Before considering how a corporation can be led successfully, we should consider a more fundamental question – *in what direction* should a corporation be led. What is its meaningful mission, its added-value purpose? Which fundamental business principles should it choose to adhere to? What measures can be taken to help a corporation achieve an acceptable normative orientation? This chapter builds on the principles explained in \( \text{\textit{B3}}, \) The Normative Foundations of Entrepreneurial Activity. Here, we will outline the elements of a systematic and well-reasoned approach to the development of an enterprise’s normative orientation.

**FI 1.1 “What is orientation in thinking?”**

This famous question was first posed by Immanuel KANT. With it, he introduced the term *orientation* to modern practical philosophy – as an epitome of reason-based thought processes and conduct of life. Man, being an inherently undetermined being with the ability to decide and act according to reason, is often in the situation of having to choose between multiple possible courses of action. Depending on the situational challenge, the decision must be considered with varying levels of thoroughness. To construct a meaningful and fulfilling life, we have to figure out who we want to be as people, where we stand and want to go and what principles we will abide by to create the life we want to lead. In short, human beings are animals who place existential reliance on orientational knowledge.

This situation is fundamentally similar to the task of “good” management. Given the plethora of available management options, corporate leadership also relies on reasoned orientation for its activities (compare the foundation in \( \text{\textit{B3}} \) The Normative Foundations of Entrepreneurial Activity, section 3.1). If we face this complex task repeatedly, it is appropriate to create a systematic structure of entrepreneurial orientation processes. These processes should be designed to ensure appropriate, impartial analysis and reflection on all the significant dimensions and aspects of a high-quality, sustainable entrepreneurial orientation.

Obviously, these are fundamental and essential management processes. Even so, they are at best only partially taken into systematic account in today’s business and management studies. There are hardly any clear
concepts, standards and procedures in place, so we are largely dependent on our own deliberations and ideas. Why is this? Two background developments should be distinguished:

► Management studies, as an application-oriented science, traditionally focuses not on creating orientational knowledge, but on providing dispositional knowledge (Figure 1; on the terminological difference between orientational and dispositional knowledge, compare MITTELENDER 1982, 19 f.). The latter does not answer the question “What do we want to do?” but “How do we do it?” In other words, dispositional knowledge consists of instrumental knowledge (“know-how”) for the realization of given purposes, without offering “know-what” and “know-why” regarding the justification of those purposes. Clearly, dispositional knowledge has long been considered a sufficient scientific contribution to a corporation’s implementation of pre-defined goals and objectives. Only recently has corporate management begun to support the systematic clarification of entrepreneurial orientation problems, and recognized it as a task for management studies.

![Two dimensions of reasonable practice](image)

Figure 1: Orientation and dispositional knowledge

► When the task of generating entrepreneurial orientation knowledge was first recognized, it was mostly perceived as a problem of (market-) strategic orientation (B3 The Normative Foundations, section 3.2.2). The systematic consequence, roughly since the 1960s, has been a differentiation between strategic and operational management. The essential differentiation between strategic and normative orientation, on
the other hand, has only very recently been adopted in management theory and has been taken seriously as a concept only reluctantly – first, to some extent, with Hans ULRICH’s threefold terminological division of normative, strategic and operational management (H. Ulrich 1981), and following this, by Knut BLEICHER (1994). Ultimately, this amounts to an acknowledgment of the imperative need for a corporate-ethical foundation to help us understand the entrepreneurial role; or, put differently, for giving corporate management an ethically integrated success orientation. “Doing the right things” (DRUCKER 1963, 54) no longer means simply acting “strategically right,” i.e. successfully, but also “ethically right,” i.e. in a justifiable manner. Only now is management theory starting to take on this conceptual challenge. (Figure 2)

To establish a sustainable normative orientation and implement it across a corporation, where it can form a basis for a business-strategic orientation (→F12 Strategic development processes), we need methodical procedures and systematic approaches. For reasons of space, we will content ourselves with drafting a framework of four formal steps towards a normative orientation process. It will distinguish two ethical orientation dimensions (→F11.2) and two responsibility levels (→F11.3). These will be complemented by two basic methodical approaches to implementing “ethics measures” across the corporation (→F11.4). Finally, six concrete components of an integrated entrepreneurial ethics program will be suggested (→F11.5).
**FI 1.2 Fundamental dimensions of ethically oriented corporate management**

