investigation featuring companies in a different industry or location. As will be highlighted in some detail later, it is not the signposts which this study delineates, but the conceptual lens which this study has pioneered which holds generalisable promise. Furthermore, this study provides some promising investigation techniques and implications for informing future research of this type.

Lest it appear the more virtuous organisations in this study represent some utopian ideal, it is also helpful to note that such organisations may also find themselves subject to some possible limitations:

1. *Dictatorships are more efficient.* Organisations that require a deep level of staff commitment toward common purpose, values and aspirations tend to be slower to respond when rapid changes are required. As related to change in the short-term, dictatorships are more efficient.
2. *Innovation requires diversity.* Companies that have low staff turnover, high morale and common values run the risk of becoming too comfortable or homogeneous.
3. *Virtue is not inclined to 'economies of scale'.* Many of the features required to nurture virtue (e.g.- staff commitment, extensive interviewing, role modelling, habit-forming actions) require an inordinate amount of time and informal nurturing that is not predisposed to abbreviation or duplication.
4. *Virtue is contextually vulnerable.* Virtuous behaviour may be construed as antagonistic or counter-productive within organisations, industries or social traditions dominated by vicious assumptions (e.g.- extreme competitiveness, empiricism or short-termism).
5. *Virtue can hurt potential funding options.* Companies that are committed to nurturing a virtuous ethos may be less willing or able to entertain outside investment, or other strategic partnerships, if they see it impinging on the company's future capacity to nurture such an environment.

As the above limitations indicate, virtuous organisations are susceptible to their own set of challenges. Those challenges listed serve to highlight not only the perceived difficulty in managing such organisations, but also the uneasy relationship between the virtuous ideal and the prominent assumptions of contemporary business theory and practice.

There appears to be ample benefit in a cultural paradigm of virtue to counter limitations such as these, at least in the context of the specific organisations studied. In summary of these benefits, we have some empirical reason to expect virtuous organisations to be characterised by the following:

1. Achieving significant levels of excellence in their respective consulting practices (while generating strong performance measures for the company)
2. Contributing to the integrity, development and fulfilment of participating individuals
3. Actively aspiring to something beyond the interests of the company and its individual members, to include the interests of the larger community and society of which it is a part.

These summary benefits essentially mirror each stage of the three-part test prescribed by MacIntyre, as expounded earlier (*page 107*). As these stages were meant to serve as our guide in helping to identify the virtuous ideal, this endeavour has achieved some measure of success in discerning which of the respondent companies are closest to it, and which are not.

Interestingly, each of the signposts mentioned above may be mapped into these three areas, as each represents a distinct focus on a particular stakeholder group.

1. *Consulting service excellence* (primarily serving the interests of clients)
 - a. Strong priority placed on the art of the consulting craft, previous experience to hone that craft and ongoing professional development
 - b. Dominant emphasis on character, responsibility, and less tangible 'excellence'
2. *Business excellence* (primarily serving the interests of the company)
 - a. Modified or limited emphasis on consequences, efficiency and tangible 'success'
 - b. Such companies are likely to achieve high levels of profitability over time
3. *Teleological excellence* (the socially-defined pursuit of a common, noble ideal is seen to serve the interests of employees, the surrounding community and particular social traditions)
 - 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. Low staff turnover and longer terms of employment
 - e. Minimal differentiation (structurally and socially) between the founder(s) and the most junior employees
 - f. Greater likelihood that founder(s) share company ownership with staff
 - g. Strong emphasis placed on employee motivation and personal development
 - h. Wider social perspective: decisions and behaviours reveal principled, other-centred rationale
 - i. Long-term perspective: reasoning, validated by actions, in support of more than short-term gains

Importantly, according to a particularized theory of virtue, the social context is deemed of critical importance. As they used to say in Ancient Greece, "To live the good life, one must live in a great city." Using the same contextual logic, we should not expect the individual virtues of one organisation to resemble those of another, particularly if it uses a different business model or is part

of a different industry or social tradition. There is a limited capacity for generalisation based upon what has been revealed in these five companies.

What may be universally generalised, however, is the conceptual paradigm the theory of virtue has been drawn to represent. The findings suggest that Aristotle's theory of virtue, grounded in business contexts, can present a powerful lens for understanding the cultural reality of organisations. With the aid of MacIntyre, this lens has been developed in order to unify and balance key stakeholder groups and competing interests for particular social contexts. By recovering this teleological perspective, we can identify important advantages over prominent moral frameworks. These advantages are of particular relevance to the pressing social and moral issues of business, and can be summarised according to three central tenets of a cultural paradigm of virtue:

- 1) **Purpose:** Seen as a critical appraisal of the 'profit mandate', and the ingredients for establishing an ideal that is both noble and motivating, and that unifies the strategic and normative aspirations of an organisation
- 2) **Balanced Judgment:** A mechanism for conceptually aligning competing interests and orchestrating the moral evaluations necessary for supporting a shared organisational purpose
- 3) **Praxis:** A practical concern for individual actors, intentional actions and considered outcomes as embedded in particular settings and necessary for developing the capacity for future excellence

For the benefits listed earlier to be fully realised, a cultural paradigm of virtue must include each of these components. To exclude or replace any of these elements would be to present a debased version of the complete organism which Aristotle paints for us in his writings.

One trait which each of these components hold in common is a concern for the practical realities of particular settings. No business in operation today can ignore the present concerns regarding the motivation, discernment or the practical ways in which business is conducted. Too often, these concerns are insufficiently addressed in 'ethical codes of conduct' or other cultural artefacts that neglect the deeper assumptions of a given organisational culture. In contrast, the orchestrating components of a virtue paradigm are holistic and pervasive, expanding the domain of moral and social concerns, yet they are simultaneously woven into the strategic and normative fabric of all that is practical in organisational life.

This study does not claim to have found some utopian formula for creating the perfect company, but it has identified a conceptual lens for locating and developing organisational virtue for particular contexts. This contribution is an initial step toward grounding the theory of virtue in commerce, exploring its effects when found, and delineating its essential components for scholars and practitioners that seek to develop organisational ethos along Aristotelian lines.

The Virtue Lens as a Bicycle Wheel

This project set out to identify a dynamic theory of virtue, describe its properties and consider why it might be important for the study of organisations. Reviving Aristotle’s conceptual lens, this research has succeeded in locating virtuous characteristics in actual organisations like Geoscience. In so doing, this project has uncovered Aristotelian concepts that have been overlooked in recent empirical work. More importantly, this study has revealed a conceptual lens that yields great promise for resolving the social and moral issues of contemporary business.

The Virtue Paradigm as a Wheel

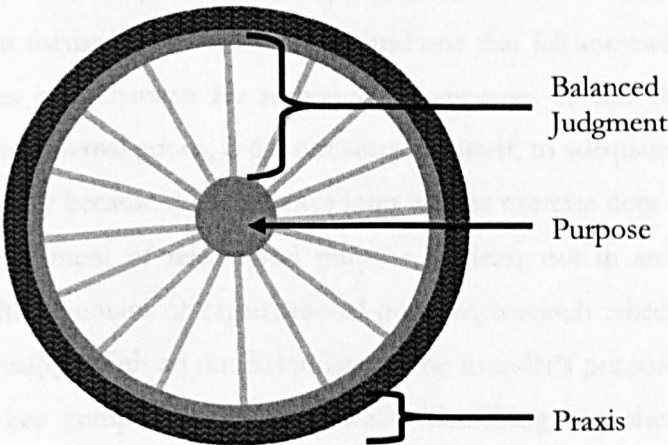


Figure 8.1

This research posits the virtue paradigm as analogous to a bicycle wheel. So construed, the axis, or hub, represents the institutional purpose. It is an alloy, forged from the interests of individuals, institution and society. The virtues are the spokes, balanced ideally between the excess and deficiency of a particular quality and collectively united by the purposeful guide at the centre. Practical wisdom is the rim, made of the same material as the spokes, yet a necessary device for directing them to their intended use. Finally, *praxis* is the point where the rubber meets the road; the place where purposeful intent becomes practical action. Without *praxis*, purpose and virtue are effectively useless. But with *praxis*, the entire apparatus comes to life and the wheel’s purpose is fulfilled. With strong *praxis*, the wheel gains momentum and added balance, like a settled habit, that

makes it easier to stay the best course. When all is humming to full capacity, spectators find it more difficult to identify the individual spokes for the uniform character they present as they whirl by. The wheel cannot reach its full potential without good and frequent contact with the ground, but all force, direction and proper tension is channelled through the hub at its centre.

In much of the recent empirical work on virtue, only the spokes or other isolated components of this complex apparatus are made visible. Worse, these components have been deductively applied to contexts that, on Aristotelian terms, can only be inductively defined and understood. Each of these components require particularisation for the given context they describe. The present exploration, in contrast to many applications of virtue to business, identifies the utility of a new lens for re-conceptualising organisations, and explicating the dynamic process whereby virtuous purpose is translated to *praxis*.

Virtuous Ethos Continuum

When we calculated the aggregate responses for each company, using our interactive joint inquiry exercise, we found that the companies fell neatly into three distinct bands: those that focused most on success, those that focused most on excellence and one that fell somewhere in between. While this exercise provides a mechanism for respondent companies to rate themselves according to Aristotle's internal and external goods, it did not seem, by itself, to adequately differentiate between companies. This is likely because the interactive joint inquiry exercise does not integrate Aristotle's critical orchestrating element of teleological purpose, at least not in an overt sense. Because respondents were often ignorant of organisational purpose, research relied upon that divulged by the founding individual(s). With an understanding of the founder's purpose for each organisation, we have gained a key component for empirically identifying organisational virtue, and that component can be added as a second dimension for estimating an organisation's place along the virtuous ethos continuum.

Aggregate respondent scores from the joint inquiry instrument indicate where a given organisational ethos places its evaluative concern. When these scores are reconciled with the founder's sentiments on purpose, we can begin to further differentiate these companies along Aristotelian lines. If a given purpose only passes one of MacIntyre's three stages, then the overall estimation of a company along the virtuous ethos continuum will tilt toward success, whereby passing all three stages will see a company tilt further toward excellence. Admittedly, this inserts more subjectivity into the analysis, but it permits the researcher to temper the respondents' collaborative perception with the founder's

direction, as both contain essential clues for identifying organisational virtue. In this manner, the respondent companies fall across one or more ‘bands’ that become visible when viewed through an emerging theory of virtue.

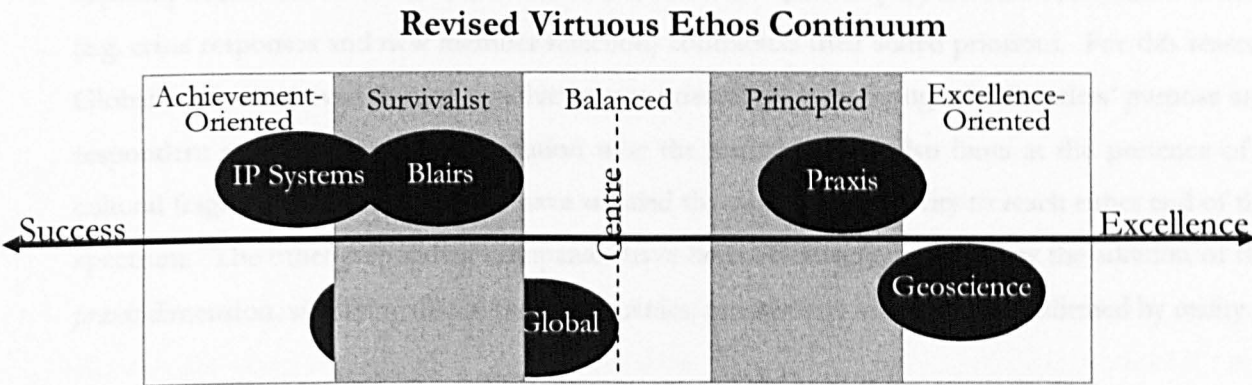


Figure 8.2

The selection of these bands, and the meaning they are meant to convey, warrant a good deal of further discussion and justification in pages that follow. Simply put, the bands in this diagram have been labelled based upon the dominant, differentiating feature that each company has seemingly used to make sense of their environment; an attempt to name the guiding rationale in place within each company.

Based upon the companies studied, it seems that a company can readily occupy more than one band at a given time, they may occupy different bands over time, and there is not necessarily a logical sequence by which companies develop along such a continuum. Thus, in the case of Global, the organisational paradigm deciphered in this study seems to be primarily neutral, or ‘balanced’, yet there is a strong emphasis on measurable ‘achievement’ as well. It is also worth noting that the extremes on either side of this continuum are impractical, and the vast majority of contemporary organisations would likely be placed similarly, somewhere near the middle. At the end of this chapter, these bands and their capacity to change over time will be considered vis-à-vis competing typologies for grouping psychological motivators and organisational development.

