

Business culture and corporate social responsibility: an analysis in the light of Catholic social teaching with an application to whistle blowing

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Abstract

The outcomes of a market economy depend on human behaviour within business organisations and this in turn is closely related with our conceptions of organisational culture and corporate social responsibility. Markets cannot be seen as 'autonomous' as is often suggested, but behaviour within markets is affected by the cultural environment within which business organisations operate. The first insight of this paper is the importance of culture in the economic sphere in influencing individual decision-making. Secondly, we point out that culture itself is shaped by the decisions of human persons: culture is not exogenous. Thirdly, we argue that an important aspect of a Corporate Social Responsibility (CSR) policy within an organisation should be the promotion of virtuous behaviour in order to help create a culture of virtue in the business sector more generally. It is concluded that both individuals and companies have a responsibility to help foster a culture of virtue within the business environment in which they operate which has 'spillovers' outside the organisation itself. A practical application of the ideas to the concept of 'whistle blowing' is proposed.

Key words: Organisational culture; corporate social responsibility; Catholic social teaching; whistle blowing.

INTRODUCTION

A market economy allows persons to voluntarily engage in economic activity, pursuing their own ends through freely chosen means. This institutional framework is, given certain conditions about the choice of ends and means, compatible with Catholic social teaching as well as with other ethical perspectives in political economy. Nevertheless, discourse about the ethical evaluation of economic action from within the Catholic Church has sometimes criticised abstract concepts and discussed markets as if they have a mind, will and morality of their own. One recent example of this was in Pope Francis' *Apostolic exhortation*, in which it was stated: 'As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation...' (202). This paper argues that this position overlooks the fact that the outcomes within a market depend on individuals who make free decisions who are not autonomous. It also depends on the organisational and social culture within which they act. That itself is determined by the free decisions of those whose actions help shape culture. The papal encyclical of Pope Benedict XVI, *Caritas in veritate*, has a number of very important insights in this regard and particularly in bringing the role of culture into the domain of political economy and business culture into the domain of Catholic social teaching. Indeed, it is the issue of culture that can perhaps bridge the gap between those who believe that markets are autonomous and those who believe that markets are populated with people who exercise their own free will.

In any sphere of life where we are free, culture can make it more difficult for us to choose the good or easier to choose what is wrong. But culture is, itself, shaped by free decisions of human persons: it is not exogenous. Culture is also shaped partly by organisations themselves. Within this framework, this paper argues that Corporate social responsibility (CSR), as practised, should address these concerns.

Past conceptualisations of CSR looked at it from the perspective of social obligation (Brown and Dacin 1997; Sen and Bhattacharya 2001) or, in a narrower version, from the perspective of stakeholder obligation (Donaldson and Preston 1995). To accommodate the need for a normative perspective of CSR, an ethics-driven approach was also introduced (Maignan and Ferrell 2004) (see Maignan and Ferrell for a detailed overview). We adopt a definition which looks at CSR as 'corporate behaviors which aim to affect stakeholders positively and go beyond its economic interest' (Turker 2009) but also that CSR should create positive social change (Aguilera et al. 2007).

Informed by Catholic social teaching, we argue that CSR should have an important role in shaping an ethical business culture. To illustrate the practical implications of this argument we focus on the problem of dealing with systemic wrongdoing within an organisation through whistle blowing.

ECONOMIC ACTION, ETHICS AND CATHOLIC SOCIAL TEACHING

The question of the nature of economic action and the appropriate roles for political institutions and business organisations in economic life is one of the most important and fiercely contested debates in political economy. It is also a central theme in discussions about economic action within the context of Catholic social teaching. A relatively recent and clear statement about the fundamental anthropological position of the human person in relation to economic life is found in *Centesimus annus*. In stating why socialism was incompatible with a Christian human anthropology, John Paul II stated:

Socialism considers the individual person simply as an element, a molecule within the social organism, so that the good of the individual is completely subordinated to the functioning of the socio-economic mechanism. Socialism likewise maintains that the good of the individual can be realized without reference to his free choice, to the unique and exclusive responsibility which he exercises in the face of good or evil. Man is thus reduced to a series of social relationships, and the concept of the person as the autonomous subject of moral decision disappears, the very subject whose decisions build the social order. (CA 13).

