

# **THE ETHICAL DIMENSIONS OF QUALITY AND PRODUCTIVITY IMPROVEMENT**

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To the casual observer, business ethics and a company's activities to improve quality and productivity appear to be entirely separate domains especially when we look only at what that company produces. The ethical dimensions of quality and productivity improvement become more apparent when attention centers on who is producing what and for whom mainly because under those circumstances the issue of moral obligation comes to the surface.

The linkage between ethics, quality, and productivity has been suggested by various students of business affairs for some time. In 1980, for instance, Bologna stated that

While there may be no direct causal connection between high standards of business ethics and higher productivity, the odds are that the "bottom line" does benefit [Bologna, p. 31].

One year later Slowik suggested a similar connection [Slowik, p. 26]. Mawhinney in 1984 raised the issue as to whether "more egalitarian reward structures and power structures lead to greater organizational productivity" [Mawhinney, p. 8], but did not answer his own question. Bowman, that same year, was more assertive.

As a management tool, a comprehensive [ethics] plan should function as a cost containment device to the extent that fraud, waste, and abuse are reduced; ... a method to monitor and control organizational performance and employee adherence to standards; [Bowman, p. 47].

Four years later, the editor of *Management Review* connected quality and ethics [*Management Review*, p. 48] and, at the same time, Goddard reported that in order to promote productivity a number of companies had begun to incorporate ethics into their management training [Goddard 1988, p. 40]. Shortly thereafter, Dolecheck avowed that

to generate real productivity and quality, supervisors need to continually emphasize and analyze ethics in the workplace [Dolecheck, p. 35].

By the end of the decade, these developments were described by Goddard as a "quiet revolution" [Goddard 1989, p. 37] and Ciampa underscored the connection of ethics to total quality, just in time, and computer integrated manufacturing through cultural change [Ciampa, p. 61]. In 1990, the president and chief executive officer of Libbey-Owens-Ford asserted that

... I am absolutely convinced that, as we do business in a more ethical way, we improve (emphasis in the original) our chances, not hinder them, to increase our earnings, and this is particularly true over the longer term [Skeddle, p. 9].

One year later, Strandell put the essence of those comments in the negative [Strandell, p. 15]. Even so, as late as 1988, Moser claimed that there is no empirical evidence pointing to the impact of ethical conflicts on productivity [Moser, p. 381].

This article proceeds as follows. In part one, we examine the four economic processes and economic functions, the three principles that in a market economy organize those processes and functions, the three social values associated with those principles, along with the three principles of justice upon which those values depend. This explication is necessary at the beginning because conventional economics dismisses entirely the one organizing principle -- cooperation -- and its associated social value -- community or teamwork -- that increasingly in the workplace are explicitly reinforced in quality- and productivity-improvement activities. Further, with the exception of distributive justice, mainstream economists are silent on the role of justice in economic affairs.

In part two, we present five specific types of programs to enhance quality and productivity at three operational levels: intra-firm, inter-firm, and supra-firm. In this part,

connections are drawn to the organizing principles, social values, and principles of economic justice that support these programs. Part three offers some final observations.

This article does not derive from scholarly work that was guided by a carefully constructed research design. Rather, it is a report based primarily on site visits to firms across Louisiana to evaluate their quality- and productivity-improvement programs for the purpose of selecting one each year to receive the U.S. Senate Productivity Award (State of Louisiana). The visits began in 1984 and continue today.

The State of Louisiana embraces two major cultures: the fundamentalist Protestant (in the north) and the Catholic (in the south). Both religions have had some influence historically on the ways in which various social institutions and organizations generally function including private business establishments. Of late, however, this influence appears to have diminished as it has across the entire U.S. Looking back over the past 10-15 years and excepting the U.S. Catholic bishops pastoral letter on the economy, this author finds no clear evidence indicating that organized religion in Louisiana has made conscious efforts to directly influence business leaders on ethics in general or on individual and collective obligations in matters of quality and productivity. Any influence, which these two religions may have had in those matters likely, arises indirectly through the general formation of personal values and principles. Measuring that influence, which typically is buried deep within the human personality, is quite difficult, never has been included in the order of business during any of the site visits made in Louisiana, and is beyond the scope of this article.