The field of philosophical ethics has, for centuries, distinguished between two categories of “value.” One is comprised of *subjective value ideas* that make up a *good life* for a person or group according to their cultural context; this results in desirable, meaningful *goals* (Greek *teloi*) of action (*teleological ethics*). The other is comprised of *universally valid norms*, or principles, that ensure the same basic rights and duties (Greek *deoi*) for all members of a free society, and thus regulate the *fair coexistence* of people who adhere to different values and interests (*deontological ethics*). The *principles* of fair coexistence therefore define a framework in which free citizens – in their roles as economic agents as well – live according to their personal values and pursue their private interests without detriment to others. This distinction between teleological and deontological orientation is also significant for entrepreneurial activity: (→Figure 3)

![Figure 3: The two dimensions of business-ethical orientation](image-url)

The teleological *orientation towards added-value purposes in a broad sense* serves to concentrate all entrepreneurial activities on a meaningful “mission,” a genuine contribution to the societal quality of life. While the focus is on market performance, through which a corporation seeks to achieve its business success, the “value” of market performance is not solely measured by customer benefit, but by the benefit or harm generated for all stakeholders. By orienting itself towards *creating*...
shared value (PORTER/KRAMER 2011) in a well-balanced manner, the corporation provides itself with an ideational definition of success that constitutes its raison d’être, its social ground of being and horizon of meaning. Over time, this creates a public perception of the corporation that includes a unique “added-value profile,” which in turn helps answer questions like, “What makes our actions meaningful?”, and “What values do we want to create for our different stakeholders?”

► The deontological orientation towards business principles (and a corresponding code of ethics or code of conduct) serves to utilize normative self-commitment to ensure the legitimacy of entrepreneurial activity for all involved and affected parties. The central focus is that the enterprise wants to achieve its business success only through legitimate means and methods, with unconditional respect for the moral rights (or legitimate claims) of others. When a corporation defines such ethical principles and officially uses them to govern its entrepreneurial activities, it clarifies the normative premises and limits of its striving for success and thus its legitimacy basis. This is authentic, because it is verifiable through consideration of questions like, “What principles do we abide by?” and “What means and methods will we not utilize in pursuit of our goals, out of consideration for others?”

The two orientation dimensions (the added-value purposes and the business principles) are often summed up in a mission statement or, respectively, in a corporate responsibility statement that serves as a short encapsulation for inward and outward communication purposes. As we have already seen (⇒B3 The Normative Foundations, section 3.3), sustainable corporate ethics cannot be confined to the “private morality” of the executives. An ethically substantive mission and responsibility statement should, therefore, always be arrived at through a binding argumentative communication process that includes all groups – those that will be asked to orient their daily activities to it, and those that will be affected by it. Both in the process of developing such a general "about us" statement and in special situational orientation processes, this originates from a (normative) stakeholder analysis – an identification of stakeholders towards whom the corporation feels special commitment or responsibility. Once these stakeholders are identified, the corporation can conduct discursive communications with them about legitimate claims (⇒D The corporation and its stakeholders). However, the stakeholders’ attitude towards mutual solutions will depend largely on the credibility of corporate management with regard to its basic business-ethical attitude. Development of the full corporate-political communication potential
management processes in stakeholder relations is thus dependent on a long-term process of consistently fair dealings.

**Fl 1.3 Levels of corporate responsibility**

As we have seen in \(\rightarrow\text{B3} \) The Normative Foundations, section 3.2, entrepreneurial activity faces a twofold normative orientation in another respect. On one hand, it should be *responsible* to all those affected by its activity, and on the other, the claims of those different stakeholders should be *reasonable* for the corporation itself. Because the corporation must assert itself against its competitors in market-based competition, competitive conditions (whether general or sector-specific) play a vital role in assessment of the reasonableness or unreasonableness of stakeholder claims. Shaping these conditions in a socially legitimate and meaningful way is the task of regulatory policy. However, in a free and democratic society, regulatory reforms are only enforceable if the different social power holders – among them the private sector and its interest groups, which are often well-organized and at least somewhat influential – accept and act on co-responsibility for the regulatory framework in which they seek to fulfill their “missions.” Thus, two basic levels or stages of corporate-ethical responsibility can be distinguished: (Figure 4)

![Figure 4: The two levels of corporate responsibility](image-url)
The first level focuses on **business integrity**, the consistent entrepreneurial self-commitment of all market-oriented activity to the business principles and added-value criteria explained above. This is especially important during definition of new business strategies. They should be conceptualized as socially sustainable and “productive” from the ground up, as far as is reasonable micro-economically under the given regulatory conditions.