The argument of Pope John Paul suggests that a free economy is important, not just because it provides the material needs for human flourishing, but also because it allows people to exercise free choice, including free moral choices, in the economic sphere. This constitutes a line of reasoning with firm and long-standing roots in Catholic social teaching, though it is, by no means, the only way of thinking about such issues compatible with Catholic social teaching.

In fact, the argument is little different from that used in other spheres of behaviour. In terms of sexual behaviour, social behaviour, and so on, the Catholic Church lays down a moral code and suggests certain provisional roles for the state, but the Church does not argue that the state should be the main arbiter of behaviour unless human dignity or the common good is under threat.

This is particularly clear under a Thomist natural law framework. As the part of eternal law that concerns man, natural law is deemed discoverable through the rightful employment of human reason. It is thus neither purely an instinctive faculty (nor self-evident without effort) nor an unattainable ideal. The human person can (and ought to) judge matters of right and wrong through the employment of reason. The primary precepts of natural law at a more general level are those that can be known and understood with great certainty but they are also the ones that offer (in themselves) less practical guidance. Actual decision-making requires resorting to secondary precepts of natural law. These offer more assistance in guiding concrete decisions but also exhibit a much wider scope of variation and are correspondingly less certainⁱ. It is at the level of secondary precepts that particular circumstances of time and place also become more important since knowledge of these is essential for morally framing personal choices and human action in general. A crucial implication of this for the economic dimension is that individuals are constantly obliged to take into account the general principles of natural law as part of the process of generating supplementary human laws and choosing morally.ⁱⁱ

This teaching has been reaffirmed in the modern documents on Catholic social teaching going back to *Rerum novarum*. In this encyclical, the importance of businesses treating their workers properly was emphasized strongly. For example: 'Hence, by degrees it has come to pass that working men have been surrendered, isolated and helpless, to the hardheartedness of employers.' (RN 3). The obligations of business owners were made very clear when it was stated:

The following duties bind the wealthy owner and the employer: not to look upon their work people as their bondsmen, but to respect in every man his dignity as a person ennobled by Christian character. They are reminded that, according to natural reason and Christian philosophy, working for gain is creditable, not shameful, to a man, since it enables him to earn an honorable livelihood; but to misuse men as though they were things in the pursuit of gain, or to value them solely for their physical powers - that is truly shameful and inhuman. (RN 20).

In his address to the fifth general conference of bishops of Latin America and the Caribbean, Pope Benedict emphasised and was more explicit about the importance of the moral aspect of economic action when he said:

Both capitalism and Marxism promised to point out the path for the creation of just structures, and they declared that these, once established, would function by themselves; they declared that not only would they have no need of any prior individual morality, but that they would promote a communal morality. And this ideological promise has been proved false...Just structures are, as I have said, an indispensable condition for a just society, but they neither arise nor function without a moral consensus in society on fundamental values, and on the need to live these values with the necessary sacrifices, even if this goes against personal interest.

We argue that as well as justice and the freedom to make good moral choices, another – intermediary – element is needed to make sense of and frame individual economic action within a market economy. That element is culture – and particularly organisational culture.

MARKET AUTONOMY, PERSONAL AUTONOMY, ORGANISATIONS AND CULTURE

Markets allow free economic exchange that benefits transacting parties. That benefit may or may not be a monetary benefit, depending on the attitudes and preferences of those involved. A Christian understanding of the moral, reasoning and acting human person cannot lead to the view that markets are autonomous as expressed in Pope Francis' recent *Apostolic exhortation* and in other statementsⁱⁱⁱ. People are not merely animals acting upon instinct but reasoning persons who can choose good over evil in the economic sphere. In this framework, to re-order capitalism requires re-ordering behaviour.