The third tenet of the virtue paradigm, *praxis*, contributes a third dimension for placing companies along this continuum. *Praxis* mainly plays a confirming role, validating the findings of purpose and collective ethos based on tangible proof it is being translated into action. This seems a necessary dimension to add because the researcher has found reason to suspect that certain spoken sentiments are rarely exhibited in practice; the ‘walk’ doesn’t always correlate with the ‘talk’. At Global, for

instance, it is clear that the founders feel deeply about certain forms of excellence. However, the purpose and values espoused by the founders seem to lack substance as represented in the actions of those primarily responsible for fulfilling contracts. Thus, although Global respondents spoke explicitly about core values (as indicated in their interactive joint inquiry exercise score), their actions (e.g. crisis responses and new member selection) contradicts their stated priorities. For this reason, Global has been moved toward an achievement orientation even though the founders' purpose and respondent scores indicate an orientation near the mid-point. It also hints at the presence of a cultural fragmentation that seems to have stymied the company's capacity to reach either end of the spectrum. The other respondent companies have been effectively unmoved by the addition of the *praxis* dimension, signifying that in these companies, perceptions seem largely confirmed by reality.

So construed, genuine virtue will affect different organisations in different ways. In an *Achievement-oriented* organisation, we can expect virtue to be antagonistic to success, since it will likely compete against the dominant emphasis. The 'wheel apparatus' for that organisation may have components that are severely lacking or have been assembled in an unbalanced way, and the purpose at its hub is directed toward achievements that have little to do with less tangible, internal goods. In any event, virtue will prove more difficult to locate in such a setting and when it is found, it may well have a counterproductive effect. *Survivalist*, or sustenance-driven organisations are so concerned with keeping the wheel from falling over that they really haven't made a concerted effort to consider where they would like to eventually arrive. In *Balanced* organisations, the wheel may be properly assembled and admirably balanced. Excellence and success may be roughly equal, either because respondents disagree on which is more important or there is no clear preference for either. Organisations of this type may excel at levelling the various interests of individual components, yet still appear mediocre through the lens of virtue. The wheel is not falling over, but it also isn't going anywhere fast. One explanation for this may be that in pursuing a perfect equilibrium between components, the organisation has lost its sense of purpose, or its capacity to translate that purpose to *praxis*.

The *Principled* organisation is epitomized by the organisation that sees a synergistic balance between excellence and success. This wheel is properly balanced and practical implementation keeps it moving along nicely. Importantly, there is an intentional characteristic to its movement, although it may not be adequately formulated or commonly shared among all members. These components may not know where they are heading, but they are clear on what is expected of them in their immediate role. In many ways, these organisations act according to Kantian deontology, having

adopted a general rule for governing action toward the fulfilment of obligations. *Excellence-oriented* organisations are comprised of strong components that are properly related to one another. What sets this wheel apart is its active pursuit of the perfect functioning for which it was designed. *Principled* organisations may achieve balance without a compelling vision, lacking either common purpose or adequate *praxis*, but *Excellence-oriented* organisations have seemingly found the formula whereby excellence and success are systematically extended by one another, propelling the wheel toward a noble ideal at a speed that requires the best practice of each component. The components and the wheel are each fulfilled (i.e. achieve their intended function) and they are balanced by the very pursuit of their full potential. Importantly, this maximising of their intended function emphasises an excellence that is internally-driven, and is tested (but not dictated) by the ‘external’ fact that the wheel is going up or down a hill. The process of exercising this full potential is more important than any achievement the company may hope to claim.

This analogy illustrates a contention made by this research: purpose, balanced judgment and *praxis* are critical components for bringing Aristotle’s robust virtue apparatus to life.

Comparing Continuums and Stages

Based upon Maslow’s categorisation of individual motives, Kinsman (1989) has created categories according to three psychological types: *sustenance driven*, *outer directed* and *inner directed*. Kinsman’s work in the field of psychology suggests that people can be seen to mature through each of these stages, eventually arriving at a state of ‘inner-directedness’. Handy (2002b), in applying these categories to the business careers of individuals, re-labels these categories as: *survival*, *achievement* and *self-expression*, and agrees with the same sequence of progressively maturing stages toward the ‘inner-directed’ ideal. The bands on the virtuous ethos continuum above are meant to correlate, somewhat, with the categories which Kinsman applies to individuals and Handy applies to individuals in business. One key difference, however, is that the present study is concerned with applying such categories to institutional cultures (instead of individuals). Thus, a different approach is required in order to combine the sequence of motivational development in individuals with moral maturity in organisational cultures.

The field of business ethics has relied heavily upon conceptual ‘stages of moral development’ as provided by Kohlberg (1976), and built on by others in the field of developmental psychology (Snell, 2000, p.272). Kohlberg’s cognitive moral development model assumes that moral reasoning capacity progresses through an invariant sequence of stages (Snell, 2000). Accordingly, ‘lower’ stage

individuals engage in ethical reasoning based upon coercion and punishment avoidance, often responding to outside threats and opportunities in a narrow, self-centred fashion. Middle stage individuals utilise moral criteria based on conformity to socially-defined standards and attempts to preserve inter-personal harmony. At the 'highest' levels of moral development, individuals are characteristically concerned with universal principles and empathetic dialogue. Kohlberg's stages have built upon the assumptions of utilitarianism and deontology as the most prominent normative foundations of our time (Weber, 1996). One way to describe the Kohlberg sequence is as a general progression which originates in a child-like egoism. Moral capacity is then seen to develop through utilitarian criteria, eventually leading to an ideal in the form of Kantian deontology (Robin et al., 1996). Based upon such underpinning assumptions, we should not be surprised to note an uneasy relationship between Kohlberg's stages and those prescribed by the pre-modern philosophy of Aristotle.

Kohlberg's stages are meant to combine normative and positivistic elements. In this attempt, he and those that have built on his work have generated a significant number of critiques. This approach has been criticised for the following:

1. An inherent bias toward Kantian deontology (Robin et al., 1996)
2. Lacking context-dependency and gender neutrality (Gilligan, 1982)
3. Presenting criteria that are too abstract to provide clear guidance for everyday moral dilemmas (Snell, 2000), and
4. Failing to provide a convincing link between moral development and behavioural intent (Robin et al., 1996).

Attempts to apply Kohlberg's stage model to institutions, or organisational cultures, have also been a major source of criticism. Because we have studied entrepreneurial organisations, there may be some similarity with the sequence of motivational maturity attributed to individuals and that which their ventures divulge. As the company continues to grow, however, this seems a difficult correlation to support.

"Direct application of Kohlberg's work is not possible. Organisations simply do not develop in the same manner and under the same conditions as individuals...individual moral development does contribute to the moral development of an organisation but is not determinant." (Reidenbach & Robin, 1991, p.274)

Importantly, institutions are not seen to mature through the same sequences as individuals. This has been noted by scholars attempting to apply Kohlberg's stages of moral development to the moral development of organisational ethos (Snell, 2000, p.276). Companies do not follow a logical sequence through the different stages, and given the many complex social factors involved, they may be as likely to move 'up' as 'down' any normative continuum provided (Reidenbach & Robin, 1991, p.275; Snell, 2000, p.276).

Responding to the difficulty of applying Kohlberg's stages to the moral development of organisational culture, Reidenbach and Robin (1991) have developed a new conceptual model of 'organisational moral development'. This model loosely correlates five levels to the various stages in Kohlberg's model, but with some important caveats that seek to make the model operational in an organisational context (1991, p.274-275):

- 1. Not all organisations pass through all stages of moral development*
- 2. An organisation can begin its life in any stage of moral development*
- 3. Most organisations in stage one do not leave stage one*
- 4. An organisation comprised of multiple departments, divisions, or (business units) can occupy different stages of moral development at the same time*
- 5. Corporate moral development does not have to be a continuous process*
- 6. Organisations at one stage of moral development can regress to lower stages*

The organisational moral development model thus resolves many of the contradictions facing researchers who wish to study organisations using something akin to Kohlberg's stages. The five levels of the model are listed in the table below, between Kohlberg's original and the proposed categories for the virtuous ethos continuum introduced earlier.

Comparing Levels of Moral Development

	Kohlberg's Individual Stages*	Reidenbach & Robin's Organisational Levels	Virtuous Ethos Continuum Bands
1	Punishment & Obedience	Amoral	Achievement
2	Instrumental Relativist	Legalistic	Survivalist
3	'Good Boy'-'Nice Girl'	Responsive	Balanced
4	Law & Order	Emerging Ethical	Principled
5	Social-Contract Legalistic	Ethical	Excellence
6	Universal Ethical Principle		

**This brief portrayal of Kohlberg's stages is adopted from Elm & Weber, 1994, p.342.*

Table 8.1

The various bands along the virtuous ethos continuum will now be discussed in the context of outlining its differentiating features in relation to the moral organisational development model. Perhaps the most central difference between these two types of categorisation is the philosophical foundation upon which each is built. As with the Kohlbergian model, Reidenbach and Robin start with the premise that the Kantian ideal represents the 'highest' normative stage of development. In contrast, the virtuous ethos continuum is built on the assumption that the Aristotelian ideal belongs in this place. Based upon the earlier discussion between the Kantian and Aristotelian paradigms (pages 27-30), it should be clear that these positions are based upon fundamental, even incommensurable, differences. On the virtuous ethos continuum, the closest thing to the Kantian ideal is the *principled* ethos, one regulated to a secondary status beneath the *excellence-oriented* ethos. This is partially explained by the virtue continuum's acknowledging the contextual nature of organisations, and by dispensing with the Kantian notion that universal principles can sufficiently guide individual actors in specific circumstances. This is the same differentiating feature that explicitly links the virtue continuum to intentional action, thus mitigating the criticism levied at Kantianism for being too abstract.

Like the organisational moral development model, the virtuous ethos model acknowledges that institutions develop differently than individuals. In this and other ways, the virtuous continuum subscribes to the same caveats listed by Reidenbach and Robin (with the possible exception of caveat #3) as required for making such a model operational in an organisational context. Similarly, this model consists of bands along a continuum that may be shared or outgrown in no particular

sequence. Hypothetically speaking, any company can be mapped along the spectrum made visible through the lens of virtue.

When conceived along Aristotelian lines, the difference between individual motivation and moral development is significantly reduced. Both are subsumed within notions of a virtuous purpose for guiding the motivational intent of each. For this reason, the similarity between the individual psychological motivations suggested by Handy (2002b) can be convincingly merged into the organisational motivations, moral and otherwise, that are seen to explain organisational ethos.

Research Limitations

Many of the limitations inherent in this type of research have alluded to in the above discussion. In order to avoid some of the pitfalls of using an interpretive approach, this research has taken measures where possible, particularly where it has attempted to reduce researcher bias. Because this is an inductive research study, it must respond to the criticism that in attempting to interpret reality as defined by specific individuals and organisational contexts, this study has foregone the capacity to speak to other individuals and contexts. This endeavour has attempted to address this criticism by relying on in-depth interviews with multiple key informants, both inside and outside the organisation, and found that a single, common interpretation of reality has gradually coalesced. Similarly, this research has compared five comparable organisations, working to find meaningful similarities and differences between a common view of reality as defined by those employing the same business model in the same region.

This comparative case analysis of organisational cultures has fundamentally used qualitative methods. The in-depth interviews remain the most authoritative source of the findings garnered in the pursuit of the guiding research question. However, in order to offer greater reliability and transferability, the study has employed a triangulation of theories, methodologies and data sources. While these approaches sit awkwardly beside the qualitative core of this research, they have also yielded significant value in the form of confirmation and deeper understanding.

With these and other measures that have been employed, it is important to reiterate one central and unavoidable limitation of this endeavour: only five consulting firms have participated in this study. It would not be wise, or true to Aristotelian concepts, to extrapolate generalisations from so limited a sample, no matter how rigorous the methods employed.

CHAPTER 9

CONCLUSION

Introduction

The purpose of this study has been identified as follows: to explore the applicability of Aristotle's theory of virtue for business. This has been accomplished by employing an interpretive approach for grounding a working theory of virtue. This working theory was built upon the conceptual and definitional framework provided by MacIntyre, but never before applied to businesses such as those featured in this study. Particular emphasis has been placed on the identification of valuable tenets within the emerging paradigm that may contribute new insights for addressing the social and moral issues of business.

Because of the relative novelty of the application attempted herein, and the scarcity of similar initiatives, we should not be surprised that this study has revealed a number of new insights. Relatively little was known about how, or if, Aristotelian concepts might apply to contemporary issues in business, so this research has gone some way toward confirming 'hunches', exploring new conceptual territory, and empirically grounding the theory of virtue in new and important ways. These contributions will be highlighted in what follows, beginning with review of the key tenets of this emerging, or recovered, theory.

