

The balanced company: A business ethics approach

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Definition of balance

This article elaborates the business ethics aspects of a research project on the balanced company proposed by the research group on Corporations, Change and Leadership at Roskilde University. In the research project we will discuss problems of balance in companies, business and corporations from different perspectives. We work with the problem formulation: “What is balance in corporation and how to we design organizations in order to achieve a balanced company”? When we define balance we refer to a company that has balanced relations with its internal and external environment. This company is in good relations with its environments and it develops its relations with the environment.

The idea of the research is to propose the concept of the balanced company as a new vision for business in the 21st century. We consider balance as an important concept that can define the different concerns and issues that a company relates to in its internal and external activities. Balance is a requirement of the corporation in order to obtain the right relations with internal and external stakeholders and other parties that are important for the corporation.

But what does it mean to be a company in balance? What is the content of the concept of balance in the different spheres of the activities of the corporation? What are the conditions of a company in order to obtain greater harmony and inaction with the surroundings? Can a balance be defined as something else than the economic bottom-line and as a balance in the economy of the corporation? Such issues will be clarified in this research that seeks to find a profound definition of the concept of balance that is both applicable in theory and in practice.

Balance as business ethics

With these questions is the idea that companies can be in balance and that it is possible to balance between economic profits and other concerns of the corporation in focus. In particular we can say that an important aspect of the balanced company are matters of ethical leadership and business ethics, but also when we discuss issues of external public relations and ethics of branding of corporations. What we need is a more developed definition of what kind of balance in corporations that we should search for when we define the balanced company.

One way to define the concept of balance is by using the language of corporate citizenship. Today business ethics, corporate social responsibility, values-driven management and values in corporations are on the way to become a focus for organization, management and leadership. And focus on such aspects of good leadership in corporations is a way to establish a greater balance and harmony with regard to the external and internal dimensions of the corporation. We can perceive

more and more understanding of the fact that approaches within organizations have to include values and ethics in the definition of organizational development, culture and identity of organizations. Here we deal with both private and public corporations that relate to different kinds of balance in corporations.

Value-based management and balance are closely connected with the concrete concept of balance in the corporation. The idea of the balanced company refers to reflective judgment and reflective values in the corporation. This kind of leadership also includes the capacity of the corporation to formulate and develop a concrete set of values as the foundation of the vision and mission of the corporation. Values-based management can in this sense be said to express an effort to formulate a concrete concept of the balance of the corporation.

When we talk about the balanced company the concept of corporate social responsibility (CSR) is conceived as an integrated part of the values of the corporation. CSR does not only deal with external issues but also the internal concern for balance and the relation of the firm to its internal and external stakeholders.

In this sense stakeholder management is an important way to approach the concept of balance in strategy and leadership of the corporation. We can refer to stakeholder management as an important way to implement the balance in the organization. Stakeholder management is a way to make the concern for the balance of the business concrete for implementation of decisions in the organization (Freeman 1984).

In institutional theory the concept of balance refers to the relation between institutionalization and balance between different dimensions of the concept of the corporation as an institution. In relation to the processes of change in institutions balance is an important concern for the understanding of institutional change.

A further important concern for the concept of balance is the concept of the triple bottom line. When we talk about the triple bottom line we refer to sustainability as a way to express the balance of the corporation. Sustainable development includes social, economic and environmental dimensions when the performance of the firm is evaluated (Elkington 1997).

To deal with the triple bottom line is really to be in balance. This ideal of the triple bottom line expresses the duties for the core products and activities of the corporation (Elkington 1997). It is an art of balance to work with bottom-lines at these different levels and in the future we may even perceive more issues for balance which requires a well-developed art of leadership.