The second level is about **sector- and regulatory-political co-responsibility** – the creation of market conditions and incentive structures that encourage and reward responsible microeconomic behavior. Simultaneously, this can also discourage irresponsible behavior (by the “black sheep” of a sector), or at least make such irresponsibility unattractive through market price signals. This implies that regulatory policy is not simply a continuation of private business through political means, but rather includes due consideration of general public interest by safeguarding the human, social and environmental agreeableness of business behavior. The market economy can be ethically legitimized only in this framework. The basis for this is public spirit that finds expression in commitment to the **res publica**, the shared commonwealth with its good-and-just rules of social coexistence. When we understand republican corporate ethics in this way, we see that even corporations are called upon to commit themselves to being good citizens within the commonwealth (**republican corporate citizenship**).

The perspective in this second level is also integral to a broad view of corporate ethics, as it contains the regulatory preconditions premise under which corporate management would be willing to undertake the challenging task of managing an enterprise for both financial and ethical performance. When corporate management is enlightened about business ethics, it will understand that a public commitment to market conditions that support the common good is an aspect of its well-understood self-interest. And, of course, the corporation will not separate its business idea (its “added-value philosophy”) from its “civic commitment.” Instead, it will see and shape that commitment as its central expression, as symbolized in **Figure 4** by the embedding of the first level of responsibility into the second (compare in detail P. ULRICH 2008, 398ff.; 2010, 113ff.).
FI 1.4 Basic methodical approaches to “ethical measures” in a corporation

There are two fundamental effects of specific “ethical measures” implemented in a corporation (P. ULRICH 1999):

► On one hand, it is important to open up corporate structures and decision processes for ethical reflection and argumentation. Questions of responsibility and reasonableness need to be clarified in relation to and in dialogue with all stakeholders, particularly executives and employees at all levels. Taking people seriously in this way helps to develop a corporate culture of integrity and responsibility. This can be done by nurturing discursive processes of ethical reasoning, typically through the provision of institutionalized forums that are unrestricted by hierarchy and power relationships. However, such a stakeholder dialogue can only lead to ethically substantial results if the corporation has a normative-critical orientation and is not built around the strategic stakeholder concept (\ref{B3 The Normative Foundations, section 3.2.2}).

► On the other hand, it is important for organizations based on complex division of labor to be effectually closed to ethically irresponsible or unwanted behavior at all levels. This can be accomplished by binding the entire entrepreneurial activity to clearly stated, verifiable normative standards (observed rules that naturally include international treaties and governmental laws) and by avoiding wrongheaded incentive structures that devolve to opportunism. Instead, a system of “organized responsibility” has to be established. Compliance with the defined normative standards must be ensured through a corresponding monitoring and auditing system (an organization’s compliance system).

An integrated corporate ethics program (\ref{FI1.5}) thus aims to both “open up” normative-critical argumentation opportunities and “close down” irresponsible courses of action. Each aspect mutually implies the other. Indeed, a one-sided opening of dialogues for clarification of business-ethical questions would be pointless if the culture of reflection, argumentation and responsibility stemming from it had no “radical” consequences for the organization’s management systems and behavior standards. Conversely, a one-sided, authoritarian “closing” of business-ethical questions would undermine the desired moral responsibility of each individual employee – it would be an indication that corporate management did not seriously seek their autonomous responsibility. Moreover, compliance standards require legitimization in business-ethical dialogue and must be kept open to ethical
criticism. It comes down to maintaining a balance between ethics processes that open dialogue and those that close options. (→Figure 5)

![Balance between "Opening" and "Closing"](image)