Key Components of the Theory of Virtue

For all the recent conceptual and empirical studies on Aristotelian virtue, key elements of this dynamic theory are often overlooked. This research asserts it is possible to avoid this oversight by giving primacy to three chief components of the theory of virtue, each of which will be summarised and reviewed for the explanatory value it has provided for this research.

Purpose

"A good business is a community with a purpose, and a community is not something to be 'owned.' To many this will sound like quibbling with words. Not so. It is a moral issue." (Handy, 2002a, p.51-52)

A virtuous *telos* is the ultimate end-state that fuses the individual, the institution and the social setting at the hub of a cultural paradigm of virtue. This study suggests that purpose is a central feature for determining the most appropriate character qualities and motivational intent required of a given

setting. Indeed, much of the power of a dynamic virtue apparatus hinges upon a robust, teleological concept of purpose. Purpose acts as a unifier of the collective effort, connecting individuals, aspirations and deep-seated assumptions at the most basic level. On the organisational quest, it represents a constant, providing fuel and direction to every person and action involved; it is an infinite resource that differentiates and motivates the organisation. Employing such a concept requires us to re-conceive the organisation, acknowledging that a virtuous *telos* is drastically at odds with the 'profit mandate' or other prominent rationale used to explain organisational activity. The Aristotelian paradigm is incommensurable with the assumptions of neoclassic economics in theory and shareholder management in practice. The significant differences between the five 'purpose statements' compared in this study underscore the wide variance between founding organisational purposes, revealing a number of important implications, and contrasting those that follow the logic of the profit mandate and those that use a motivating rationale akin to Aristotle's.

Purpose is a critical differentiating concept between Aristotelian virtue and other normative and strategic frameworks. Purpose is also an orchestrating component required to unify the theory of virtue itself. Severed from teleological purpose, the various elements and qualities of the theory of virtue disintegrate into little more than 'values' or didactic platitudes. This has been shown in this study, where companies that verbalised the same qualities seemed successful in putting those qualities into action to a degree commensurate with how well those qualities were rooted in a shared organisational purpose.

According to MacIntyre, to be effective in pursuing virtue, individuals should nurture dispositions concerned with more than mere consequences (1985, p.198) or competitive ambitions. The virtues may be a potential stumbling block to ambitions of wealth, fame and power (1985, p.196), yet we should not be surprised when virtuous pursuits co-exist with, or even facilitates, the generation of these external goods. This assertion has been supported in this study, wherein the organisational cultures on the virtuous end of the continuum were also those that generated the best performance metrics. The most 'virtuous' of the companies studied (Geoscience) also had the lowest turnover and (most recently) the highest profit figures. Importantly, the all-important key from the virtue perspective is purpose: *why* do they pursue what they pursue, and are their efforts genuinely aligned and directed accordingly. In the respondent organisations, it is worth noting that in order to pursue virtue, one need not sacrifice profit. While this might certainly be the case in some contexts, it seems at least as likely to have the inverse correlation.

Balanced Judgment

This research has not sought to identify a new paradigm for adding a moral dimension to business (Etzioni, 1988), to define a universal moral minimum for business (Bowie, 1999), to balance an infinite array of stakeholder interests, or otherwise 'reinvent the wheel'. Instead, this research has reified a pre-modern theory that already accommodates a number of the persistent antagonisms between normative and strategic aims. Virtue challenges these dichotomies by placing the emphasis on the forgotten component in neoclassic and consequentialist thought: the moral agent in possession of a virtuous purpose and a settled character to pursue it. By positing judgment as the domain of a fully human character, balance finds a stable referent at the level of that agent's purposeful intent, a deeper level than provided by rules, espoused values or rationally-pursued outcomes. Consequently, it has the strength to unify other elements of the virtue apparatus, yet the flexibility required to deal with conditions not yet known or envisaged. This dynamic component seems to have proven particularly important in each of the entrepreneurial environments featured in this study.

This is an area where MacIntyre's work has proven particularly insightful for extending Aristotelian concepts to adjudicate between the competing layers, and competing goods, of a particular social context. Along the lines of MacIntyre's (1994, p.284-286) fishing community illustration, comparing the stories of similar companies, faced with similar crises, has provided fertile ground for evaluating organisational ethos. Gauging the responses between Blairs and Geoscience during the 2002 industry downturn, and probing the reasons behind these, has proven particularly revealing for considering the character of the individuals and organisations involved. These rich stories have not only served to make sense of previous decisions, they have become tales that convey what is important in each organisation and what staff should expect in the future.

The contextual nature of each response has also shown the pragmatic value of flexible discernment over time and between circumstances. Any theory that cannot accommodate this contextual nature will be judged lacking in pragmatic concerns. Fortunately, this is an area where Aristotelian virtue yields greater explanatory power than contending moral philosophies. Yet application of a virtue lens requires a different research instrument than that commonly employed in the field of business ethics. Thus, in order to accommodate contextualisation and important Aristotelian concepts, the interactive joint inquiry exercise has been introduced herein. This instrument has proven effective for research that seeks to decipher collective ethos along lines approximating the Aristotelian ideal.

Through inquiry such as this, balanced judgment has been shown to be practical, critical, contextual and traceable in contemporary business fieldwork.

Praxis

Intentional action, understood in Aristotelian terms, is where the theory meets the practice and the rubber meets the road. This research has attempted to show the importance of this concept, one which distances virtue from other moral frameworks and simultaneously brings philosophical abstractions to life. *Praxis* is the critical component necessary for distinguishing espoused values from meaningful virtues, for discerning genuine virtue from the simulacra of virtue. Of the three central components of the theory, *praxis* is perhaps the most susceptible to empirical investigation. Still, connecting *praxis* to organisational purpose is a tenuous and complex task that may require intensive fieldwork and interpretive methods such as those employed herein.

Praxis represents the process whereby virtue is developed, employed and realised, and as such, it represents a third critical component of the theory of virtue.

Silencing the Critics of ‘Virtue Ethics’

When these three central tenets of the theory of virtue are integrated into a dynamic paradigm, many of the prominent criticisms directed at what is known as ‘virtue ethics’ are resolved. Each of Koehn’s (1998, p.509-510) criticisms are delineated (in italics) below, followed by a resolution derived from the three components of a cultural paradigm of virtue. Virtue ethics is criticised for the following reasons:

1. *The theory overlooks how politicised our perceptions of situations frequently are. It fails to pay sufficient attention to systemic biases and to imbalances in power, both of which may make apparently ‘virtuous’ responses ethically suspect.*

This criticism is resolved at the level of teleological purpose. The MacIntyrian framework presented paints individual actors as social, political beings that work together toward a common aspiration that simultaneously aims for the excellence of relevant individual, practice, institution and tradition(s). It does not gloss over competing interests, but seeks to unify these at the deepest level of all, that of purpose.

2. *The theory fails to acknowledge the possibility that generally accepted practices or procedures may themselves be suspect and that the agent may need to make a radical change in his or her thought in order to be able to do the right thing.*

This criticism is resolved within the organisational ethos, part of a cultural paradigm which seeks to establish integrity between organisational character and the practical wisdom of individuals, as united in pursuit of excellence. This notion holds as its highest ideal the nurturing of organisational members and practices that pursue the right thing, in the right way, at the right time and for the right reasons. Generally accepted practices and procedures are seen to serve the demands of the cultural paradigm thus construed.

3. *The theory's typology of virtuous, vicious and weak-willed agents may blind us to behaviours that do not neatly fall into any of these categories.*

This criticism is resolved with the introduction of an interactive instrument for gauging institutional ethos as mapped along a virtuous ethos continuum. This new continuum presents a variety of 'bands' which become visible when viewing cultural reality through the lens of virtue. Complex social and cooperative human activity is never seen to be perfectly 'virtuous' or 'vicious', but typically represents a mix that resides somewhere near the half-way point between such ideal types.

Thus, the cultural paradigm presented in this research goes some way toward addressing Koehn's (1998, p. 510) call for coupling virtue ethics with "a richer, more complex individual and social psychology". Additionally, however, what has been featured here was not meant to be grouped with those writings which commonly fall under the heading of 'virtue ethics'. As mentioned earlier, the present research adopts a theory of virtue that is both larger and more particular than that found in studies rooted in Aristotelian concepts without the conceptual framework provided by MacIntyre. Yet MacIntyre's contribution is directly responsible for much of the contextual richness that Koehn calls for (helping to resolve two of the criticisms mentioned above), and addressing many of the other criticisms (Boatright, 1995) directed at 'virtue ethics'. When compared to the dynamic paradigm presented here, 'virtue ethics' is seen as a weak or diluted concept that lacks the philosophical integrity of the MacIntyrian framework and the practical grounding provided by this study.

Championing a Revolutionary Paradigm

A sufficient contending paradigm, as viewed by Kuhn (1970), offers as a conceptual lens that explains reality in a more meaningful fashion than possible using extant theory. It is a revolutionary new way of looking at the world that does a better job of uniting conceptual theory and observed reality. In practical terms, revolutionary paradigms require a champion. It is useful at this point to consider the chosen champions that each of the contending paradigms considered earlier (page 27).

Championing the Socio-economic Paradigm

Socio-economics points to public policy, and those trained to wield it, as the vehicle for reconstructing the way we see business. Efforts have been made to explicate its value for the corporate manager (Shaw & Zoller, 1993), but even then it is not presented as a likely challenger to the dominant paradigm in practical terms, leaving the authors to suggest a review of legal regulations as a logical area for future research. The potential impact of the socio-economic paradigm is limited by the champion and context which it has chosen as an introductory point: public policy.

Etzioni acknowledges little hope in convincing the existing generation of neoclassical economists to adopt the socio-economic view of things: "New generations and those who have not previously committed themselves to any particular paradigm are going to be the carriers of the new one" (Etzioni, 2003, p.109). Etzioni thus prescribes schools for training up these revolutionaries and scholarly discourse for refining the assumptions of socio-economics so that it can be used as a guide for setting policy.

However, our Western legal systems are built on the same Enlightenment legacy that has shaped our market system. Regulatory institutions often favour consequentialist logic, positing a view of the corporation as a group of shareholders, creditors and directors engaged in a practice driven by mere property ownership and fiduciary responsibility (Solomon, 1993; DeGeorge, 1999, p.15). Gradually, the legal status of the corporation is becoming more supportive of the moral agency inherent in business (Moore, 1999), but there is another reason to avoid looking to our legal systems or their policies to redefine the purpose and paradigm of business. In practical terms, public policy does not lead but "always lags behind" (Handy, 2002a, p.53), or is "driven by" (Wolfe, 1993, p. 2) capitalism. This is particularly true of best *moral* practice, as morality is a realm often characterised as existing beyond the domain of legislation (e.g. as embedded in such quips as 'you can't legislate morality'). As such, socio-economics challenges the way that business is viewed in policy debates, yet provides little guidance for those primarily responsible for influencing the way that excellent business could be done.

Championing a Kantian Perspective

Bowie's case for a Kantian business ethic indicates that the corporate manager is the most likely champion to put it into effect. He implies that tools such as corporate ethics programs (Reynolds & Bowie, 2004) may prove capable of operationalising the assumptions and principles of a Kantian

model. Such implications reveal something about the scope and scale of the contending paradigm which Bowie has drawn to date. While he has suggested that the very purpose of a company should be replaced with a Kantian alternative, the bulk of his argument implies that the changes required of his model are more *evolutionary* than *revolutionary*. Bowie concludes his case against the dominant egoistic paradigm as follows:

"It is tempting to tell entrepreneurs to break off from parent companies because they can make more money. Some undoubtedly do, but many also leave because they feel frustrated with the corporate bureaucracy where they work and can't get corporate acceptance of their ideas. My model would direct managerial attention to those disaffected individuals." (Bowie, 1991, p.20)

A revolutionary perspective might instead direct attention to helping those entrepreneurs bring ideas to life, even outside the strictures of the corporation.

The Champion of a Virtue Paradigm

To be established as a valid contender, the virtue paradigm must identify a suitable change agent in which to place its revolutionary ideal. Considering the virtue paradigm as a purely intellectual exercise is likely to prove neither effective or true to Aristotle's interest in deriving practical judgments. A contending paradigm must be grounded in business practice, and imbue that practice with an alternative purpose, if it hopes to provide an alternative to the pervasive logic of egoism.

In the business realm, it seems fitting to look to the founding entrepreneur as the most appropriate champion for so creative, practical and purposeful a task. There are a number of reasons that suggest the entrepreneurial process, beginning with Schumpeter's (1950, p.84) claim:

"The problem that is usually visualised is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them. As long as this is not recognized, the investigator does a meaningless job. As soon as it is recognized, his outlook on capitalist practice and its social results changes considerably."

Kirchhoff (1991) sees the same revolutionary capacity of entrepreneurship, identifying entrepreneurship as a likely catalyst for a paradigm shift in economics. Moreover, entrepreneurship is distinctively *prospective*: it projects itself into the future by pursuing aspirations that are both

ideological and rational. So construed, entrepreneurship is intrinsically a matter of future possibilities and the active pursuit of what Nash (1990, p.135) refers to as a “super ordinate” ideal. Entrepreneurship can thus be conceived as a unique form of “purposeful behaviour” (Pittaway, 2005, p.216).