With these many dimensions of the concept of balance we can also refer to a number of specific issues in society where the concept of balance becomes important. This involves the following problems and themes for the discussion of the balanced company:

1. Organization theory and the concept of balance. How is ethics integrated in the company in balance? In this context, the basic overall question is how to organize a balanced company? We must discuss what role the idea of balance may play in the concept of company. What use can we make of the idea of balance in organizations and can the idea of balance contribute to the understanding of balance between companies?
2. Management of the balanced company. In this context we will discuss the management of the balanced company in different contexts. The issue is what kind of management tools and management ideas that are important for the integrity of the balanced company. Here, we can refer to ideas of values-driven management, corporate social responsibility (CSR), corporate citizenship, business ethics and other models for formulating balance between the company and its environment.
3. Ethical leadership in the balanced company. What does balanced leadership imply? Here we can discuss the relation between leadership and recognition, coherence, involvement and leadership, leaders who are working closely with their employees in horizontal visions of leadership. We can also mention stakeholder management and other efforts to work closely with all constituencies of the corporation.
4. Business ethics accounting and balance as triple bottom line and balanced scorecard. What kind of ethical reporting procedures do we need to account for corporate balance and the balanced company? Here we could deal with non financial reporting and the importance of such kind of evaluations for producing balance in a corporation. The concept of reporting can also be used as a tool to develop balance in the corporation.

Balance as integrity

Accordingly, with these different themes in mind we integrate different themes of the discussion of balance. In fact we can argue that the balanced company is a company that has reached a fundamental coherence and integrity (Paine 1997). A balanced company is a company that has its own coherence, wholeness and inner harmony. So in order to have a balanced company we need a company with integrity. But what is integrity and how do we define it?

Integrity involves different dimensions. There is the relation between individual and organizational integrity and the problem of how we can talk about integrity at the organizational or institutional level of the corporation. How do we build and maintain integrity in organizations as an expression of balance in an organization and how do we cope with issues of balance and integrity in the daily practice and judgment of the corporation (Paine 2003).

A definition of integrity that has been proposed in relation to definition of the integrity of human beings is that integrity refers to a totality of life or a harmony that must not be destroyed. It is a coherence or rather a “Lebenzusammenhang” that expresses the narrative coherence of a person’s

life (the life story) or the narrative (historical) unity of human culture. On this basis, integrity has four meanings. 1) Integrity as a narrative totality, wholeness, completeness. 2) Integrity as a personal sphere of self-determination. 3) Integrity as a virtue of uncorrupted character, expressing uprightness, honesty and good character. 4) Integrity as a legal notion, where it expresses the moral coherence of a legal system (Rendtorff and Kemp 2000).

This definition of integrity seems somewhat odd with relation to organizations that we do consider as a somewhat untouchable coherence of life. However, one may argue that important this sense of the concept of integrity is important for balance of companies. What is the sense of integrity is that an organization is an expression of a wholeness of principles or a totality of objectives that are well balanced with regard to the fundamental aim of this organization. In this sense integrity expresses the moral and political unity of values of a particular corporation. We can say that the balance of integrity refers to the republican virtue of citizenship of an organization where integrity expresses the civic commitment of a corporation as defined as "wholeness, completeness and freedom from moral corruption" (Paine 1997).

As a virtue integrity can be understood as a moral virtue that is broader than practical rationality or autonomy of decision-making, but also narrower than the concept of moral judgment and practical wisdom. Integrity is also linked to honesty and uprightness in character in the sense that it implies commitment and conscientious adherence to one's moral principles. In this sense Lynn Sharp Paine has defined integrity as "The quality of moral self-governance" linking integrity to "Moral contentiousness, moral accountability, moral commitment and moral coherence" (Paine 1997).

So integrity is defined as the capacity to integrate the values and ethical ideas of the organization in a common framework for individual members and also for the organization and its stakeholders. An example of this may be the famous case of the Shell Corporation searching for an ethical dimension in its policies and organizational activities. Shell was confronted with great criticism in the case of Brent Spar where the corporation wanted to dump an oil buoy on bottom of the North Sea. Many activists and consumers thought that this was not in accordance with environmental protection rules. Moreover, when Shell collaborated with the military dictatorship in Nigeria it did not protect a Nigerian human rights activist that was killed by the military government. This led to a crisis of the values of Shell and we can argue that we faced a corporation that was no longer in balance. The corporation needed to reinvent itself and make an ethical effort to transform its image towards corporate integrity.