One problem in these discussions is the erroneous understanding of the market as what could be described in Hayekian terms as an artificial or made order (Hayek 1998). Rather than have a single specific purpose, a market order should be understood as an enlarged order of voluntary social co-operation. It is not designed and does not have a specific purpose or inner logic. In the 'great society' of a complex market order even complete strangers are able to co-operate with each other simply by interacting in the economic sphere.

From a social perspective, the key notion of this understanding of the nature of the market is that it does not assume any concrete or specific collective goal. Unlike in a particular organisation in which internal activity is framed by obedience to specific commands and aims at a particular goal, a market economy has no single goal that is imposed on all persons. On the contrary, the defining characteristic of the market is that it allows individual

human persons to pursue a wide diversity of goals and to make choices accordingly (as well as to bear responsibility for the choices freely made). Ethical choices about what to produce, what to buy, how to treat employees and so on are part of the set of choices people need to make. The market order is thus essentially abstract.

As has already been noted, in *Rerum novarum*, employers were specifically called to account for their ethical failings. In *Centesimus annus*, Pope John Paul II very clearly related the case for a free economy to the ability of the reasoning, acting person to take moral decisions in the face of choices between good and evil. Pope Benedict XVI was even more specific in *Caritas in veritate*. It is because of the Christian understanding of man as a moral and reasoning person that Pope Benedict argued in *Caritas in veritate*:

Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends. Instruments that are good in themselves can thereby be transformed into harmful ones. But it is man's darkened reason that produces these consequences, not the instrument *per se*. Therefore it is not the instrument that must be called to account, but individuals, their moral conscience and their personal and social responsibility. (CV 36)

The encyclical continues:

Efforts are needed — and it is essential to say this — not only to create ‘ethical’ sectors or segments of the economy or the world of finance, but to ensure that the whole economy — the whole of finance — is ethical, not merely by virtue of an external label, but by its respect for requirements intrinsic to its very nature. The Church's social teaching is quite clear on the subject, recalling that the economy, in all its branches, constitutes a sector of human activity. (CV 45).

Similarly, in his 2013 World Peace Day message, Pope Benedict XVI clearly calls to account the human person acting in the economic sphere:

Concretely, in economic activity, peacemakers are those who establish bonds of fairness and reciprocity with their colleagues, workers, clients and consumers. They engage in economic activity for the sake of the common good and they experience this commitment as something transcending their self-interest, for

the benefit of present and future generations. Thus they work not only for themselves, but also to ensure for others a future and a dignified employment. (5).

Pope Benedict does not argue that abstract economic systems have a purpose of their own or even that human persons should not in general act in their own self-interest. Instead he argues that they should act morally in a way that transcends their direct economic self-interest.

However, though human persons acting in the economic sphere are capable of moral judgements, decisions in all spheres of life are not taken in isolation from the rest of society. The decision to do good or otherwise is influenced by prevailing cultural norms and the culpability for a particular action can be affected by those cultural norms. It could be argued that it is culture that, to a large extent, fills the gap between those who see the economy as being made up of atomized individuals taking rational decisions in isolation from each and those who try to suggest that an economy, in a sense, has a will of its own. In economic activity, as in other domains of human action, culture influences individual behaviour and organisational patterns and helps shape economic action within society.

CULTURE, CULPABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Catholic social teaching has certainly stressed the importance of firms making correct moral choices. However, as is suggested in *Caritas in veritate*, the relationship between the market and the moral-cultural sphere has not always been as explicit in recent Catholic social teaching as it could have been. This understanding of the ethical framework of the market is by no means an innovation in Catholic thought – it is clear if one goes back to the economic thought of the late scholastics and beyond (Melé 1999, Rivas 1999, Chafuen 2003, Alves and Moreira 2010).