The entrepreneurial territory tends to be a realm where novelty and intensity are high, there are few rules, processes or systems upon which to rely, and the moral fibre of an autonomous individual is likely to be tested and directly modelled to those inside and outside the organisation. These are all features of an environment uniquely suited to moral development along the lines of Aristotelian virtue (Crittenden, 1990). The social and moral implications of entrepreneurship are great, but rule-based notions of ethics will continue to prove inadequate for understanding entrepreneurial endeavour (Carr, 2003). Indeed, as is clear in the case of Geoscience, significant portions of the virtue paradigm are presently being employed to great affect in contemporary ventures, albeit without an explicit and developed framework for fusing descriptive and normative evaluations. There are strong conceptual and practical implications for a cultural paradigm that can explain and inspire such ventures.

The entrepreneurial agent seems the most likely champion for grasping so unique a perspective and possessing the ‘virtues’ (e.g. qualities like ‘creativity’, ‘determination’, ‘integrity’ and ‘practical wisdom’) required to bring such an ideal to life. A grounded theory of virtue thus proves particularly appropriate for emerging and dynamic settings, emancipating individual actors and guiding their best judgment in realms where generalized guidance is scarce.

"Well begun is half done." – Aristotle

Largely due to the research accessibility benefits of examining culture near the point of origin, this study initially chose to focus on five entrepreneurial ventures. Indeed, Aristotelian theory, interpretive methods and entrepreneurial analysis all fit well together in this investigation, since each are holistically concerned with the dynamic processes by which social settings are created and nurtured toward a common goal. However, this study may have identified more than a suitable unit of analysis. In entrepreneurship, this research may have identified the optimal organisational setting for understanding, and introducing, a cultural paradigm of virtue for contemporary business. MacIntyre only hinted at the potential of seeing organisational founding in such a light (1985, p.194; 1994, p.302), but he ended his treatise with a call for “the construction of local forms of community

within which civility and the intellectual and moral life can be sustained” (1985, p.263). Entrepreneurship is perhaps the most effective tool of modern society for building such communities.

This research makes it clear that contemporary ventures do not commonly evaluate business matters in Aristotelian terms, yet companies like Geoscience are still seen to operationalise key concepts of an Aristotelian perspective. While this may only be true in a small minority of entrepreneurial ventures, there is reason to believe that organisational virtue will be less likely in large, bureaucratic corporations. Nonetheless, every large corporation was forged in entrepreneurial beginnings, so studying companies at the point of origin may not only be true to Aristotelian prescriptions, it suggests a more promising setting for reshaping the organisations of tomorrow than has typically been the focus of the literature on management and business ethics.

Future Research

A key strength of building theory from comparative cases is its capacity for breaking from prior literature in order to present “framebreaking” insights with empirical support (Eisenhardt, 1989). Yet firmly establishing so novel a theory will require an iterative process of theory-building and theory-testing on a much larger scale than has been featured in these pages. This research has begun the development of a grounded theory of virtue. The findings provided here have established a sound footing on which future studies can build. Significant further research is necessary if we are to ascertain the scope and power of the sense-giving and sense-making lens we have (re)discovered in Aristotelian concepts.

Enculturation

“The successful building of consistent cultural paradigms, where values mesh with one another in internally supportive ways, does indeed play a key role in helping business organisations to achieve their purposes.”

(Frederick, 1995, p.88)

The process whereby entrepreneurs embed their individual assumptions and values into new organisational ventures is complex. Nonetheless, it is important that we understand this process of enculturation if we hope to explain the dynamic development of organisational pursuits containing both descriptive and normative content.

Revised Iceberg of Dynamic Organisational Culture

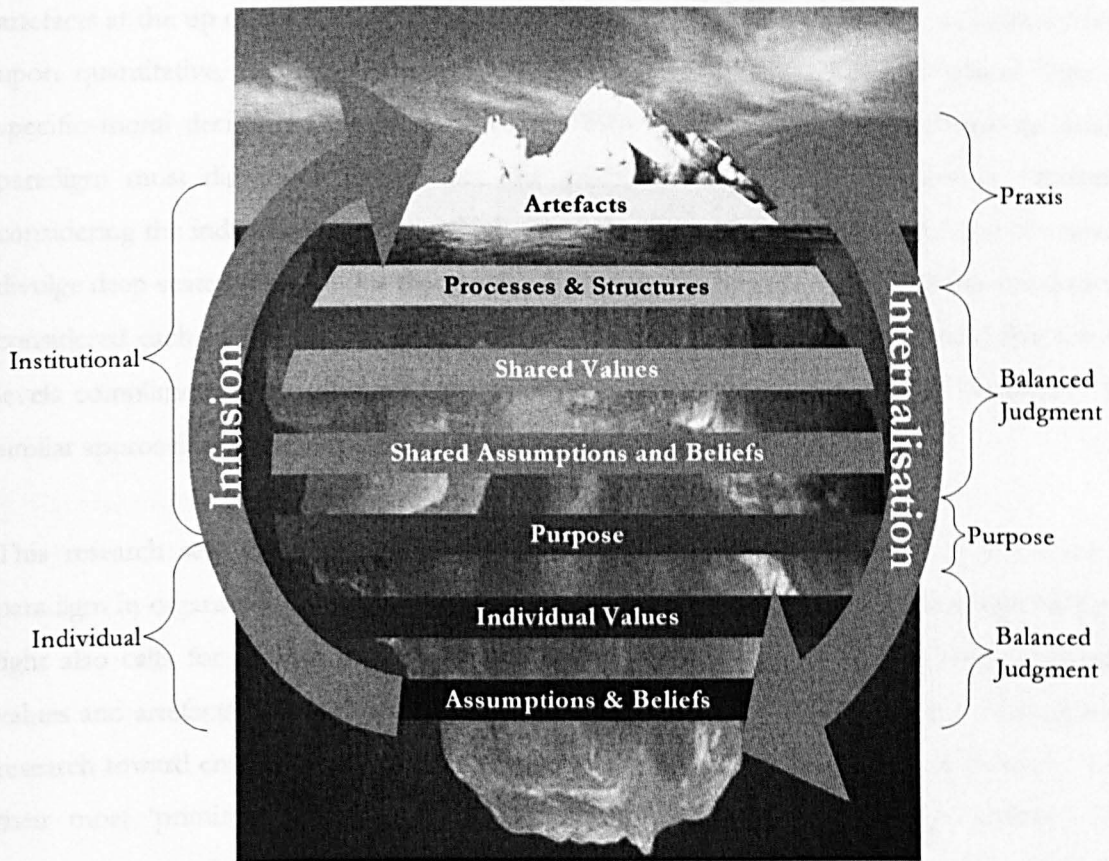


Figure 9.1

When discussing culture, climate or ethos, it is helpful to recognize the many potential layers involved. The above diagram is loosely adapted from Schein (1992), and extends an earlier depiction provided, to portray the key layers of development and change in an entrepreneurial setting and their relationship to one another, as revealed in this research. The deepest and earliest levels depict the realm where individual founders characteristically assert their greatest impact. The upper layers depict collective cultural elements, some of which (artefacts) are readily accessible to outside observers. Purpose, thus construed, refers to the deepest unifying element of the institution. This is the level which fuses the founding individual(s) to the founded venture; purpose is the missing link between *individual* values and assumptions and the *shared* assumptions, values and *praxis* of the organisation. The brackets on the right convey which levels would most directly correlate to the various components in a cultural paradigm of virtue. Finally, the arrows on either side suggest the dynamic process of cultural interdependency and change, the origin of which springs from the assumptions and beliefs of the founder(s).

Abstract: This research has gone beyond the surface of the cultural paradigm in use.

For research to understand the rich fabric of organisational ethos, it must dig deep beneath the artefacts at the tip of the iceberg. Too many studies in the fields of business and ethics have relied upon quantitative, deductive surveys that insufficiently explore the motivational logic behind specific moral decisions (Randall & Gibson, 1990). Attempts to accommodate an Aristotelian paradigm must dig much deeper into the cultural reality of an organisation, simultaneously considering the individual members which shape it and are shaped by it. This type of research can divulge deep-seated assumptions that govern the cultural paradigm in use. The present investigation considered each of the cultural levels depicted in the above diagram, and found that the various levels complimented and deepened the findings of individual levels studied in isolation. Thus, a similar approach is recommended for future studies of this type.

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This research sees three key components necessary for the development of a dynamic virtue paradigm in organisations: purpose, balanced judgement and *praxis*. To cast an organisation in this light also calls for looking at the multiple, diverse layers of the cultural paradigm: assumptions, values and artefacts; and their various embedding elements. Indeed, so holistic a lens predisposes research toward entrepreneurial settings, where the cultural complexities are sufficiently reduced to their most ‘primitive’ state. Attempting to identify the purpose or organisational ethos in corporations employing thousands of people is a much less certain endeavour than studying those elements in ventures employing 50 people, where a single founder maintains primary responsibility for the ownership and management of the company. Based upon this study of entrepreneurial firms, the most effective mechanisms for embedding virtue into organisational ethos can be listed as follows:

A virtue paradigm for business ethics

Investigating a Cultural Paradigm of Virtue

Cultural Embedding Element	Primary Source of Investigation
Initial values, assumptions and beliefs	Founder(s)
Guiding purpose or rationale	Founder(s)
Commonly shared ethos	Cross-section of employees
Role modelling	Founder(s); Primary shapers of culture; Cross-section of employees
Stories	Founder(s); Primary shapers of culture; Cross-section of employees
Responses to critical incidents	Founder(s); Cross-section of employees
Character screening of new institutional members	People and processes governing the recruiting, induction and dismissal of employees

Table 9.1

Abstract: This research has gone beyond the surface of the cultural paradigm in use.

Already, this research has gone some way toward identifying the ways in which organisational ethos may be shaped, motivated, nurtured and exhibited according to a cultural paradigm of virtue. Through embedding mechanisms such as those listed above, it may be possible for future initiatives to prescribe concise guidance for those seeking to shift organisational ethos toward the virtuous end of the continuum. Future efforts are sure to benefit scholars as well as practitioners that are willing and able to extend this research. In this way, a revived set of Aristotelian concepts may hold profound implications for creating and sustaining future organisations.

Scholarly attention has been largely directed toward *evolutionary* change at a corporate level and overlooked the capacity for *revolutionary* change via the entrepreneurial process. While the organisational purpose is derived from the personal assumptions and values of the founder (Schein, 1992), this purpose becomes the catalyst for shaping the cultural paradigm the organisation will use to address the future. The artefacts are underdeveloped during the entrepreneurial stage, but the purpose is perhaps clearer at this point than at any other stage of organisational development. This is because the venture's reason for existence typically exists in the head of one individual (Ensley et al., 2000), has recently been formed and employed, and has not yet been modified or diluted by the sub-cultures, counter-cultures, bureaucracy, empiricism and conflicting interests associated with larger firms. This is not to say that virtue can't apply in larger corporations, just that a disproportionate amount of the cultural paradigm is set at company origin. Thus, studying how and to what effect virtue is embedded in new organisational cultures is an important area for future research.

Next Steps in Grounding the Theory of Virtue

A virtue paradigm for business must be grounded in the realm of practical application if it hopes to succeed where dominant assumptions have failed. As mentioned earlier, Aristotle places great emphasis on the purity of the moral motive. This presents a challenge for empirical work, as it asks researchers to establish virtuous intent. As such, this study joins other interpretive research (Whetstone, 2003) in attempting to understand the motivating intent behind organisational virtue. For research that seeks to extend this paradigm in a more quantitative direction, Vardi and Weiner (1996) provide a useful conceptual model for combining moral development with existing instruments for gauging 'personal organisational value congruence' and 'organisational cohesiveness'. Because of the exploratory nature of the present investigation, these added instruments were not employed here, but may add confirmation and generalisability to future endeavours. Future studies are also needed to test the application of this paradigm so that we can

begin to see just how much variance we should expect between disparate business contexts. Furthermore, subsequent studies should seek to identify the differences between a virtue paradigm, contending moral theories and intuitive (common) morality in use. In this way, future research may extend this discussion and clarify the distinctive features of Aristotelian virtue for addressing the moral and social issues of business.

What the development of a virtue paradigm has lacked is what this project has contributed: a synthesis of the key Aristotelian components of a dynamic paradigm of virtue. The Enlightenment ideals that marginalized traditional teleological theory of this type are still very much alive and well. Thus, without a sufficiently robust virtue paradigm, we may find that the conceptual power of the virtue paradigm remains vulnerable to the same confusion and dilution which it has already fallen prey to since the 17th century. There is good reason to build a revitalized notion of the virtue paradigm along with existing efforts (e.g. Horvath, 1995; Mangham, 1995; Collier, 1995; 1998; Moore, 2002; 2005), that work to extend the conceptual framework and philosophical definition provided by MacIntyre.