Later policy ideas in Shell expressed this search for a new balance and a move towards integrity where the virtues of the good life of the individual are integrated into the balance of the corporation. With legal scholar Ronald Dworkin we can say that the corporation needed to find coherence in the system with regard to fundamental principles and values. Dworkin defines jurisprudence as based on integrity as systematic wholeness and coherence in the judicial system. It also includes a moral dimension in the sense that law is an issue of political morality. This political morality is simultaneously defined as unity at the individual and at the organizational level

In *Laws Empire* (1986) Dworkin defines law as a coherent unity, that is not only based on contingent rules, but laws together constitute a coherence of integrity that is based on the idea of the "The Rule of Law". The legality of a legal system is expressed in the unity of different rules and principles of law in relation to "Equal Concern and Respect", fairness and protection of basic rights. Legitimate force presupposes the idea of integrity. We can say that Dworkin defines integrity as a unity of interpretation, where the rules of a system express a unity and an interpretative practice that constitute a moral and political unity (Dworkin 1986).

When we are searching for the concept of balance based on organizational integrity we can also find support in the work of Lynn Sharp Paine who proposes the concept of organizational integrity defined as "honesty, self-governance, fair dealing, responsibility, moral soundness, adherence to principles and consistency of purpose. According to Paine, integrity is here defined as "wholeness or purity" and there is a link between organizational individual integrity: They presuppose each other. We can here argue that business ethics at the institutional level is a way to contribute to the promotion of integrity as a collective aspect of the organization.

Paine argues for a strategic implementation of organizational integrity through processes and procedures of the organization. High integrity companies have good structures and this means that "even a population of devils can live under the rule of law" if they respect them. In this sense integrity is a collective culture of values in an organization and it is important to emphasize that integrity strategies are based on internal motivation as opposed to outer compliance with the law

The concept of managerial judgment necessary for organizational integrity can be considered as a manner to mediate between different constituents and stakeholders of the firm in order to overcome the above mentioned different tensions of the dilemmas of leadership in order to create balance in the organization. Organizational integrity in judgment is aiming at the ideals of openness, honesty, wholeness and thoughtfulness. It is based on commitment, trust, promise and engagement among actors and the final goals of integrity are justice and fairness in organizations. As the basis for judgment integrity expresses the virtues of self-control and self-respect of persons in organizations. Integrity is the foundation of the unity of the personality, but individual integrity is a part of the relation between individual and organizations (Paine 1997)

Balance and stakeholder management

Accordingly, organizational integrity is important for balanced organizations. But how do we arrive at organizational integrity? In this context, as we have already mentioned, stakeholder management is an important tool for developing integrity and balance in organizations. Stakeholder management is an approach to management that includes all relevant parties in decision-making and strategy. In this sense, it represents an effort to create balance between the organization and its internal and external environment. In an early definition from Stanford Research Institute in 1963 stakeholders were defined as the groups that a firm is dependent on for survival. Later, stakeholder theory was integrated in strategic planning. However, with the work of Edward R. Freeman in *Strategic*

Management. A stakeholder Approach from 1984 stakeholder theory moved beyond strategy towards interaction with society and we can say that we have a proposal for a balance between the corporation and society (Freeman 1984).

Stakeholder theory can be considered as a way to achieve balance between the constituencies of the corporation. Therefore we can say that stakeholder management represents a kind of balanced scorecard of the corporation in interaction with its environment. Stakeholder management is a way to take the institutional aspects of corporate life into account because all important stakeholders are integrated in decision making. We can say that stakeholder management is a way to take a triple bottom line into account because all kinds of stakeholders are considered important for development of policies and strategies of the firm. According to Freeman stakeholder management emerges as a global framework for management and corporate governance and we can say that the values and balances between the stakeholders is an important aspect of stakeholder management (Freeman 1984).

Indeed, values are central aspects of the ethics of the balanced company. There is both a descriptive, prescriptive and normative dimension to the ethics of balance in stakeholder theory. In fact stakeholder theory goes beyond pure strategy towards normative ethical argumentation for finding the right balance between the claims of the different stakeholders. In this sense, stakeholder management strategies integrate economics and ethics and these strategies take into account concrete persons as representatives of the stakes of the organization.

But how can we really say that stakeholder theory deals with the balance between organizations? Here, we should not forget the definition of the stakeholders. They include those who affect the organization; those who are affected by the organization; those who both affect and are affected by the organization and those who affects or are affected by the organization (Freeman 1984). But in addition to this it is important to remember that good stakeholder management searches to find a solution that everyone can accept. We can say that the search for such a solution represents a search for a balance that can be accepted by all members of the organization. In this sense, balance refers to the ability to relate stakeholder claims in relation to each other in a way that a common vision or aim or policy can be defined for all stakeholders. This vision or aim of the company can be defined as the vision of balance for the corporation.

