Corporate Governance and Ethics: An Aristotelian Perspective

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Cheltenham, United Kingdom: Edward Elgar, 2008 (235 pages)

Like all crises, our current financial crisis offers an opportunity for businesses to reform their misplaced faiths and disconnected structures and enter into a deeper moral and spiritual vision of economic life. Sison’s book is one important step toward this reform. He perceptively analyzes the remarkably destructive ideas found in neoclassical philosophy that informs current corporate governance theory and practice. This philosophy sees governance principally in terms of maximization of shareholder value, monitoring and properly incentivizing self-interested executives, and reducing transaction costs.

For Sison, this is not good governance but a recipe for small-minded despotism whose only concern is their own self-preservation. Unless this neoclassical philosophy is severed from our current corporate governance practices, good governance will always falter no matter how many Sarbanes-Oxley reforms we attempt. The description of oneself as merely a utility maximizer, from an Aristotelian perspective, is true only of a human life not well lived. The good life consists of the goods of the soul, of virtues that curb and redirect our maximizing self-interested desires to well-reasoned and willful decisions that serve the common good.

Utilizing an Aristotelian perspective, Sison wrestles to the ground the underlying first principles of corporate governance within a neoclassical model and offers a far more humanistic and realistic alternative to take their place. The humanism and realism of the latter are premised on its understanding of human action informed by virtue and the common good, which is fundamentally at odds with current neoclassical theory. Neoclassical theory sees not human action and its subjective dimension but mechanical production, not virtue but techniques, not the common good but only private goods. For Sison, the governance of modern corporations, some of the most significant and powerful institutions today, must be guided by more than just the utilitarianism and individualism found in neoclassical economics.

Aristotle and Aquinas, as well as much of the Christian and Western tradition, see the person as inherently social and relational, and because of this inherent relationality, the purpose of the firm is “its ability to promote integral human flourishing through organized work, in terms not only of the goods and services produced but also of the excellences of mind and character or virtues acquired by its participants,” which is the basis of develop-
oping a community of work (17). This will entail shifting our understanding of corporate governance where virtue is discounted and law and procedures dominate the terrain, to a place where corporate governance serves the common good through virtuous governors.

What lies at the center of an Aristotelian perspective is the claim that there is a common good within the corporation and that there is a good that can be held in common in the organization. This perspective is at odds with a liberal neoclassical model that sees the person as essentially individualistic and radically private. The common good, however, is premised on the belief that we are created with an essential linkage between our personal goods and the good of others. We cannot become good persons unless we intend our lives to serve others’ good as well as our own; and a vital way that we live for and with others is through institutions. Thus, those who work and govern corporations must see the purpose of the firm in terms of their ability to promote integral human flourishing through organized work.

Besides examining the first principles of corporate governance, Sison provides six corporate cases from around the world: Fiat (Italy), Cheung Kong Holdings and Whampoa Limited (China), Abelardo Investment and Manufacturing Corporation (Philippines), Banco Popular Español (Spain), United Airlines (United States), and IDOM Engineering Consultancy (Spain). Using Aristotle’s political categories of oligarchy-aristocracy (dominant shareholders), tyranny-monarchy (family owners), and democracy-constitutional (employee owned), he analyzes these corporations’ abilities or inabilities to order their firms toward the common good. The ownership and governance structures do not guarantee good corporate governance, although, as in politics, there is a strong preference toward constitutional and participative forms. What is critical to good governance, and what is lost sight of in neoclassical theory, is the virtue of people within these structures, and their ability to order their private, self-interested goods to the common good.

The three companies that receive positive evaluation concerning the common good are Cheung Kong Holdings and Whampoa Limited, Banco Popular Español, and IDOM Engineering Consultancy. It would have been helpful to have a template on which to evaluate the corporate common good. Sison’s analysis of Cheung Kong Holdings and Whampoa Limited is very general and remains focused on safe issues such as treatment of shareholders and management and philanthropy. Only in the IDOM Engineering Consultancy case does he reach greater specificity as to what the corporate common good begins to look like (ownership participation, wealth distribution, job design, stewardship of resources, quality and service, training and development, and so forth). Such a template has its dangers, such as reducing the common good to behaviors alone. As Sison explains, behaviors alone do not guarantee the common good. United Airlines set up an Employee Stock Option Plan for example, but it was informed by the narrow self-interest of management, unions, and employees. Nonetheless, this lack of specificity concerning the common good is one of the weaknesses of the Aristotelian tradition. The common-good approach, if it is to be useful in corporations, will need to develop tools to provide specificity and detail to help businesspeople to see the attractiveness of this tradition.
For some, Aristotle may seem like an odd figure to draw upon to engage modern questions of corporate governance. Sison argues that Aristotle’s *Politics* is one of the foundational documents within the Western tradition and an important source to understand the nature of government and governance. It is the retrieval of sources such as Aristotle as well as Aquinas and others that will be crucial in the cause to reform corporate governance and overcome the dominance of the neoclassical model in boardrooms and business schools.

This retrieval and reeducation in business raises a much larger and more complicated question of culture. Sison concludes that the reform of corporate governance must have at its center the ethical and political education of directors and management. Law, procedures, structures, and best practices all have their place, but without the virtues and a robust understanding of the common good, law and procedures cannot be properly interpreted or implemented.

Where, then, do virtuous governors and managers become educated? Sison only mentions that they must be educated, but where—school, family, and religion? This may be the most difficult part of the reform question of corporations today. Universities seem to be one obvious place, but as Cardinal Francis George noted, Harvard, Yale, and other prestigious universities are increasingly becoming “high class trade schools” because they operate without a unifying vision to educate their students in the virtues and the common good. What Sison’s book helps us to see is that our financial crisis is embedded in a much larger cultural crisis: a loss of the capacity to serve as a moral compass to help leaders order the good of the corporation to the common good. Unless we address this larger cultural crisis, reforms of corporate governance will always come up short.

Sison’s book is an important text for business educators to rethink the first principles of their own disciplines, for philosophers and theologians to rediscover the business implications of their first principles, and for business people to reorder their firms toward the common good. It will be precisely these kinds of thinking, discovering, and ordering that will turn our current financial crisis into a cultural opportunity to reform today’s corporations.

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