It may seem odd to borrow from the concepts of Aristotle or MacIntyre, since both have been highly critical of commercial endeavours. Ironically, it is through their ideas that we can see a resolution to their criticism of business. This leap is premised on the likelihood that neither Aristotle nor MacIntyre adequately anticipated the capacity of contemporary business to re-invent itself through entrepreneurial endeavour.⁴

*"Don't compete: do something different, redefine what winning means.
Capitalism at least gives us that possibility." (Handy, 2001, p.150)*

⁴ In a brief conversation with Alasdair MacIntyre about applying his framework in this way, he was, at best, incredulous. Still, this research builds upon MacIntyre (despite his scathing criticism of the corporate bureaucrat) for the same reason that this research adopts Aristotelian concepts (despite Aristotle's views on women and slaves). This research acknowledges that profound theory is inextricably shaped, and limited, by the contexts and experiences of their authors.

Contribution

The driving research question throughout this research has been: How, if at all, does Aristotle's theory of virtue contribute to a better understanding of the strategic and normative issues at the intersection of business and society? It is now possible to answer this question with a few concluding remarks. Although there is a revived interest in the components of Aristotelian virtue, the complex issues of contemporary business require a virtue apparatus as profound as the original. In the context of this research, not only has the theory of virtue been successfully grounded in business, the emerging theory has been shown to offer unique and practical benefits for deepening the dialogue on social and moral business issues. The contribution of this research for existing scholarly dialogue on the topic can be summarised as follows:

- 1) Building on the conceptual framework provided by MacIntyre, this research extends scholarly attempts to apply a holistic Aristotelian perspective to the realm of business
- 2) Development of a new conceptual lens for understanding business, one that considers phenomenon insufficiently explained by the dominant paradigm, thus serving to bridge a gap between prominent theory and observable reality
- 3) This study apparently sets a precedent in being the first to empirically investigate the moral dimension of entrepreneurial settings using the prescriptions of comparative case research
- 4) The joint inquiry exercise introduced herein is a contribution in itself, a unique methodological instrument for revealing the place and power of Aristotle's 'goods' within a particular business context
- 5) This research is the first to empirically locate Aristotelian virtue in specific organisational cultures and contemporary business practices
- 6) Identification of key signposts characteristic of an organisational ethos that nurtures virtue
- 7) These findings have made it possible to explore some of the important practical implications, the benefits as well as limitations, of a virtuous organisational ethos
- 8) Demonstrate the misguided and misleading implications of recent studies that imply a list of 'universal' virtues, abstracted from specific contexts, can prove sufficient
- 9) Aristotle's theory of virtue has been grounded in particular contexts, thus serving to establish the conceptual power of an emerging theory amenable to generalisation

- 10) Entrepreneurship has been identified as an ideal setting for studying Aristotelian virtue in business; and the most promising champion for introducing this revolutionary paradigm
- 11) Providing an important first step in the further development of theory aimed at unifying normative and descriptive business aspirations, and resolving conflicting interests
- 12) This investigation yields rich findings capable of guiding future scholars or business practitioners seeking to employ an alternative sensemaking perspective, or lens
- 13) This research presents a pre-modern theory that challenges the *raison d'être* of contemporary business, and thus reframes the contemporary debate for considering the pressing issues at the intersection of business and society

Originality

In summary, this written work makes an original contribution in at least three ways:

- 1) Offering a new interpretation of existing philosophy and scholarship
- 2) Providing a new synthesis of concepts and contexts (i.e. applying this new interpretation to an area where it has not yet been applied)
- 3) Introducing new methods and empirical findings (i.e. bringing new evidence to bear on an old issue)

Despite these important contributions, this project is yet an initial step in the process of developing an emerging theory of virtue for addressing the moral and social issues in contemporary business. Much work remains if we are to understand the idiosyncratic characteristics, antecedents and expected outcomes of virtuous organisations. As warranted by the novelty of the application attempted herein, this research has taken a great many 'risks': introducing a new conceptual paradigm, new methodological instruments, and melding the language and logic of contemporary business with Aristotle's. Yet it has only been in taking such risks that the most significant contributions contained in this research have been made possible.

Conclusion

There are many reasons why Aristotelian concepts have not been applied to modern business. One of these reasons is worth reiterating here. John Maynard Keynes, a key figure in the neoclassical tradition, wrote in 1930 that in at least 100 years we shall have solved the "economic problem" of the human race, thus becoming free:

“to return to some of the most sure and certain principles of religion and traditional virtue: that avarice is a vice...the love of money is detestable, We shall once more value ends above means and prefer the good to the useful. But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair, for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.” (Keynes, 1972)

In this project, the social and moral issues that have arisen from decades of following such advice have been discussed. It seems clear that the “usefulness” of the consequentialist paradigm has been proven, perhaps even more efficiently than predicted. Although Keynes apparently knew that traditional virtue would provide a better paradigm for the long-term interests of society, what he did not point out is what we now see in hindsight: external rewards don’t satisfy human potential (MacIntyre, 1985); self-interested myopia eventually leaves people hungry for deeper meaning and purpose (Bolman & Deal, 2001). Perhaps Keynes hadn’t counted on some of the negative side effects of his prescription. After being neglected for so long, Aristotelian concepts become difficult to retrieve in meaningful form, and the adoption of new moral habits is immensely difficult within markets that have matured under incommensurable assumptions. Herein lays the challenge for research and practice that attempts to apply a virtue perspective.

In the present research, this challenge has introduced a number of complicating factors, due partially to the novelty of the application. It has required the researcher to re-define the common definition and rationale (e.g.- the ‘profit mandate’) attributed to modern business pursuits, while attempting to do so in a manner palatable to those participating in business. This research has found it necessary to translate the words associated with Aristotelian concepts into common vernacular from the business setting (e.g.- ‘excellence’ and ‘success’) that conveys some of the same meaning. Because of these complications, it has also been necessary for this research to employ methodological frameworks (e.g.- contextual interpretivism) and data collection methods (e.g.- the interactive joint inquiry exercise) that deviate significantly from the norm in such investigations. Furthermore, in evaluating the findings, the researcher has had to resist the temptation to sanctify familiar consequentialist logic (e.g.- virtue results in higher profits) which has also embedded itself in management scholarship just as it has in management practice. In sum, the relative obscurity of the theory of virtue has required this research to reframe the purpose, language, investigation and logic commonly associated with modern organisational studies.

The path that this research has chosen may not satisfy even that growing number of scholars seeking to apply Aristotelian concepts to business. There is still a great deal of disagreement among these scholars over the present state of the marketplace, which pressing questions need to be asked and the best approach for addressing them. Indeed, this is a natural, expected feature of working in a 'low paradigm' (Weick, 1995, p.171), such as that featured here (as contained in both Aristotelian theory and interpretive analysis). This study has attempted to map the terrain, while proceeding to establish a definitional and contextual grounding of the theory of virtue that can advance the discussion. This is important given the shifting boundaries of the management paradigm that are presently underway. To further aid the endeavour, this research points the way to a plausible new frontier. Virtue has been identified in business, techniques for exploring it have been introduced and some tentative signposts have been staked for others to follow.

In sum, the contribution made by this research seems to outweigh the many complications associated with a study of this nature. Applying the theory of virtue to the realm of business holds profound ramifications for current management theory and practice, the implications of which this research affords a limited, but important, glimpse. Victor Hugo has been quoted as saying, "There is one thing stronger than all the armies of the world, and that is an idea whose time has come". Based upon the pressing concerns at the intersection of business and society, this study, and Aristotle's theory, seems as appropriate as ever.

A virtue paradigm, applied at the creation of new institutional communities, is not meant to lionize entrepreneurs. However, this research highlights the pivotal role that these leaders hold for imbuing their organisations with a purposeful guide for addressing complex issues, and in so doing, establishing a lasting moral legacy. Such a legacy outlives its founders in an ethos of excellence, nurturing the practice and the character of every citizen involved and impacted by the organisation. This is the ideal that Aristotle envisioned in his writings. Rather than fear the powerful influence of entrepreneurship in contemporary society, the creation of new organisational communities may prove the process whereby such ideals are brought to life, and market society finds its way to firmer ground.

Reflective Post-Script

As mentioned in the preface, I embarked on this research with a great deal of naiveté. I initially thought that a novel, new theory would need to be created in order to reconcile the normative-strategic divide. My first surprise came from Ancient Greece. My second surprise came when my eyes were opened to MacIntyre's work. A third surprise was finding that someone like me, a research novice, was one of a very small group of scholars attempting to apply Aristotelian wisdom to the urgent social and moral issues of business of today. The rest of the journey has been marked by progress and retreat, trial and error, success and failure as I made a series of conceptual leaps beyond that prescribed in the literature in order to see which ones passed the test of plausibility and which were best abandoned. My hope is that what the reader finds in these pages has passed this test of refinement and what remains is a clear and coherent case for bridging enterprising aspirations across the normative-strategic divide.

What this final document masks are the interesting but often hopeless tangents that have been pursued in the context of this journey. Hundreds more pages and months of work have been discarded. I entered the literature completely oblivious to the many competing dialogues I would find. I was nearly unsuccessful in gaining access to five similar companies in the Aberdeen area. I took a flipchart to my first interview, and (four hours later) came away amazed that I had found a way to get respondents to dialogue on Aristotelian concepts without using Aristotelian language. This successful experiment (and others like it) could just have easily been a complete disaster. It wasn't until much later that I found a precedent for such an approach in Schein's (1984) work and eventually labelled it the 'interactive joint inquiry exercise'.

Though experienced interpretive researchers will not be surprised, I went to the field with a list of questions and came back with a bigger list of questions. I stumbled into the data collection process and found a great deal more than what I went looking for. Through a great deal of experimentation, I identified the best places to look for answers while following instincts and thinking on my feet in the field. I gathered and transcribed enough data to occupy a team of researchers for years, and from the confused mess of my questions and joint sensemaking with respondents, I was surprised a fourth time: rich new insights and meaning really *can* emerge from cultural reality, even when holistically studied with all its complexities and contradictions. In short, I feel I must let the reader know that the process of crafting this document is nowhere near as logical and coherent as the finished product...but the process has built 'character'.

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Appendix A – Pre-Fieldwork Inquiry at Company ‘T’

The following survey was issued to the founder of an entrepreneurial engineering firm serving the oil and gas sector in Aberdeen, Scotland. The intent of this pre-fieldwork inquiry was to gauge the clarity of certain relevant Aristotelian terms in the context of contemporary businesses.

Identifying Entrepreneurial Characteristics

If we look at the entrepreneurial pursuits that you and others have demonstrated at T, to what extent can you identify the following, on a scale of 1 to 7 (where 7 is greatest):

It is understood that some examples may be used to represent more than one of the characteristics, in which case, please use the example once on the single most appropriate characteristic.