## **ECONOMIC PROCESSES AND FUNCTIONS**

**Each one of the four central economic processes has its own unique economic function. Production involves the transformation of resources, including financial resources, into goods and services. Distribution is the movement of those goods and services through space and time. Exchange concerns the transfer of the ownership of the goods and services. Consumption is the use of those goods and services to satisfy human wants and to meet human physical need.**

**Production takes place in the workplace, while exchange occurs in the marketplace. Because it pertains to the movement of goods and services through space and time, distribution takes place in the interface between the workplace and the marketplace. Consumption, of course, is a household matter.**

**In contrast with conventional economics which construes goods and services strictly as a means of satisfying consumer wants, an important premise herein is that goods and services are means not only for satisfying human wants but, more importantly, for meeting human physical need. Furthermore, work itself is understood as a means for meeting the human need for self-expression and belonging. We underscore the need for work as such precisely because it is given short shrift in conventional economics and because, as we shall attempt to demonstrate later, addressing that need is part and parcel of the task of improving quality and productivity.**

***Organizing Principles and the Duality of Human Nature.***

**Conventional economics argues that in a market system competition alone -- the pitting of one individual against another to determine who is the better -- activates the four economic**

processes and their associated economic functions. The "invisible hand" is one conventional device that is employed to show how competition organizes economic affairs in ways that are not inevitably self-destructive. The organizing principle of competition depends upon the human disposition to perform certain tasks through individual action, motivated by individual economic incentives.

Further, inspired by logical positivism, conventional economics prescind from questions with an ethical dimension by casting economics more nearly in terms of physical objects as opposed to human persons. Note, for example, a central question in micro-economics is put **What determines price?** instead of **Who determines price?** Note also that the price in question is the equilibrium price and the condition is equilibrium, terms that suggest objects and the physical sciences, and not the agreed price and agreement that are more compatible with persons and the moral sciences. Almost 100 years ago Alfred Marshall referred approvingly to the physical-science bias among economists.

**Economists have in recent years come more nearly into line with physical science by borrowing from it some of those terse and powerful phrases by which it has been long able to describe and explain nature's tendencies more easily and more precisely than is possible in ordinary language [Marshall, p. 300].**

Agreement and agreed price, on the other hand, are reminders that economic affairs have an ethical dimension because, while economics properly deals with objects such as products and physical resources, the discipline more fundamentally is the study of human beings as workers and consumers. Equilibrium and equilibrium price are conveniences and contrivances for extracting economics from the tangled web of ethical problems, conflicts, and dilemmas.

When person is introduced, conventional economics reveals a schizophrenic side. Hedonists, on the one hand, argue for a human being who is entirely embodied and makes critical decisions on a pleasure-pain calculus. Rational expectationists, on the other hand, affirm human beings as completely disembodied, entirely rational, and completely separated from their emotions and materiality. This confusion, in turn, serves to release the mainstream economist from any critical moral issues in the economic order: if there is no agreement as to who and what a human being is, then who is so foolish as to say how one is to act?

Intervention -- the limiting and leveling of differences among individuals by the state or by a private group such as a professional association -- routinely is accepted by conventional economics as necessary throughout the four economic processes and four economic functions. This organizing principle, however, does not activate those processes as does competition. Consequently, in mainstream economics, only competition organizes production, distribution, exchange, and consumption through an activating operational mode. Intervention, especially government intervention, is presented by conventional economists in the context of market failure.