Indeed ethical stakeholder management searching to create a balance in the organization deals with an effort to relate and weigh different forms of interests in relation to one another. There is a social harmony strategy related to stakeholder management that searches to achieve harmony with external stakeholders in society but also with internal stakeholders in the firm. Moreover, when we take into account that stakeholder theory can deal with the autonomy, dignity, integrity and vulnerability of human persons, we realize that stakeholder theory can work for social harmony, integration and social justice (Rendtorff and Kemp 2000). In this sense, stakeholder management is important in order to work focused on corporate social responsibility and corporate governance.

Mitchell, Agle and Woods have proposed a stakeholder typology for stakeholder salience. They distinguish between dormant stakeholders (with power), discretionary stakeholders (with

legitimacy), demanding stakeholders (with urgency), dominant stakeholders (with power and legitimacy), dangerous stakeholders (with urgency and legitimacy), definitive stakeholders (with power, urgency and legitimacy) and the non stakeholders (who are potential stakeholders) (Mitchell et al. 1997). We can say that this typology serves as a framework for finding balance in stakeholder management decisions taking into account the elements of claims and importance of these claims in relation to different stakeholders.

Freeman can be said to shape the concept of balance in stakeholder management with his ten principles of stakeholder management that have recently been proposed to make a concrete presentation of his theory. Freeman presents the following principles:

- 1) Stakeholder interests go together over time
- 2) Stakeholder consists of real people with names and faces and children. People are complex
- 3) We need solutions to issues that satisfy multiple stakeholders simultaneously
- 4) We need intensive communication and dialogue with stakeholders – not just those who are friendly
- 5) We need to have a philosophy of voluntarism, to manage stakeholder relationships ourselves rather than third parties such as governments
- 6) We need to generalize the marketing approach
- 7) Everything that we do serves stakeholders. We never trade off the interests of one versus the other continuously over time
- 8) We negotiate with primary and secondary stakeholders
- 9) We constantly monitor and redesign processes to make them better serve our stakeholders
- 10) We act with purpose that fulfills our commitment to stakeholders. We act with aspiration towards fulfilling our dreams (Freeman 2004).

These ten stakeholder principles can be considered as important ways to make the elements of balance in stakeholder management more precise. Following this kind of stakeholder management we can search to achieve internal and external balance with the different constituencies of the firm. Moreover, ethical stakeholder management extends our possibilities for reflective management by balance because it contributes to Panorimization (extension of perspective); Prioritization (Consciousness of Complexity; Politization (inclusion in decision-making); Particularization (Being sensible and conscious) (Starik 1995). In this sense, stakeholder management contributes to balance through reflective balancing of different interests in relation to the external and internal environment of the firm.

We can say that stakeholder management contributes to form the reflective and balanced identity of the firm. Identity is linked to integrity and stakeholder integration creates stronger awareness and

capacity of self-reflection. In some cases firms may even integrate themselves so much in society that they no longer place themselves in the center of the stakeholder diagram, do not consider themselves as basic but they focus on the contribution of the firm to civil society and community as a totality – this is the essence of the good corporate citizenship of the firm. Here, the firm becomes a contributor to the common good and the search for balance goes beyond the firm to the integration with society.

Here, as a realization of balance we can talk about organizational fairness as a basic principle in a stakeholder economy. We can say that we perceive an integration of ethical principles in relation to stakeholders in connection with a global theory of organizational fairness and justice. In fact, in this context Freeman no longer argues for CSR but rather for “corporate stakeholder responsibility” as a more focused kind of responsibility where stakeholder justice and harmony is not only conceived as based on a vague sense of responsibility but indeed on concrete responsibility in relation to the particular identified stakeholders of the firm (Freeman 2004). And with this we move from stakeholder management for integrity towards balance and triple bottom line as the realization of balance in the company based on integrity and stakeholder management.

Balance, triple bottom line and balanced scorecard

We can argue that concepts of triple bottom line and the balanced scorecard represent efforts to make a concrete measure for the achievement of balance in a company based on integrity and stakeholder management (Elkington 1997). The metaphor of the triple bottom-line has been a popular way to propose a view of the balanced company. Concepts of CSR and sustainable development have found clear expression in these ideas. The triple bottom line signifies that not only the economic performance but also the social and environmental performance of a company should be taken into account when measuring its balance and harmony.