In this tradition, what we might now label as CSR cannot be separated from a ‘first-person’ ethics in which individual persons acting in the economic sphere bear ultimate responsibility for their moral decisions. Indeed, if we think of an unethical business culture and unethical firms as being part of what Catholics often describe as a ‘structure of sin’, the Compendium of the Social Doctrine of the Church makes clear that structures of sin are

‘rooted in personal sin and, therefore are always connected to the concrete acts of the individuals who commit them, consolidate them and make it difficult to remove them’ (119).

The Catholic Church recognises that culpability may be limited due to cultural pressures. But, for the reasons explained in the Compendium 119, even the culture that affects culpability is not itself exogenous. When a business person deliberately acts in a way that affects culture detrimentally, this is a moral choice. Because choosing the good is more difficult in a hostile cultural environment, it is important that all people of goodwill acting within the business sphere not only promote good ethical and moral choices but also take responsibility for the contribution they can make towards making the cultural environment less hostile. Culture is deeply rooted and can be difficult to change. However, as *Caritas in veritate* stated: ‘every economic decision has a moral consequence’ (CV 37, italics in original).

It follows from this central recognition of Catholic social teaching that there is a moral and ethical obligation on all participants in economic activity – including business organisations – to play a role in shaping a culture that helps others to choose the good and that this should be an important aspect of corporate social responsibility.

Within this context, we would argue that the core of a policy of corporate social responsibility (CSR) should be to both overcome cultural forces that downplay the ethical aspect of commerce whilst, at the same time, helping to shape culture in an ethical direction.

The importance of cultural factors in ethical decision-making is widely recognised. Hunt and Vitell in their theory emphasise (1986, 1993) that individual ethical judgements are the function of deontological and teleological evaluations. (Vitell et al 2003). They posit that to become more ethical and socially responsible, one must first recognise ethics and social responsibility as important, hence the role of management in shaping cultures.

The first requirement of a CSR policy is therefore to try to embed virtuous behaviour within the business so that business decisions are constrained by appropriate ethical standards. It is true that, when defining their value statements, companies generally do not – and are unlikely to - evoke specifically Christian values. However, Catholics argue that certain values are universal and known to all so that, according to Catholics, there can be a universal standard of behaviour^{iv}.

Some of the trends that frame the context in which markets operate and that are affected by culture are well described in the economic and business literature and we just give one example here, before discussing a further application below.

Advertising is a phenomenon that affects culture. Individuals are prone to influences from advertising, which appeal to emotions and can promote peer pressure for conspicuous consumption. Whilst it is individuals who take decisions to purchase and individuals – or groups of individuals – that take decisions to stimulate sales dynamics through advertising, together those decisions create a culture in which it might be easier or harder for consumers or businesses to choose what is good. A variety of empirical research demonstrates the potential of such actions in terms of generating behavioral outcomes. For example, the consumption of goods is often presented as a ritual (Rook, 1987, Otnes et al., 2012, Neale et al., 2008); it provides fulfilment or gives emotion-based experience (Caru and Cova, 2003); it allows for enhancement of self-esteem (Banister and Hogg, 2004); it gains the respect of peers and is related to group identification (Fisher and Wakefield, 1998). It has also been confirmed that certain iconic brands are capable of providing their customers with emotional auto-directed benefits (Elliott, Wattanasuwan, 1998, Saviolo and Marazza 2012). There are important ethical dilemmas behind the creation of brands and behind policies of promotion. For example, to what extent should children be used in adverts? These are decisions made by executives that affect the culture in which all businesses operate.^v

Modern economics also recognises cultural pressures in discussions about the nature of rationality and individual decision-making, though without necessarily accepting the framework that we articulate explicitly. Individuals are not isolated agents making rational calculating decisions about each and every economic action. These issues are discussed, for example, by Kahneman and Lovallo (2011) who argues that decisions are not simply taken as if all economic actors are isolated, calculating human persons with no outside influences affecting their decision-making paradigm. Indeed, if these observations from what is known as behavioural economics are empirically true, then it suggests that culture may, indeed, play a very important part in economic decision making.