How important has imagination (vision/innovation) been at T? 1___2___3___4___5___6___7

Example(s): *Imagination has been an essential bed fellow in our modest success to date. It is vital in the creation of new products to imagine or foresee their role and function in the market and then you are well on the way to creating a ‘self fulfilling prophecy’ momentum. It was also important when designing the company – we had to imagine ways of operating without venture capitalists in our lives!*

How important has courage been at T? 1___2___3___4___5___6___7

How useful has courage been at T? 1___2___3___4___5___6___7

Example(s): *Courage is a part of entrepreneurship. By definition it is the other side of the coin of risk taking. I don’t feel I have needed to be particularly courageous because I had no other option but to start my own company being utterly unemployable! Courage is needed to confront difficult issues like disciplinary procedures and staff dismissals, which we have sadly had to do a couple of times. If you don’t have the courage to face up to those things it lingers and can damage just about every aspect of a small company. Another example that requires a modicum of courage is confronting people or organisations in the market who are attacking the company in an unfair or dishonest fashion. The more successful you are the more this unpleasantness is likely to occur. My principal witness for this assertion would be Bill Gates.*

How important has discernment (practical wisdom) been at T? 1___2___3___4___5___6___7

How useful has discernment (practical wisdom) been at T? 1___2___3___4___5___6___7

Example(s): *I’m going to identify and define discernment as reading people and their emotions and needs. This then leads to choosing the right people in the first place and I believe recruitment to be the single most important function a business needs to get right if it is to flourish. Hopefully we recruit well here. Another example is the ability to say ‘NO’ to some opportunities because the longer term view should always overwrite short term gain.*

How important has leadership excellence been at T? 1__2__3__4__5__6__7

How useful has leadership excellence been at T? 1__2__3__4__5__6__7

Example(s): *Leadership is required when things are tough and the company is under attack. Leadership is about respect not about seniority, age, title or stock ownership. We have to show technical leadership when we introduce innovative new products. We have to show moral or human leadership if we detect low morale or dissension in the ranks. Fortunately this has been rare but it has been necessary when we have had to dismiss a person and explain why to the rest of the company. This is linked to the question on courage above. Leadership and courage are inseparable. In the day to day routine I think leadership is about a light touch on the tiller now and again rather than charging around throwing one's weight about. Great fun but neither constructive nor effective!*

How important has a reputation for being responsible been? 1__2__3__4__5__6__7

How useful has a reputation for being responsible been? 1__2__3__4__5__6__7

Example(s): *Not sure whether this question refers to the individual or the company. Its vital that the company is viewed as responsible because people with mega buck assets offshore need to know you are going to be there to support them 24hours a day having produced best in class equipment in the first place. Slightly maverick behaviour from an individual is not so damaging as long as it does not harm the supply chain or the customer, after all any publicity is good publicity is it not.*

How important has a reputation for being trustworthy been? 1__2__3__4__5__6__7

How useful has a reputation for being trustworthy been? 1__2__3__4__5__6__7

Example(s): *I assume by trustworthy you mean honesty and integrity rather than responsibility because that was your previous question! Long term business is about honesty, contrary to the outside world's opinion! I think I said this to you when you visited. Examples are when we pay commission to agents who knew nothing of a sale in their territory until the money appears in their bank!*

How important has determination been at T? 1__2__3__4__5__6__7

How useful has determination been at T? 1__2__3__4__5__6__7

Example(s): *We are in a daft business. Relatively large amounts of money required to create a product and when we have sold 50 of them that's the market saturated. You need to be determined to pursue a daft business but that of course is one of the essential elements that makes it so much fun. Its like a bumble bee – it shouldn't be able to fly but nobody has told it so it just goes ahead and flies anyway.*

How important has empathy (assuming another's perspective) been? 1__2__3__4__5__6__7

How useful has empathy (assuming another's perspective) been? 1__2__3__4__5__6__7

Example(s): *Our Investors in People programme is imposing this on us all and is proving very useful in uncovering hidden problems, hidden talents, counselling needs, training requirements, good attitudes, bad attitudes etc. It is helping us to care more for each other which is empowering for the individual and the team.*

Does benevolence play an important part in your business? 1____2____3____4____5____6____7

Does benevolence play an useful part in your business? 1____2____3____4____5____6____7

Example(s): *Not a word found in the Aberdonian dictionary! Psychologists would argue there is no such thing as a non self-serving intent. However I do believe it is important to support charities of choice and give one's time to education and guidance of those that are following – if they want it!. It makes me feel better and less selfish which in itself is therefore a selfish motivation. Privilege should be shared not hogged! I'd rather the company was viewed as generous and compassionate than the reverse but with an extra \$100K in the bank each year!*

How important has it been for T to strive for honesty? 1____2____3____4____5____6____7

How useful has it been for T to strive for honesty? 1____2____3____4____5____6____7

Example(s): *Sorry Carter, I interpreted 'trustworthy' above as honesty. To repeat myself it is vital in every aspect of company and personal life.*

Are there other entrepreneurial traits that you feel have been as/more important?

Yes, in no particular order:-

1. *A sense of humour*
2. *Openness as opposed to a 'secret squirrel' attitudes because then you can share and discuss problems, emotions etc.*
3. *To naturally like and trust people when you first meet them rather than the reverse – people buy you not your product.*
4. *A cliché but 'out of the box' thinking to connect the apparently unconnected e.g taking onshore products underwater and underwater products onshore or into new markets like medicine or process industries.*
5. *To realise when entrepreneurial characteristics are limiting rather than enhancing company growth. Generally, entrepreneurs intensely dislike red tape, procedures, boring administration etc. Its important to put management in place to handle that if the company is to mature. This means delegation, not something many entrepreneurs seem to be good at.*
6. *A natural inclination to challenge authority. This doesn't mean breaking the law this means questioning 'but it's always been done like that'. If you are reasonable and accept the status quo there will be no progress therefore human progress is generated by unreasonable people! (not strictly logical but it amuses me!)*
7. *And on a lighter note – charm, good looks and an utterly irrational conviction that you are right when everybody else on the planet thinks otherwise! I enjoy only 33% of these useful virtues!*

Generally speaking, how would you define “core values” (not specific to T)?

Outside...the company core values, if that makes any sense, are to produce products and services with a technical and price edge over the competition. We then have to commit to on going economic support of products even when they

become museum pieces. Customers expect more from a twelve year old sonar than normal people expect from a five year old car.

How would you define the “core values” at T?

As above but fun as well please!

How important have core values been at T?

1___2___3___4___5___6___7

How useful have core values been at T?

1___2___3___4___5___6___7

Example(s): Carter, struggling slightly with this because I will be repeating answers to previous questions. Have I misunderstood what you mean by core values? If so please educate me and I will try again teacher!

Generally speaking, how would you define the term “virtue” as it may or may not represent business dealings (not specific to T)?

Forgive me for a lack of originality here but I would tend to go along with the Oxford English Dictionary! Moral excellence, uprightness, goodness. (If you can't beat it nick it!)

In what ways, if any, would you suggest T has acted “virtuously”?

Hopefully we have been striving for this on the basis that we firmly believe this is the most effective way to make a business profitable and highly reputable. Whether or not we are achieving this high moral ground is for others to judge. We would argue vigorously that we are virtuous! We are striving to be a good employer and hopefully there will be real evidence of this next week if and when we are awarded Investors in People status. We make it clear to customers that if our products fail and do not meet expectations then we will refund their money without argument. This is accepted by them and means they are far more ready to take a risk on a new product from us because they trust us to put it right or give them their money back. I hope also act virtuously in our attention to safety issues, government rules and regulations, boring though they are, resisting exports to dubious countries and even paying the tax man promptly. A final minor example is that I think a profitable company should (help) the local community and charities. We do make charitable contributions and do support local universities and schools with visits, lectures etc. We preach the gospel of the excitement of engineering to these people to try to save good brains from becoming accountants, stockbrokers, or software nerds.

How important has virtue been at T?

1___2___3___4___5___6___7

How useful has virtue been at T?

1___2___3___4___5___6___7

Example(s): I have answered most of this above, so in summary I think one of the most important, albeit abstract, assets a company enjoys is its reputation or its goodwill. I don't think a company can score highly on these unless it is 'virtuous' both in its internal attitudes towards its staff and suppliers and its external behaviour towards its customers and in the local community.

How does T define success?

We are successful if:-

1. *We are having fun.*
2. *We are producing world class products which are acknowledged to be so by independent experts.*
3. *All our economic figures and ratios are substantially above industry norms in our sector.*
4. *We have a reputation for technical excellence, honest business practice and first class service & support.*
5. *We generate several competitors modelled on us! Whilst at face value this is not desirable it is a compliment and ensures that we stay very much on the ball.*
6. *We win the odd award.*
7. *Staff turnover is low and morale is high*

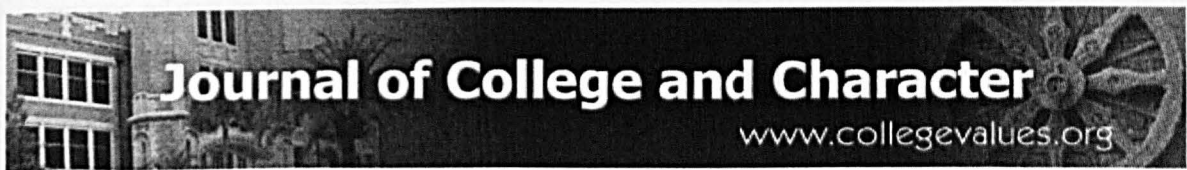
Appendix B – Pre-Fieldwork Inquiry at Westmont College

The following pre-fieldwork inquiry featured an institute of higher education which was meant to serve as a test for applying a working theory of Aristotelian virtue to a complex organisational setting. A summary of the study is presented in the following published article.

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The Virtues of the Academy: A Modern Application at Westmont College

Abstract

This paper presents Aristotle's theory of virtue, exploring a modern application in the form of a liberal arts institution, Westmont College. The case suggests that key indicators of Aristotelian concepts, such as virtue and balance, may yet be found and that using such a lens to understand community may lend important perspective for attracting and nurturing excellent faculty members.

Keywords: Virtue, Academic Virtues, MacIntyre, Character, Moral Development

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The Virtues of the Academy

A Modern Application at Westmont College

The modern liberal arts community operates in a complex social setting. Civic engagement...global awareness...institutional diversity & change...service learning...faculty development...these are but some of the issues pressing our colleges and universities to re-evaluate their societal role. What seems lacking is a conceptual framework, and language, with which to evaluate these difficult issues. We lack a theory that integrates a variety of “goods” while providing a mechanism for judging actions related to those goods. Rather than craft some clever new theory to address this problem, we would be well served to revisit ancient Greece. Aristotle developed a theory of virtue that incorporated important concepts for living in community, a theory for stabilizing individual, institutional and social needs. We can glean practical insight from Aristotelian thought, particularly as it relates to the complex college and university communities. It is within this realm, and the faculty role in particular, that I would like to apply his theory of virtue. After sketching key components of the theory, we will turn this conceptual lens to look at a present-day case in the form of Westmont College.

Aristotle established a number of core tenets for understanding our collective and personal aspirations. The moral philosopher Alasdair MacIntyre, in *After Virtue*¹ and other projects, has done much to breathe new life into these tenets and to present them as a foundation upon which we can build present-day meaning. In an attempt to paraphrase MacIntyre’s complex definition of the word *virtue*, I submit the following: *Those dispositions that sustain practices and the excellent qualities they require in the relevant quest for good, to include that which sustains us and extends individual and collective capacity to achieve excellence.* For a deeper understanding of the virtue framework, we will briefly explore three of the conceptual pillars upon which it is built.

Balancing “The Good” of Individual, Institution and Tradition

One of the core tenets behind Aristotle’s theory is a teleological perspective whereby our lives are viewed as something of a quest or narrative toward *the good* of a given tradition. Such an understanding could not accommodate individual pursuits that failed to acknowledge their debt to society, or failed to integrate the interests of that society with their own individual interests. Aristotle espoused a logic that was more concerned with *who we are*, and the pursuits which best foster the development of character, in contrast to the prominent moral philosophies of today

which tend to prescribe rules and guidelines for prescribing *what to do* in a given situation. A theory of virtue shifts the focus from the act to the actor under the premise that habitual excellence of character will stabilize and unify communities in a way that formulaic guidelines for behaviour cannot.

Internal Goods vs. External Goods

Another of Aristotle's theoretical building blocks presents an important distinction between that which is *necessary* and that which is a *sufficient* end toward the shared objectives of a given community...and he called the later *virtue*. This notion divides the resulting outcomes of any given practice into *internal* and *external* goods. Both are deemed important, even necessary, for the flourishing of the community. Aristotle championed a focus on the internal goods, despite their elusive nature. MacIntyre uses the practice of chess playing to illustrate these competing categories of goods. In chess playing, *strategic imagination* may be deemed a virtue, while *winning* an external good. Interestingly, while strategic imagination is deemed a worthy pursuit in its own right, too great an emphasis on the external good of winning devalues the qualities of chess, leaving the game susceptible to abuse and immoral means (i.e.- cheating). External goods are characteristically competitive; their pursuit necessarily results in losers as well as winners. The internal goods need compete only with one another in an attempt to achieve an excellence that benefits all those affecting or affected by a given practice. When used in the balanced and excellent support of a given practice, the virtues will always support *the good*.

Global Tenets, Contextual Virtues

Virtue attempts to establish habitual excellence at the level of individual character related to a specific practice. While it would shun universal qualities across different traditions, the theory of virtue endorses one best way to define the community purpose, and suggests that there are certain best practices all members should aspire toward. For this reason, the virtues of a given practice are best defined by individuals who are familiar with the purpose of their own unique environment. This presents the theory of virtue as a universal conceptual framework. If they are to be of practical use, however, any but the most basic catalogue of virtues will necessarily be context-specific. Because institutions serve different and changing purposes, the virtues that sustain them may similarly differ and change.

We will now turn to consider these concepts as they relate to the practice of liberal education in our college and university communities.