With his book *Cannibals with Forks: The triple Bottom line of 21st century business* John Elkington defined the concept of the triple bottom line as essential for understanding the concept of the balanced company (Wayne and MacDonald, 2004). With the triple bottom line a company can maximize its social and environmental bottom-line in the same way as it measures its economic returns. We can say that this concept of the triple bottom-line is important for the concrete realization of integrity balances of corporations through stakeholder management.

The triple bottom-line is thus considered as a way to express the balance of a company in its practical action. It shows that a company is not only focusing on economic returns but also on its good and sustainable interactions with the environment. The framing of the activities of the company in terms of the triple bottom line help to make real how integrity and stakeholder management have an impact on the bottom line of a company. So with the focus on integrity and stakeholder management we can say that triple bottom-line accounting is not only being empty and meaningless as proposed by Wayne and MacDonald. It is not true that the triple bottom line cannot explain corporate social responsibility. Rather the triple bottom line is a more practical way to

account for the realization of integrity and stakeholder management as corporate social responsibility and corporate citizenship in the daily practice of the firm. But Wayne and MacDonald are right when they emphasize that the triple bottom line should be conceived as more than smoke screen for corporate performance.

The idea of the triple bottom line can be said to be that the balance of the corporation is founded on a changed understanding of the measurements of its impact on society. The balance and sustainability of a company is not only determined on the economic bottom line but by inclusion of its social and environmental performance. This bottom line expresses the relation of responsibilities to the different stakeholders of the corporation (Elkington 1997). By the triple bottom line we can mention the balance of integrity and the balanced relations to the different stakeholders of the corporation. The idea of the triple bottom-line implies the ability to measure and calculate the balanced relations of the company with different stakeholders. This idea is also linked to the fact that balance implies a convergence and obligation to maximize balance in relation to the triple bottom line.

Can we go from the concept of the triple bottom line to the concept of the balanced company? In fact with business ethics we experience a formulation of the concern for the triple bottom line as kind of communication and interaction with stakeholders and with the environment. Today business ethics, corporate social responsibility and values in corporations are starting to become an important focus of organization and leadership in order to achieve balance. This may be a way to get more balance in the organization. Business ethics is also about the legitimacy and accountability of the corporation and this may be the link to the triple bottom line.

Indeed, stakeholder management is a way to achieve balance and triple bottom line in the company. Stakeholder management is about governing the corporation on the basis of communication and dialogue with stakeholders . It is based on open listening to the important stakeholders and interest in making them participate in the formulation of the values and strategies of the corporation. This may ensure long-term sustainability because the performance of balance is accounted for through the triple bottom line as realization of integrity of the corporation.

The balanced scorecard can in this context be considered as one important additional instrument to make the organization more strategy focused on balance. When Kaplan and Norton defined the balanced scorecard they said that the strategy focused organization includes a balanced score card that is able to measure the different non-material performances with regard to ethical, social and environmental issues (Kaplan and Norton 2001).

Conclusion

In this paper I have presented the business ethics dimensions of a research project on the balanced company at Roskilde University. I have emphasized that the balanced company is focused on integrity, stakeholder management and the triple bottom line and balanced scorecard.

On this basis the research project that we will carry out in the future will focus on the conditions and possibilities for the balanced company by discussing the concept of balance from the conceptual and from different interdisciplinary perspectives in the business and organization sciences. The research will discuss the concept of balance within the different perspective of different business sciences and we will put up some conditions for the balanced company.

The importance of ethical issues for reestablishing the balance of corporations may be based in the bad reputation that companies have in society and in this context it is important to emphasize the importance of communication with surroundings to appear with integrity, legitimacy and credibility.

So we can define strategies of business ethics and corporate social responsibility as important ways to deal with balance in external and internal relations to the corporation. In work we also talk about the balance between work and the whole person e.g. balances between private and public, individual and collective groups. In this sense the concept of balance refers to balances in all aspects the work life. We can say that the concept of balance refers to the external and internal justification of the values and function of the corporation in society in the light of integrity and stakeholder management.

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