THE REALITY OF CORPORATE SOCIAL RESPONSIBILITY

One obvious way for a business to pursue virtuous behaviour and also to contribute to the development of an ethical culture is through the application of a corporate social responsibility (CSR) policy. However, a CSR policy

as such certainly does not guarantee virtuous behaviour. This could be because of the way in which it is framed or the way in which it is enacted (or not enacted). There is ample empirical evidence that implementation of CSR policies by, for example, codes of conduct do not guarantee a positive influence on behaviour of employees (Somers, 2001). It also does not seem to guarantee any ethical sensitivity of strategic decision-making as examples of various corporate scandals show. Companies such as VW, RBS and Enron all had codes of conduct and extensive CSR policies and between them, these companies won many CSR awards.

If an enterprise is to genuinely embed ethical behaviour within itself, then ethical virtues and values would determine organisational behaviour to such an extent that they become enduring and differentiating characteristics of the company and, more importantly, shared by all the members of the organisation. In that context they become an inherent part of organisational culture and even more than that they can become its identity. In practice, we have seen that values often remain only a semantic feature or 'window dressing'. There is evidence that companies use a value-based language much more in their formal reports prepared for stakeholders than in mission statements, which are usually good proxies for corporate identities^{vi}, which might indicate that they consciously use 'value arguments' to enhance their image.

Indeed, this point is made very powerfully and explicitly in *Caritas in veritate*:

Today we hear much talk of ethics in the world of economy, finance and business. Research centres and seminars in business ethics are on the rise; the system of ethical certification is spreading throughout the developed world as part of the movement of ideas associated with the responsibilities of business towards society. Banks are proposing 'ethical' accounts and investment funds. 'Ethical financing' is being developed, especially through micro-credit and, more generally, micro-finance. These processes are praiseworthy and deserve much support. Their positive effects are also being felt in the less developed areas of the world. It would be advisable, however, to develop a sound criterion of discernment, since the adjective 'ethical' can be abused. When the word is used generically, it can lend itself to any number of interpretations, even to the point where it includes decisions and choices contrary to justice and authentic human welfare. (CV 45).

There is evidence that suggests that CSR policies can easily become instrumental (see Brown and Forster, 2013 for detailed overview of altruistic and instrumental motivations behind CSR). Research has attempted to prove the relationship between CSR policies and financial results of the company and, although it gave initially ambiguous results (Rodriguez et al., 2006, McWilliams and Siegel 2000, Orlitzky et al., 2003) it is known that under certain conditions CSR engagements of the company can generate consumer reactions such as trust (Swaen and Chumpitaz 2008, Lin et al 2011), diminished risk perception (Stanaland et al 2011), identification with the company (Bhattacharya and Sen 2003, Marin et al., 2009) and, last but certainly not least, purchase intent (Groza et al 2011). It would be naïve to think that CSR cannot in consequence manipulate the behaviour of stakeholders.

It can be seen that CSR policies do have an influence on consumers and are used for various purposes, not all of them virtuous. We argue that CSR policies could have an important role in shaping culture and, in turn, culture could have an important role in shaping CSR policies creating a virtuous circle. CSR could become a powerful tool in promoting ethical market behaviour if corporate social responsibility policies are internally coherent and are not used to pursue instrumental goals.

TOWARDS THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY AS VIRTUOUS BEHAVIOUR

We argue that the extent to which CSR doctrines and practices might be said to contribute to the common good is strictly dependent upon the actual exercise of personal virtues in economic activity. Furthermore, CSR practices should be designed to have a wider impact on the culture within which all businesses operate – that is an important aspect of the ‘social’ in ‘corporate social responsibility’. By influencing culture for the better, a business can make it easier for others (consumers and other businesses) to choose what is good.