Cooperation -- the molding of individuals into a team for the purpose of achieving some common objective or addressing some common problem -- is ignored as an organizing principle by conventional economists even in the workplace. Worse yet, cooperation is rejected as inevitably leading to collusion in the marketplace. The roots of this disregard for cooperation as an authentic organizing principle are as old and as deep in economics as *Smith's Wealth of Nations*:

**People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices [Smith, p. 128].**

**This disdain for cooperation as an organizing principle with an activating operational mode derives importantly from the individualism of the Modern Age. If a human being is only individual by nature, there is no need to organize into teams to pursue common objectives because those objectives are achieved through the successful pursuit of individual ends. On the other hand, if humans are social by nature, that is if they need the company of other humans, cooperation plainly is required because by definition human ends are shared and some tasks are too massive or too complex for one individual to handle alone.**

**It is our view that humans by nature are at once individual and social and, for that reason, use both competition and cooperation to achieve their individual ends. Put differently, humans satisfy their own wants and meet their own material need through individual effort (competition) and through teamwork (cooperation) and in so doing activate the four economic processes and four economic functions. Whereas competition depends upon the human disposition to undertake certain tasks through individual action motivated by individual reward, cooperation relies on the human disposition to undertake certain tasks through collective action because the task cannot be completed at all or as well through individual action alone. Thus, the organizing principle of competition derives from the individuality of human nature. Cooperation, on the other hand, derives from the sociality of human nature.**



*Underlying Social Values and Linkages to Economic Justice.*

**In a market economy, human beings have some individual freedom to seek their own fortune, to receive the full fruits of their creative energies and self-expression, and to apply individual economic gains to satisfying individual wants and to meeting individual material need. The social value of individual freedom, however, depends on fidelity to the principle of equivalence in the marketplace and in the workplace. This principle of economic justice, which governs the relationship between the two parties to an exchange, states that justice is served whenever both parties exchange things of equal value and impose equal burdens on one another.<sup>1</sup>**

**Equivalence is violated in the workplace by such practices as featherbedding, expense padding, and embezzling and in the marketplace by ponzi schemes, inflated credit sales, and other practices. Without adherence to the principle of equivalence, there is no individual freedom because it is equivalence that restrains one party to an exchange from imposing the terms of that exchange on the other party. It follows that both individual freedom and equivalence are necessary for the organizing principle of competition to operate effectively and fairly in the economic order. Notwithstanding the way in which cooperation is neglected by mainstream economists, human beings in a market economy have some opportunity to become a members of a team, enhance individual productive capabilities to serve individual ends, and**

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<sup>1</sup> Conventional economics is virtually silent on the principle of equivalence due no doubt to the dominance of logical positivism. In the management science literature, however, one finds references to this principle as in the case of Edwards: "while a company has a responsibility to treat employees with respect, employees must reciprocate ... putting in a full day's work ..." [Edwards, p. 16].

experience belonging or community -- a oneness with teammates that does not diminish them as human beings.

Even a superficial experience with the workplace underscores the authenticity and necessity of cooperation as an organizing principle. The social value of teamwork, however, depends upon the faithful practice of the principle of contributive justice. This principle, which governs the relationship of the individual member to the group, asserts that insofar as a member receives benefits from belonging to the group, he/she has an obligation to maintain and support the group.

In the marketplace, contributive justice roots out such abuses as dumping, insurance fraud, and chain letters. In the workplace, it prohibits such practices as computer tampering and disrupting work by spreading false rumors, by arriving late, and by complaining continuously. Without contributive justice, there is no teamwork and, without teamwork, there is no real cooperation in economic affairs.

Humans commonly undertake collective action as either a public group (i.e., the government) or a private group (e.g., church) to redistribute goods and services and to thereby provide for those individuals who are not able to meet their own need alone. With intervention the underlying social value is equality that in turn depends on the principle of distributive justice. This principle of justice governs the relationship between superordinate and subordinate and asserts that the person with the greater responsibilities in a group has a duty to share the benefits and burdens of the group among its members in some equal or proportional fashion.