**Figure 5:** Balance between “opening” and “closing” ethics measures in companies

**1.4 Components of integrative ethics programs in corporations**

Development of a profound and comprehensive framework for entrepreneurial “ethics programs” is an advanced challenge that has hardly been addressed by management studies. But perhaps the management studies world of today is exactly where a determination will be made about whether, and to what extent, an ethically enlightened understanding of “good” corporate management becomes common business practice. An integrative ethics program (in the sense of integrative business ethics; compare P.ULRICH 2008, 437ff.) would ideally include the following systematically necessary building blocks, some of which have already been discussed:

a) A clarified and well-reasoned entrepreneurial added-value purpose. This determines the meaningful orientation of business strategy by defining real human or social needs that the corporation strives to fulfill in the market (e.g. in the mission statement).

b) Binding business principles that declare the corporation’s self-commitment to legitimate strategies and methods of securing success in
verifiable form (e.g. codes of ethics, codes of conduct). These include principles of shared republican responsibility, in particular the sector- and regulatory-political co-responsibility for fair competitive rules of the game and, moreover, for issues concerning the general public (“corporate citizenship”).

c) Clearly defined and ensured moral rights of all stakeholders, in particular employees as organization citizens. These strengthen the stakeholders’ unimpeachable personal rights, and also offer feasible opportunities of participation in an open business-ethical discourse, free of power structures and sanctions (as reflected in “bills of stakeholder rights” and corporate governance).

d) An institutional discursive infrastructure. This provides a means for open, unbiased, sanction-free argumentative clarification of the questions of responsibility and reasonableness that affect entrepreneurial activity (examples include forums for business-ethical dialogue, ethics committees, etc.).

e) Attention to ethical skill development. This promotes critical thinking skills among employees on all levels, and encourages independent ethical reflection and argumentation (“ethics training”). It also emphasizes constant cultivation of a vital corporate culture built around integrity and responsibility.

f) The extensive review and, if necessary, enhancement of corporations’ existing systems of governance and guidance to ensure consistency with ethics programs. This supports the desired integrity culture through ongoing scrutiny of all objectives, incentives and performance-assessment methods. It also ensures compliance with defined principles and standards, and the implementation of special ethics measures through a suitable compliance program and recurring ethical audits.

One model for effectively overseeing these diverse and challenging tasks, at least in larger enterprises, is the U.S.-style institutionalization of an ethics office. This arm of management works across departments to coordinate and support all normative orientation processes, including sensitization, coaching and monitoring, program and system development and operational implementation of the ethics program.

Achieving such an extensive implementation of entrepreneurial integrity management must be understood as a company-specific learning process, and its design should follow the principles of organization development. Is it worthwhile to tread this challenging path? The answer ultimately depends on what kind of corporation the involved parties want to build and work for. The outlined way is the right one for organizations that consistently envision
themselves as good corporate citizens, and seek to make a name for themselves as enterprises that earn their economic success and public reputation by doing business with integrity.

Glossary

Compliance
A compliance program or system ensures that all actions of an enterprise, across all departments and every organizational level, are in compliance with prevailing laws and internal guidelines and standards. Today, larger corporations – especially in the U.S. – appoint compliance officers, who (within a central office) bear responsibility for maintaining a functioning compliance system.

Corporate citizenship
The concept of the enterprise as a “good corporate citizen,” which is increasingly being adopted in the U.S. and in Europe, means more than traditional corporate social responsibility (CSR). Both concepts refer to integrating humanitarian, social and ecological issues into corporate policy and contributing a portion of generated profits to “do good.” While CSR usually starts from an apolitical idea of voluntary engagement, corporate citizenship considers the legitimacy preconditions of profit making itself, in particular the legitimate claims of all stakeholders, including the general public (B3 The Normative Foundations, section 3.2.2). Analogous to the notion of individual citizenship, republican corporate citizenship means that an enterprise’s self-concept is based on the good public order (“res publica”) of a free and democratic society and the understanding that it has co-responsibility for maintaining that society.

Orientational knowledge
The distinction between orientational and dispositional knowledge originates with the Constance philosopher of science Jürgen Mittelstraß. Orientational knowledge consists of justified action intentions (“knowing what to do”). It sets a good agenda for action, but not the means and methods to reach a goal, which come under the heading of dispositional knowledge (“know-how”). Thus, dispositional knowledge is about functional or instrumental rationality, the choosing of means and methods, while orientational knowledge serves as a rational approach to questions about legitimate and meaningful goals and purposes.
References