To the extent that CSR corresponds to a real practical embodiment of virtuous conduct in economic activity it can be regarded as a new label for what the late Iberian scholastic Domingo de Soto centuries ago identified as the key element for the ethical evaluation of commerce. As synthesised by Alves and Moreira (2013b: 634).

Soto's emphasis on the distinction between commerce as a relevant social activity and the ethical analysis of the specific conduct of persons engaging in commercial activity allows him to be clearly aware of both the objective and the subjective dimensions associated with commerce. Furthermore, it allows him to show how the latter takes precedence over the former. Given that in itself commerce as an activity is

morally indifferent, it will be the specific ways in which merchants conduct themselves and their business that will largely determine the fulfillment of commerce's potential to contribute both to the material and the formal parts of the common good.

In this context, for Soto the material parts of the common good are associated with the mutual advantage derived from voluntary commercial transactions, which in turn are dependent and subordinate to the formal parts of the common good, whose fulfillment depends on the (to some extent self-cultivated) character on the part of the agents engaged in those commercial transactions.

Precisely what might a policy of embedding virtue in the corporation look like?

Firstly, the production of moral bads (for example, pornography and certain forms of recreational drugs) cannot be justified in a business organisation infused with a Christian ethos. These may seem like trivial examples – especially as the second is illegal in most countries – but the definition of pornography is far wider than that defined by the law and it is sold under many guises, such as in hotel chains^{vii} via which important businesses could do much to begin to affect culture. Secondly, as noted above, advertising is a key tool of communication and important in developing the culture within which business operates. As it stated in *Centesimus annus*:

If ... a direct appeal is made to human instincts – while ignoring in various ways the reality of the person as intelligent and free – then consumer attitudes and lifestyles can be created which are objectively improper and often damaging to the person's physical and spiritual health. (CA 36)

Yuengert in Booth (ed) (2014) argues that it is wrong for a business to use advertising to create artificial wants or to use, for example, sex to advertise products. Advertising is clearly part of the cultural sphere as it involves the conveying of information through the media. Indeed, it is that part of the cultural sphere that is shaped most clearly by business corporations.

In short, a business should embed virtuous behaviour within the corporation. This should be its main task not just to contribute to the common good directly but also to try to build a better business culture. There are also complementary organisations that will assist in this process such as unions, professional association etc^{viii ix}.

One example of an initiative which is designed to change behaviour, rather than promote a form of CSR that might be described as window dressing, is the initiative of the Catholic Bishops' Conference of England and Wales to promote 'better business'^x. This initiative, described as a 'blueprint for better business' has the following aim:

The aim of the initiative is to rally business leaders to explore the business need for change and how a rediscovery of corporate purpose and a focus on personal values might best be brought together in the service of society. It also seeks to ask how a return to the universal moral principles advocated by religions of all kinds might contribute to reshape business in a very practical way.

The guide to decision-making proposes that businesses show respect for all human persons working within and with the business. The main proposals of the blueprint are:

- That decisions should be judged in the context of the best values and expectations of those with whom those working within the business seek to build relationships.
- Businesses should delegate decision making to foster a sense of responsibility.
- All relationships should be based on honesty and integrity.
- Diversity should be valued.
- There should be attempts to acknowledge the impact of the business on the environment.

In terms of calling individuals to account for their own behaviour – and so, potentially, influencing the culture within a business which could then have the potential to influence the culture within which the business operates - the third point is perhaps the most concrete. It should also be noted that honesty does not just mean telling the truth. It also means, in certain situations, not concealing information that it might be important for counterparties to know (for example, that a particular financial product is not suitable for somebody on a variable income). The authors would argue that this approach, whilst welcome, needs to be developed. There is little other advice, for example, on specific forms of behaviours that are important in business. It would also help if the approach were developed to provide concrete examples of objectively ethical behaviour. Finally, the link with the importance of business influencing and helping to create an ethical culture is not made explicitly by the project.