**Sexual harassment is one type of violation of the principle of distributive justice in the workplace. Redlining and bribery are two ways in which distributive justice is violated in the marketplace. Clearly, there is no equality without allegiance to the principle of distributive justice which helps eliminate the favoritism and discrimination that render some persons less equal than others. Further, without the social value of equality, there is no intervention that is truly sensitive and effectively responsive to unmet human physical need.**

**To summarize (see Table 1), the four economic processes and their associated economic functions are organized in a market economy by three principles. Two of those principles, competition and cooperation, are operationally activating. The third, intervention, is operationally limiting and leveling. Competition is based on and reinforces the social value of individual freedom and freedom, in turn, requires the faithful practice of the principle of equivalence. Cooperation depends on and strengthens the social value of teamwork and teamwork is not possible without fidelity to the principle of contributive justice. Intervention rests upon and fortifies the social value of equality and equality cannot be attained in the absence of distributive justice, Given the activating role of competition and cooperation, it follows that serious economic dysfunction occurs in a market economy whenever there is a breakdown especially in terms of the principle of equivalence, the principle of contributive justice, or both.<sup>2</sup>**

**Though primarily activating in terms of operational mode, competition and cooperation are secondarily limiting as well. More specifically, each one serves as a limit on the other. The**

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<sup>2</sup> Bartels asserts the following.

“The foundation of a nation's culture and the most important determinant of social and business conduct

**limiting action of competition may be either constructive or destructive. Competition limits cooperation constructively by making the group more aware that every member has certain individual ends that are served through work. Competition destroys cooperation whenever the aggressive pursuit of individual ends interferes with group unity. Indeed, unbridled competition can be self-destructive whenever it destroys the group and the means by which human wants are satisfied and human material need is met.**

**Cooperation, too, is operationally limiting. By reminding the individual that work is a social process, cooperation supplies a constructive limit to the competitive organizing principle. Cooperation is destructive whenever individual initiative is crushed by heavy-handed group action. Collusion in the marketplace is cooperation among individuals that is a zero-sum and inherently destructive activity.**

**In the workplace, the business of a human being as an individual and as a member of a team is to blend competition, cooperation, and intervention so as to satisfy human wants and to meet human material need in ways that afford freedom, community, and equality in the greatest measure possible. If competition and cooperation do not activate sufficient production and some individuals are left with basic material need unmet, human beings in better economic circumstances are called to intervene and provide the needed goods and services. Any failure to intervene and to provide at least a subsistence living standard effectively denies the fundamental equality of all persons.**

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**are the religious and philosophic beliefs of a people. From them spring role perceptions, behavior patterns, codes of ethics, and the institutionalized manner in which economic activities are performed". [Bartels, p.5]**

## **QUALITY AND PRODUCTIVITY IMPROVEMENT: FIVE TYPES OF PROGRAMS**

**Conventional economics recognizes competition alone as the activating force that energizes the workplace and therefore drives quality and productivity. By quality we mean the number of defective units per given amount of output. By productivity we mean cost per unit or units of output per fixed amount of input. In the workplace, quality and productivity frequently are seen as mutually exclusive objective: whatever steps are taken to enhance the one tend to have a negative impact on the other.**

**At the intra-firm level, it is abundantly clear that competition and cooperation activate production and distribution and thereby drive both quality and productivity. Given the interactive effects of competition and cooperation, the task of management at the intra-firm level is to skillfully blend both of these activating principles so as to satisfy human wants and to meet human material need maximally, assure the economic viability of the firm, and promote individual freedom and community or teamwork to the fullest measure, all within whatever limits the state or private groups impose to provide for the material need of those individuals who are unable to meet their own need alone. For the overwhelming majority of private companies operating in a market economy, human wants and material need and profit are inextricably intertwined: the business cannot make a profit if it does not satisfy some human want or meet some aspect of human material need and it cannot achieve those purposes if it does not turn a profit.**

**Recent developments in the U.S. over the past several years indicate that at the intra-firm level, management is becoming more aware that one of the most effective responses**

to more competition in the marketplace is more cooperation in the workplace. Examples of specific intra-firm measures to enhance productivity and quality that typically incorporate the organizing principle of cooperation abound: team safety programs, mission statements, quality circles, employee stock ownership plans, just-in-time manufacturing, and gain sharing, to name several.