Envisioning the Virtuous Academic Community

Aristotle's theory makes it impractical to separate the practice that the virtues support from the institution which supports the practice. This suggests that virtue is intrinsically contextual and socially-bound, as depicted here:

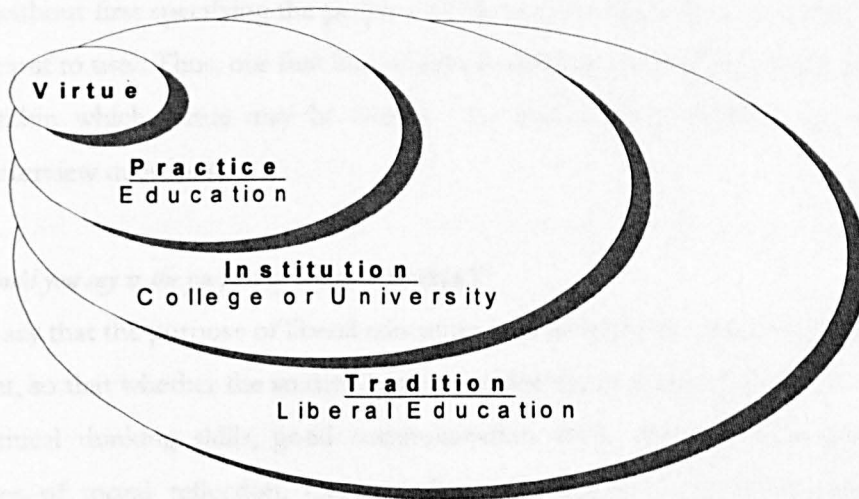


Figure 1

With the relationships in *Figure 1* established, we can begin to apply the theory of virtue to our own educational communities. While the individuals, institution and tradition are responsible for explaining the purpose of education in each setting, they are an incomplete representation of the various constituents that benefit from that the optimal achievement of that purpose, to include students, suppliers and the local community. As such, this theory could inspire a critical evaluation, or deepening, of the very purpose that our liberal arts institutions seek to fill. However, I would like to restrict this discussion to the people at the delivery interface of that educational purpose: the faculty.

Aristotle's theory calls us to focus on the excellent habits that are specific to our craft. For me, a doctoral candidate that hopes to develop the best qualities in preparation for joining my ideal liberal arts faculty, this raises a crucial question: *What are the virtues that a liberal arts faculty member should aspire toward and what does the environment look like that fosters them?*

Westmont College: A Case Study

I have begun this conceptual application by interviewing Dr. Shirley Mullen, Provost of Westmont College. Westmont is a residential, Christian liberal arts institution based in Santa Barbara,

California. Because this also happens to be the institution that I graduated from in 1992, I have some prior familiarity with the academic climate and institutional vision that make this institution appropriate for viewing through this conceptual lens.

Based upon the central tenets of virtue theory, one cannot begin to identify the virtues of higher education without first specifying the purpose of the institutional and other social contexts wherein they will be put to use. Thus, our first line of inquiry seeks to establish the aims of the structure and tradition within which virtue may be found. To this end, Dr. Mullen has responded to the following interview questions:

Q: *What would you say is the purpose of 'liberal education'?*

A: I would say that the purpose of liberal education is to develop the distinctly human capabilities of a student, so that whether the student becomes a doctor, or a car mechanic, the person will have good critical thinking skills, good communication skills, developed creative potential, clear categories of moral reflection, understanding of living in political communities, etc. It is education that is directed toward human wholeness and that is carried on with an understanding that a true education must touch the cognitive and affective parts of a person and should manifest itself in changed behavior in the world.

Q: *What would you say is the purpose of Westmont College?*

A: The purpose of Westmont College is to provide students with an excellent liberal arts education where the under-girding philosophical and theological framework is rooted in the Christian faith.

Q: *How does the average Westmont faculty member define his/ her purpose?*

A: Certainly most would define their purpose as living out before their students the values of the Christian liberal arts as a college professor. That is, we do not assume that all of our students will become academics. But we hope *to model for them what a life looks like that is fully human--that is lived with purpose and intention, that links long term goals with daily choices--and that recognizes the complexity and wholeness of human existence* (i.e.- concern for God, work, family, community, etc.)

The response to this last question, particularly the portion that I have placed in italics, seems to sum up well the purpose of Westmont faculty. Furthermore, this statement seems wholly consistent with the institutional mission and tradition statements delineated previously, incorporating notions of human wholeness, philosophical and theological depth, the standard of excellence and a link to

pragmatic action. Now we can begin to identify the faculty virtues that may best achieve this educational purpose.

Q: *What does Westmont look for in new faculty?*

A: Westmont looks for new faculty who have excellent preparation in their academic field and who want to stay involved in that world; who are committed to communicating their field effectively to undergraduates and who have a vision of how students might be changed in response to their fields; who are committed to being an active part of an academic community and playing a role in shaping that community; who are well-balanced people of solid character and mature Christian faith. I leave the fourth one last--not because it is the least important--but because it is the most all-encompassing.

Q: *How does Westmont indoctrinate new faculty to the Westmont "way" or purpose?*

A: Westmont has a new faculty workshop when faculty begin. Each new faculty is assigned a senior faculty member as a mentor; then the mentor and the department chair work with the faculty member through the tenure and review process (which takes up to six years for new faculty). There are also weekly faculty lunch gatherings for building community, monthly faculty meetings and a "faculty exchange"--where 6-8 faculty share a set of ideas on something controversial followed by a discussion.

Q: *Within Westmont, what distinguishes ideal faculty members from others?*

A: This one is complicated, but let me try: they continue to be interested in their teaching and in learning throughout their careers; they continue to see their work as primarily changing students--so that the work is never old because the students are always new. Ideal faculty are usually team players who have a community of colleagues and intellectual friends--in contrast to being loners. I don't know that their declared motivation would be any different--so much as the habits of mind and the practices that they have individually chosen to cultivate over the years.

Q: *How are the ideal traits encouraged? How do faculty receive the most recognition?*

A: This is a very hard question. Obviously, there is the tenure and promotion process, which carries on formally until a faculty member is promoted to full Professor (eligible after 12 years of teaching). But even during this process, the life of excellence in faculty is very intrinsically motivated. There are very few external means of reward and penalty within academia. The work is ultimately very individual and private. In practice, faculty receive the most external praise for

publishing articles. I think this is primarily because that part of their job is the most tangible and quantifiable. Each month at faculty meetings, faculty who have written articles or other public work are recognized. Students would praise faculty most for their teaching. Each year, three faculty are awarded “teachers of the year” at graduation. The sad thing is that some of the most important work--teaching, advising, mentoring, is harder to name up front.

Q: *What part of your role as Provost has been the most rewarding?*

A: As Provost, I see my main task to tend to the vision of the college and to nurture the people who are carrying out that mission. The part I have most enjoyed is trouble-shooting and helping individuals find room for their own goals and to see those as possible within the context of the institutional mission.

Measurement along the Virtuous Climate Continuum

How can we determine the extent to which a liberal arts institution is, or is not, living in accordance with the theory of virtue? We may attempt to measure a community by mapping it along a continuum, where perfect virtue is at one end, and vice on the other. Because it is often associated with the pursuit of relatively tangible rewards, it is easier to attempt to identify vice than virtue when initiating such an analysis. Because a vicious community does not possess a unified purpose, such a community may not acknowledge, or may be divided by, disparate interests. This may be seen in separation or antagonism between various members (i.e.- faculty and administration, or the institution and the local community). Because virtue calls for a focus on internal goods, we should not expect to find an unhealthy emphasis toward winning in areas that may cause others loss (i.e.- filling student seats, publishing articles or claiming salary). Virtue pursues an excellence that is not so constrained by limited resources. The critical value of external goods cannot be forgotten; typically, it is not possible to forget them for long (most of us have no problem remembering how important a salary is). Yet too great an emphasis on the external goods leaves the purpose of education, and the virtues that sustain it, vulnerable to decay or even perversion. Internal and external goods must be balanced. As is often the case, the most difficult and appropriate balance is struck between two goods, not good vs. bad.

It is important to point out that what may appear to be virtue is often the mere simulacra of virtue. It is easy, even fashionable, to talk about qualities like citizenship without being intrinsically motivated to pursue citizenship for its own sake. Organisational culture is shaped by a number of formal and informal mechanisms. When the formal mechanisms, such as organisational structures

and official statements, contradict the informal, including anecdotal stories and leadership behavior, the new faculty member is likely to interpret the informal mechanisms as the truest indicator of what is “real”. As such, we would be wise to seek practical evidence of institutions that not only talk about such qualities, but demonstrate them in intentional and proactive ways. Only in this way may these traits be validated as virtuous by the definitions used. Without the benefit of interpretive study or in-depth interviews with faculty, students, administrators, competitors, etc., we can only draw preliminary inferences from the case at hand.

For purposes of this discussion, we can evaluate the above responses in three ways.

- 1) By Aristotelian logic, is Westmont College a virtuous climate?
- 2) What are the virtues expected of Westmont faculty members?
- 3) How is the development of habitual excellence, or virtue, fostered among faculty?

Westmont College as a Climate of Virtue

In the case of Westmont, there are promising indicators that the tenets of virtue theory may yet be found in a modern academic setting. The college seems to take seriously its need to balance the individual, institutional and traditional interests of its community. As an institution that ascribes to a common purpose (going so far as to require faculty signatures to a common statement of faith) the shared values of the institution seem to satisfy what Aristotle would deem a basic requirement for true moral community. Westmont exhibits a strong emphasis on the individual and moral character of its faculty and students. This is indicated also by the college's recognition by the Templeton Foundation as one of the top 100 US colleges committed to character development, described as maintaining a "strong and inspiring campus-wide ethos that articulates the expectations of personal and civic responsibility in all dimensions of college life."

This emphasis on character ideals is further evidenced in the explicit hope that certain habitual traits will be modelled for and adopted by the student population. This correlates with the contention that the best way to teach virtue and character development is through modelling it for others.² A Westmont document listing "basic qualities" for potential faculty states: "*Faculty candidates should be people of good character and virtue, who are willing to invest themselves in the development of their students. Because faculty are models for students and their colleagues, they should be in the process of becoming the kind of people that we want our students to become.*" This statement not only demonstrates Westmont's propensity for teaching by modelling, it speaks of character development as did Aristotle, as a continuous process towards a worthy goal that remains just beyond reach.

The Cardinal Virtues of Westmont Faculty

Let's attempt to identify the internal and external goods justified by the faculty purpose. Along with his definition of virtue, MacIntyre has provided some guidance for identifying the virtues and external goods of any given practice. As alluded already, it is easiest to begin with the more tangible and recognized goods of academia, the external goods. For such a list, I submit the following: title/position, number of classes/students, graduate placements/accomplishments,

publications/reputation/status, and compensation/material benefit. All but one of these items was mentioned in some form of Mullen's responses regarding the incentives and encouragement offered to faculty. The number of classes or students taught was not mentioned, yet it could still shape faculty aspirations, so it will remain listed. This list seems to include key external goods mentioned in the interview responses, as well as those one might expect to pursue in sustaining a liberal arts community.

According to MacIntyre, the other side of the scale should include those qualities which satisfy each of the following criteria: 1) are necessary to achieve the purpose of a specific practice, 2) contribute to the good of a whole life (individual), and 3) contribute to the quest for the good of relevant others (institution, tradition, etc.). Based upon these criteria, I offer a tentative list of faculty virtues we may expect to see in a liberal arts institution: critical reasoning/reflection, communication skill, self-discipline/determination, justice (i.e.- allocating grades), and discipline-specific mastery/enthusiasm/curiosity. Mullen's responses confirm the importance of these qualities. Additionally, the Westmont environment seems to place a high value on the following: empathy (i.e.- ability to listen; compassion), imagination, citizenship (i.e.- mentorship; teamwork) and integrity (i.e.- modelling a consistent and balanced character in faith, work and life). To gauge whether such a catalog of virtues is complete, we can consider whether the stated faculty purpose, or educational practice, requires fewer or more qualities in order to be optimally pursued; these traits are together deemed sufficient for that pursuit. Each of these listed seem to support the educational purpose of Westmont in some form. Others have contributed their own list of faculty virtues,^{3,4,5} some even with the benefit of MacIntyre's framework.⁶ Some institutions have created general virtue catalogs for disparate member groups (i.e.- students and faculty) within the same community.⁷ But in the interest of maintaining practical relevance for liberal arts faculty, and Westmont, I will restrict this catalog to those already listed. Graphically, the tension between the internal and external goods can be depicted in *Figure 2*:

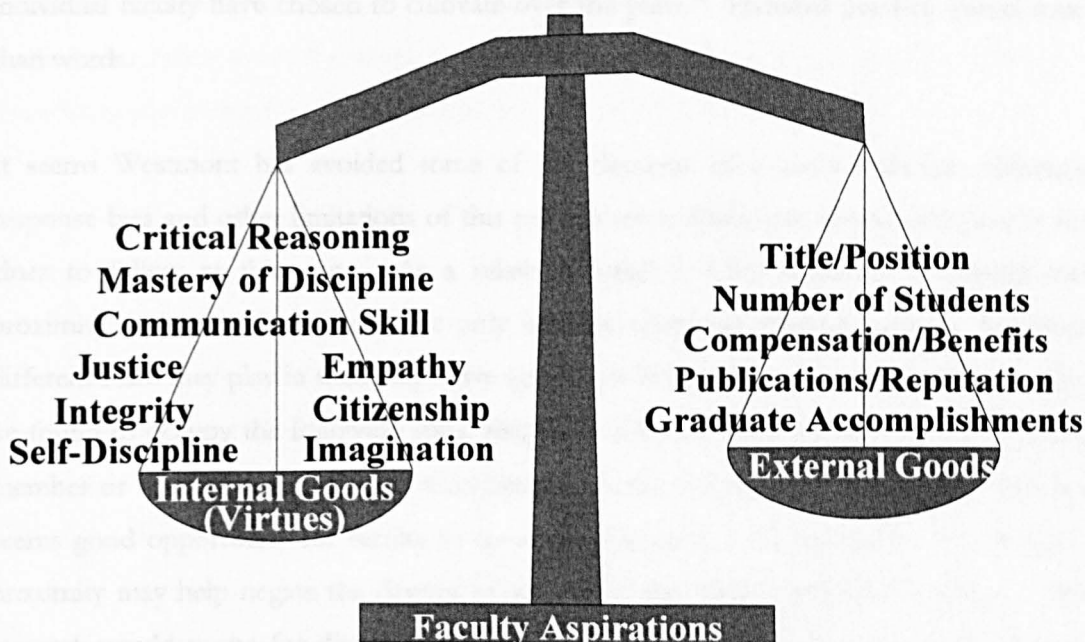


Figure 2

Does the Westmont Environment Foster the Virtues?