Further, some firms have begun to understand that more inter-firm cooperation can be effective in helping them become or remain competitive in the marketplace especially in a global economy. By inter-firm cooperation we mean the combined efforts of two or more firms to help resolve problems that are specific to one of those firms. One such inter-firm measure is called "vendor partnership" whereby deliberate efforts are made by the firm purchasing supplies from a large pool of vendors to reduce the number of vendors that it depends on so that it can work more closely with the remaining vendors on deliverability and defects in the parts that are shipped.

By supra-firm cooperation we mean the combined efforts of several firms with a common problem or set of problems that they agree to address collectively. Sometimes this cooperation is industry-specific, sometimes it cuts across industries.

Another workplace development that departs from conventional market economics is that some manufacturers no longer perceive quality and productivity as mutually exclusive goals. Rather, companies are affirming that the two are closely intertwined. Indeed, many argue that quality improvement actually drives productivity enhancement. In brief, they assert that one important way to remain competitive in the marketplace is to reduce the number of

final-product defects to zero not through re-working defective units but by doing the job right the first time. Productivity climbs because the cost of re-work is eliminated. Statistical process control and statistical quality control are used to track performance on eliminating defective units.

Five types of programs are presented below. The first three -- quality circle, gain-sharing, and mission statement -- are implemented at the intra-firm level. The next one -- trading information -- operates at the inter-firm level. The last -- industry council -- functions at the supra-firm level. Information regarding all five types was gathered during site visits made by the author during the four-year period 1984-1987. Connections are drawn to the three underlying social values and three principles of justice.

#### *Quality Circle.*

Martin Marietta in New Orleans (LA) manufactures the external liquid fuel tank used in NASA's space-shuttle program. The company's quality- and productivity-improvement program, which began in 1980, called for zero defects and an 84-percent manufacturing improvement curve. That is, as production doubles, the second unit costs 84 percent of the first unit, the fourth unit costs 84 percent of the second unit, and so forth.

To achieve those targets, Martin Marietta installed several programs including quality circles which the company calls system refinement teams. Of the nine teams in place in 1985, 82 were organized around a specific work area. In 1984 over 100 improvement projects were completed by system refinement teams in the areas of cost avoidance, quality improvement, safety, schedule and productivity, and procedures and work methods.

The outstanding team for the year is rewarded with an expense-paid trip to Cape Kennedy to observe a shuttle launch. The other finalists are recognized at a company luncheon. In 1984 Martin Marietta was honored by the International Association of Quality Circles with its excellence award for outstanding efforts in this area.<sup>3</sup>

Martin Marietta's system refinement teams reinforce all three organizing principles, social values, and principles of economic justice. Competition and equivalence are encouraged by offering a trip to Cape Kennedy as a reward for the best teamwork in the plant. Since teamwork also strengthens individual skills and work habits, the individual members of a successful team have greater freedom in deciding to remain in their present work roles or to seek out other work roles even with other employers. Cooperation, teamwork, and contributive justice are reinforced by focusing on the importance of producing a zero-defect unit at a lower unit cost. Intervention, equality, and distributive justice are enhanced through the leveling effect that system refinement teams have in terms of the responsibility among supervisors and subordinates for work that is being produced in a given area.

#### *Gain Sharing.*

The General Electric plant in Shreveport (LA) produces electrical transformers and employs more than 500 workers. In mid-1981 the plant installed a gain sharing program based on the Improshare model.

GE's gain sharing program works by paying employees more whenever they produce defect-free units utilizing fewer labor hours than in the base period. The gains are estimated by

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<sup>3</sup> Information from a site visit to the Martin Marietta plant in October 1985.



**(1) determining the number of hours it would have taken to produce the current week's output using the standard rate from the base period and (2) comparing those hypothetical hours to the actual number of hours expended on the current week's production. This gain is split evenly between the workers and the company. The employees' share is distributed among the workers in proportion to the number of weekly hours each one actually worked. Labor hours saved in the production of units that fail final inspection or are returned by the customer are not counted and are not compensated through gain sharing.**

**Plant officials reported a net savings in labor costs of some \$4.0 million from the start of the plan in August 1981 through the first quarter of 1984. In the first half of 1984, gain sharing that is paid on a weekly basis to plant employees averaged about 12-17 percent of base pay.<sup>4</sup>**

**GE's gain sharing program reinforces all three organizing principles, social values, and duties under economic justice. Paying each worker in proportion to the hours he/she actually worked fosters competition, individual freedom, and equivalence. Because production is a group enterprise, counting only defect-free units promotes cooperation, teamwork, and contributive justice. Splitting the gains on a 50-50 basis is interventionist and reinforces equality and distributive justice.**

***Mission Statement.***

**Atlas Processing, a subsidiary of Pennzoil, operates a small oil refinery in Shreveport (LA), producing gasoline, diesel, aviation fuels, paraffinic lube basestocks, naphthenic lubes, and fully refined waxes. Atlas Processing first encountered serious financial problems in 1981.**

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<sup>4</sup> Information from a site visit to the General Electric plant in June 1984.

Losses continued during the next two years, raising doubts as to the survival of the facility. In 1984 a decision was made to improve the facility's chances for survival by drawing down the product line and by reducing employment. The centerpiece of Atlas Processing's efforts to survive is the company's mission statement that reads as follows.

**We want Atlas to be an organization:**

- 1) where safety is the first consideration of each employee;**
- 2) which is a responsible member of the community fulfilling its environmental, legal, and social obligations;**
- 3) which is committed to providing each employee the opportunity to be a member of a highly skilled work force that rewards initiative and ability;**
- 4) where its employees take pride in performing meaningful and satisfying work and strive for zero errors as their standard of performance;**
- 5) where information is shared widely, teams are used effectively, and decisions and responsibilities are delegated to the individual(s) with the most knowledge of the processes involved;**
- 6) which is committed to fostering customer satisfaction by providing quality products according to mutually agreed upon requirements;**
- 7) where quality products are produced according to the business plan with the best economics available and with a willingness to respond to changes in market needs;**
- 8) that utilizes state of the art technology to maximize productivity and product value;**
- 9) which utilizes thorough, timely, accurate, and concise planning as an integral part of all aspects of the business (i.e., operations, maintenance, sales, engineering, etc.);**
- 10) that is committed to rigorous hiring standards and comprehensive training and development programs.<sup>5</sup>**

**Items 1 and 2 relate to cooperation, teamwork, and the principle of contributive justice.**

**Given the hazards of working in an oil refinery, Item 1 asserts what the employee owes fellow workers and others working or living in the vicinity of the plant. Item 2 affirms the company's obligations to the community. Item 5 also reinforces cooperation and teamwork.**

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<sup>5</sup> Information from a site visit to the Atlas Processing plant in February 1987.

Items 3, 4, 6, 7, 8, and 9 involve competition, individual freedom, and the principle of equivalence. Items 3, 4, 8, and 9 are connected through the workplace. Items 3, 8, and 9 remind the company what it owes its employees at the same time Item 4 underscores what each employee owes the company. Items 6 and 7 are connected through the marketplace. Both emphasize what the company owes its customers.

Items 5 and 10 pertain to intervention, equality, and the principle of distributive justice. Item 5 refers to how information is distributed and how responsibilities are assigned. In Item 10 the company affirms an even-handedness in hiring, training, and developing its employees.