Faculty should be encouraged when Mullen, the leader responsible for mobilizing the faculty in support of the college's mission, counts it a highlight of her job to balance that mission with their personal goals and incentives. Any of us that have taken a job to find it was not as supportive as advertised will maintain a healthy scepticism about such statements. As employer relationships are often marked by a vicious imbalance slanted toward either institutional or the individual interests, it seems many cultures have conceded that a win-win scenario is not plausible. A virtuous workplace is marked by unified employee and employer efforts toward the same excellent purpose, in word and in deed. True community depends on it.

Westmont explicitly places a high value on the excellent traits and "some of the most important" elements of their work, while at the same time lamenting the lack of mechanisms for recognizing intangible goods such as citizenship. The case could be made that in so privately-motivated a vocation, it is of key importance that individual faculty be focused on the virtues of their craft, regardless the institutional rewards or incentives to do so. Shared purpose is a powerful tool, even when limited to mere external goods...virtue requires both the institution *and* the individual to aspire to something more. Mullen recognizes that the most ideal faculty members are not differentiated by their stated motivation so much as "the habits of mind and the practices that

individual faculty have chosen to cultivate over the years.” Habitual practice speaks much louder than words.

It seems Westmont has avoided some of the elements of a vicious climate, although due to response bias and other limitations of this preliminary analysis, one wouldn’t expect to have many clues to follow at this stage. As a relatively small (~1,300 students) residential community, proximity may provide a bond not only between disparate member groups, but between the different roles they play in their respective quests for the good. In this community, faculty can also be found to occupy the following roles: neighbor, cafeteria diner, athlete, party-goer, congregation member or community volunteer. Combined with the fact that the average class size is 23, there seems good opportunity for faculty to meet the demands of a role-model. The limited size and proximity may help negate the degrees of separation that might otherwise develop. Subsequent research would probe for discrepancies between member groups that may erode shared purpose (i.e.- labor disputes; right action for the wrong reason).

Indications that shared values are being directed to external goods, in unhealthy ways, has been similarly hard to find. At Westmont, the number of students has been restricted to its present size by a conditional use permit under the local neighborhood...meaning that increasing the size of the student body, an external good, is not relevant. Given the low average faculty salary (and the high cost of living in Santa Barbara), it is difficult to see how there may be an unhealthy emphasis on the monetary rewards of faculty membership. Undergraduate teaching is the school’s primary focus, so further research should attempt to discern whether Westmont places an unhealthy emphasis on the number of classes/students that faculty are required to teach. On the other hand, this emphasis on teaching apparently decreases expectations for scholarly publication (another external good), which would otherwise be a prime candidate for myopic pursuit, as it is in many institutions. Without the benefit of probing deeper, it is difficult find additional indications of virtue or vice. This reiterates the point that the most honest and useful virtue analysis will require in-depth knowledge of the formal and informal mechanisms that reveal true faculty intent and institutional purpose.

Based on the suggested catalog of internal and external goods for Westmont, your academic community may wish to add, subtract, prioritise and otherwise create your own list to suit the unique elements of your environment. For our collective discussion, however, the important contribution of the theory of virtue is not the resulting list of virtues. The value of Aristotle’s theory is in the conceptual framework which it provides and its capacity to balance competing

values amongst individual and collective constituents in pursuit of the purpose that is best for all. Such a conception alters the language and logic that we act upon, and can have a deep impact on the educational aims of our communities, as well as the intrinsic motivations of our faculty.

Some traditions will provide a healthier environment than others for understanding the virtue discussed here. Some colleges and universities will accommodate the conceptual tenets of virtue better than others, even in the midst of a tradition that does not. Some individuals will see this as a way of justifying and confirming the balance they have already found, while this logic will be lost on others. What seems clear is the potential for destructive social behavior in any environment that is motivated to generate mere external goods. They may succeed in reaching their objectives, but their potential will have been limited by the scope and capacity of their aspirations. It is all too easy to shape our communities around tangible external goods. The framework of virtue shows us what may be lost, or what we fail to gain, when that happens. Our individual and collective interests call for more institutions that can balance institutional needs and the virtues that seek something broader, deeper and more long-term.

This conceptual framework, a new (or revived) way of thinking, has already begun to shape my perspective as I guide my personal objectives toward something more sufficient than salary or publication while beginning to seek faculty environments that value and nurture the same. In the case of academia, one ethicist has noted: “the need for the virtues that enable the practices to resist the corrupting power of the institution is...only too apparent.”⁶ The best way to assure excellent *means* are employed is to direct a community toward the most excellent *ends*. At a time when our colleges and universities may seem pulled in many directions, virtue theory offers the conceptual balance required by the complex social roles we are asked to play. It begins by seeking to join disparate interests, and results in habits of character that are socially-bound. General education curriculum revisions will be aided by a shared purpose and the supporting virtue of citizenship. Serving the neighboring community or aiding a competing institution will be seen as cultivating, rather than detracting, from the academic mission. Faculty will feel like vested partners and less like institutional delivery mechanisms. In informal settings, students will occasionally glimpse an integrity that will serve them well, alongside their formal training, at work and in life.

Each of us stands to benefit from deepening and expanding the theory of virtue for the unique context of our respective communities and the diverse constituents they serve. How do you define the purpose for your community, your faculty or your students? What are the virtues or external

goods are used to support it? Is your community motivated by a broadened sense of purpose that requires excellence of character? This line of enquiry holds important promise for attracting and cultivating the best among our faculty—for tipping the scales toward virtue.

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Appendix C

Semi-Structured, Open-Ended Interview

Specific

- What is your title and role in the company?
- How did you come to (Your Company) and this particular role?
- Describe the (role that you serve).

General

- What makes (Your Company) unique?
- Who or what has made (Your Company) unique in this way?
- What is (Your Company)'s purpose (aim/objective/vision)?
- When you walk in the morning, how do you define your purpose (aim/objective/vision)?
- At (Your Company), what does excellence look like?
- At (Your Company), how do you measure success?

(Draw interactive balance and begin interactive joint inquiry exercise)

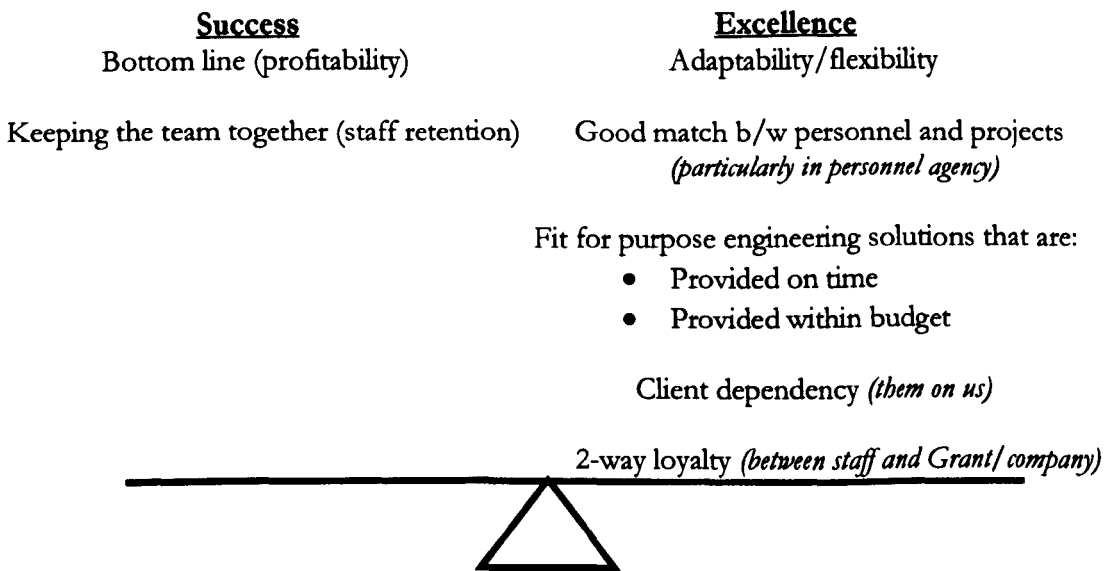
Culture

- Describe the (Your Company)'s culture.
- Who or what has shaped the (Your Company)'s culture?
- Are there any 'classic stories' that help explain (Your Company) culture or 'the way things are done here'?
- What are the most important company values?
- Where have these values emerged from (i.e.- who or what has instilled these qualities)?
- Have any moral or ethical issues come up? If so, how have they been addressed?

Appendix C (continued)

Interactive Joint Inquiry Exercise

This page provides a transcribed account of the scribbles and brainstorming involved in the flipchart exercise which was employed in each in-depth interview. This particular example depicts the answers provided by Adam Grant, founder of Blairs Services.



Q: Where would you say Blairs places the highest priority/focus (on a scale of 1-10, where both sides add to 10)?

At Present:	8	2
Milestone (2001)	7	3
Milestone (2002)	9	1
Ideal:	7	3

Q: Are these related, and if so, which comes first?

(Answer with some researcher paraphrasing): *"To grow a business, you need the profits...you've got to have fit for purpose solutions (excellence) to get profit (success) and the profit helps you provide fit for purpose solutions (excellence) and so on in a cycle."*

Appendix C (continued)

Post-Interview Exit Survey

Your name: _____

1. How long have you worked at (Your Company)?

For the following three questions, allocate a ranking of 1, 2 or 3 (it is OK to use same score more than once if they have an equal ranking to the same question)

2. Which of the following best describes what motivates (Your Company)?

Efficiency Responsibility Excellence

3. What would you estimate (Your Company) places the highest priority upon?

Short-Term Gain Long-Term Value

4. When moral/ethical issues arise, which seems to be the most important criteria?

The Resulting Outcome Doing the "Right" Thing/Action Being the Right Kind of Person

5. Please put the following interest groups in the priority you feel (Your Company) assigns them:

____ Employees
____ Owners
____ Community
____ Environment
____ Client

6. Who are the primary 'shapers of culture' at (Your Company)? (*in priority order*)

7. How many times a month, on average, do you interact with:

Founder A _____
Founder B _____

For each of the following please allocate on a scale of 1-7 (where 7 is best):

8. How committed would you say you are to (Your Company)? _____
9. How would you rate the morale at (Your Company) at this time? _____
10. How would you rate (Your Company)' reputation in the marketplace? _____
11. How would you rate (Your Company)' commitment to your training and development? _____
12. Regarding the communication of company culture and values at (Your Company)....
 12a. How consistent would you say the founders are? _____
 12b. How clear would you say the founders are? _____
13. How would you rate your own job satisfaction at this time? _____
 13a. What would you like to have changed in your role at (Your Company)?
 13b. What do you like best about your role at (Your Company)?

Appendix C (continued)

Additional Exit-Survey

(Issued to Founders Only)

*Please rate the following values based upon the priority which you personally place upon each
(on a scale of 1-7, where 7 is highest)*

Values:

Honesty	1	2	3	4	5	6	7
Fairness	1	2	3	4	5	6	7
Integrity	1	2	3	4	5	6	7
Empathy	1	2	3	4	5	6	7
Teamwork	1	2	3	4	5	6	7
Commitment	1	2	3	4	5	6	7
Going extra mile	1	2	3	4	5	6	7
Ownership	1	2	3	4	5	6	7
Range of Skills	1	2	3	4	5	6	7
Depth of Skills	1	2	3	4	5	6	7
Job Satisfaction	1	2	3	4	5	6	7
Relationships	1	2	3	4	5	6	7
Communication	1	2	3	4	5	6	7