*Trading Information.*

There is a type of inter-firm cooperation in the manufacturing process in which a vendor serves as a channel for information between one firm with a specific problem in need of resolution and others which have tackled the same or a similar problem successfully. Bollinger Machine Shop and Shipyard in Lockport (LA), which in 1984 began producing patrol boats for the U.S. Coast Guard, encountered a problem in welding the aluminum superstructure to the boat's steel hull. The problem centered around different rates of expansion and contraction associated with the two metals when they are heated and then allowed to cool down. Bollinger's welding-equipment vendor was able to pass information from one of its customers (in another industry) to Bollinger's that proved to be helpful in resolving that problem.<sup>6</sup>

Von Hippel reports that trading proprietary information -- so-called "trade secrets" -- is commonplace, particularly among engineers. The exchange rarely occurs simultaneously.

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<sup>6</sup> Information from a site visit to Bollinger Machine Shop and Shipyard in February 1987.

Rather, it begins with an engineer in trouble who turns for help to a colleague in another company. The initial trade takes place because the person who initially supplies the needed information is confident that the favor will be returned. While this practice first surfaced among engineers, von Hippel reports that it happens in other fields as well [von Hippel, pp. 52-56].

*Industry Council.*

PRIDE was formed in 1972 as a voluntary association of various private parties in the St. Louis construction industry. It is an industry council that is organized locally and operates mainly at the local level and to a lesser extent at the sub-state regional level.

PRIDE's origins are several and varied and include general conditions in the local construction market, suggestions to the effect that labor-management relations need not be adversarial, persistent complaints about union labor practices on the job, a difficult strike involving fitters in 1963, the formation of a council among area firms that use the construction industry, a decision by Anheuser-Busch not to build or expand in St. Louis, and union and contractor participation in non-union jobs.

Critical to the establishment of PRIDE is a *Memorandum of Understanding* that was signed voluntarily by five parties in the industry: users, designers, contractors, craftsmen, and suppliers. The *Memorandum* sets forth in detail the obligations of each one of the parties. Users, for instance, accepted four specific obligations to the other parties, while contractors affirmed five responsibilities. Because it sets forth the duties of the individual parties without

once referencing their rights, the *Memorandum* gives expression to the principle of contributive justice in the St. Louis construction industry.

PRIDE operates through pre-bid and pre-job conferences to address dysfunction in the workplace before construction begins. In addition, a board of directors meets on a monthly basis to discuss other problems and issues. The meeting is chaired by two persons, one of whom represents the contractors with the other representing the building trades.

Cooperation and teamwork are underscored at these monthly meetings. To illustrate, each of the participating parties, one by one, is asked by the co-chairmen to report on any problems in their operating areas. At the November 1984 monthly meeting, the representative of the glaziers' union requested help in finding more glaziers to speed up work on certain large projects so that in the winter months ahead other tradesmen could work in enclosed space that afforded more protection against the elements. The representative of the fitters' union complained that in PRIDE "there is too much 'me' here, and not enough 'we'".<sup>7</sup>

As to PRIDE's effectiveness, between 1972 and 1981, more than 300 restrictive work rules were eliminated and there was only one jurisdictional dispute. Before PRIDE, it was not unusual to have three or four such strikes every month [Ross, p. 92].

#### SOME FINAL OBSERVATIONS

A written code of business ethics is only one expression for a company's concern for ethical business practices. A code by itself does not guarantee that the company's employees will behave in an ethical manner in their business affairs. Indeed, a code is futile whenever the

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<sup>7</sup> Information from an interview with the co-chairmen of PRIDE and attendance at a board of directors' meeting in St. Louis in November 1984.

company's officials and employees have lost their sense of moral duty, whenever they have become moral relativists, whenever they affirm situation ethics [O'Boyle and Dawson, pp. 923-924]. A company's real concern for ethics is not so much a matter of what it says but how its employees and officials conduct themselves. In this regard, our site-visit experience with more than 35 firms over the nine years suggests the following.

*First*, quality-and productivity-improvement programs are designed to make the company more successful in the marketplace through a re-affirmation of or a change in emphasis on competition, cooperation, and intervention. Constructive competition is encouraged by stressing a person's duty under equivalence. Similarly, constructive cooperation is enhanced by stressing a person's duty under contributive justice. Intervention is emphasized through distributive justice.

*Second*, under equivalence the responsible free person understands that, in order to merit the maximum reward, his/her best work is required. Under contributive justice, the true team member knows that, in order to preserve cooperation, he/she must contribute to the success of the team. Under distributive justice, the authentic democratic accepts that equals are to be treated as equals.

*Third*, we do not argue that management organizes its thinking in a way that explicitly connects quality and productivity to the demands of justice. Rather, successful companies instinctively make that connection because it works for owners, for customers, and for employees.

*Fourth*, insofar as successful companies are models for other companies which are faced with similar problems of quality and productivity, we expect that those other companies instinctively make the same connection with the duties demanded by the three principles of justice for the same reasons we already observed: to serve their own constituencies better and to better ensure their own survival in the marketplace.

*Fifth*, improving productivity is a vital concern for everyone because productivity improvement contributes directly to higher living standards, that is efficiencies in resource utilization mean that human wants can be satisfied more fully and human physical need can be met more adequately. Eliminating defects and boosting quality is crucial to productivity improvement because, given the cost of re-work, shoddy work adds to unit cost. Quality, in turn, is driven by factors such as safety and housekeeping in the workplace and safety, in turn, is steered in part by how well maintenance on plant and equipment is performed.

In the end, none of these improvements are possible in a market economy without a re-affirmation of a personal sense of obligation because virtually nothing is produced without human labor and, for that reason, nothing is improved without some change in human beings. One of the principal keys to changing humans is spelling out more clearly what they owe to others in their various economic roles as buyers and sellers, employers and employees, producers and resource holders.

The virtue of justice applied to the four economic processes and four economic functions is not pure ideology. Rather, it is a resource which, when it is applied properly, makes a major difference in quality, productivity, competitiveness, profitability, and living standards.

***Finally*, among resources, justice has very special characteristics: it has no economic value when it is hoarded, it is not depleted and leaves behind no dangerous residue when it is utilized, and successful companies have no greater claim to it than failing enterprises. Justice is a powerful and free resource for those with the wits to bring it forth from its human hiding place and the will to apply it wisely in the workplace and marketplace.**



**TABLE 1. ECONOMIC PROCESSES/FUNCTIONS, ORGANIZING PRINCIPLES, SOCIAL VALUES, and PRINCIPLES OF JUSTICE: THE INTER-CONNECTEDNESS**

<u><i>Economic Processes and Functions</i></u>	<u><i>Organizing Principles</i></u>	<u><i>Social Values</i></u>	<u><i>Principles of Economic Justice</i></u>
<b>PRODUCTION</b> resources transformed into goods and services through individual action economic reward	activated by <b>COMPETITION</b> requiring ↓ individual's disposition to perform certain tasks motivated by individual equal burdens on one another	<b>FREEDOM</b> which depends on <b>EQUIVALENCE</b>	buyer and seller exchange things of equal value and impose equal
<b>DISTRIBUTION</b> goods and services moved through space and time	activated by <b>COOPERATION</b> requiring ↓ individual's disposition to perform certain tasks through collective action because they cannot be completed by individual action alone	<b>COMMUNITY</b> which depends on <b>CONTRIBUTIVE JUSTICE</b>	insofar as a member receives benefits from a group, he/she has a duty to support that group
<b>EXCHANGE</b> ownership of goods and services transferred	limited by <b>INTERVENTION</b> requiring ↓ limits individual action and collective action in order to reduce or eliminate undesirable consequences	<b>EQUALITY</b> which depends on <b>DISTRIBUTIVE JUSTICE</b>	superior is obliged to share burdens and benefits among group members without favoritism or discrimination
<b>CONSUMPTION</b> use of goods and services to satisfy human wants and meet human physical need			







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