However, in one of the key documents of the initiative: [Blueprint for a better business: uniting corporate purpose and personal values to serve society](#), there is a strong emphasis on the importance of moral choices. The influence of the moral choices of others on the general culture within which business operates is mentioned, though it is not emphasised. In one case study it is suggested:

What we need is virtue ethics, which is a whole different thing to do with as [sic] person's moral character. Second fundamental mistake [sic] was thinking that a nice cuddly CSR policy was all that was required to turn a corporation into a good corporate citizen. Look what happened in 2007-08. On the one hand they - or rather we, we were all in it - laid waste the financial world, nearly wrecked the global economy for good. On the other hand corporate philanthropy - social responsibility - set an all-time record, certainly in the States, possibly here too. That wasn't just hypocrisy. They thought – we're doing good. Look at all those cheques we signed, made out to colleges, clinics, churches, what have you. So how can we be doing bad?

Given that ethical decision-making is a process largely intuitive and instinctive (Messick, 2009) which includes judgements which are unconscious and as such subject to culturally derived stereotypes (Greenwald and Banaji, 1995) and value biases (Sparks and Pan, 2010) it is important to work towards building a culture that promotes and reinforces ethical values.

AN APPLICATION TO 'WHISTLE BLOWING' WITHIN ORGANISATIONS^{xi}

To illustrate the implications of our argument more clearly, we now discuss a practical application to the issue of whistle blowing as a way of dealing with systemic wrongdoing within organisations, analysed through the prism of the framework proposed above. We suggest that the encouragement of whistle blowing is one practical way in which organisations can help create an ethical culture both within their own activities and in the business world more generally.

CSR, which promotes transparency (Schafer et al, 2006) and openness as key values (Fryzel, 2011), can be used to embed certain disclosure mechanisms in organisational culture such as whistle blowing. Defined as 'the voice of conscience' (Berry, 2004), whistle blowing is one mechanism for monitoring the alignment between

individual values and those of the organisation and ensures that behaviours which are unethical, are exposed within the company and/or to the wider world.

It is difficult to implement a policy that encourages whistle blowing in organisations because whistle blowing can be risky for the individual concerned. Research on US organisations shows that 44 per cent of all non-management employees do not report misconduct they observe. The top two reasons why people do not report misconduct is a belief that no corrective action will be taken and fear that the report will not be kept confidential (Verschoor, 2005). It is reported that the employment opportunities for whistle blowers diminish significantly because their actions are often seen as a breach of loyalty (Qusqas and Kleiner, 2001).

The decision to engage in whistle blowing depends on individual characteristics as well as on organisational ones. Individual characteristics which influence the whistle blowing decision include perceptions of justice with their impact on pro-social behaviour (Rupp and Bell 2010). Because it is the *perception* of justice within the organisation that is important, whether whistle blowing is encouraged will also be influenced by various cultural and organisational factors as well as by personal characteristics (Curtis, 2010). For example, whistle blowing is stimulated when a certain degree of institutionalisation exists, such as an open door policy (Chiu, 2002).

Based on what we know about whistle blowing and on our proposed framework for the interaction between individual behaviour, business and organisational culture and CSR, three main practical implications can be identified.

Firstly, management systems should be developed that help ensure perceptions of justice in internal processes and procedures. The existence of these systems will increase the prospects for an effective use of whistle blowing when it is warranted and also discourage its misuse. Specifically, the possibility to discuss doubts about the ethical behaviour of individuals within the company or about company policy should be made available to employees. This could be backed up by an independent system of arbitration to ensure objectivity of assessment in doubtful situations. Furthermore, a clear set of rules to be applied should wrongdoing be confirmed should also be made known. These should include enforceable job protection guarantees and a confidentiality policy for whistle blowers.

As we have noted, the application of moral values that the Catholic Church would regard as objective to practical

business decision making involves ethical judgements and discernment, prudence and experience. Whilst the underlying moral values may be objective, how to put them into practice in a particular context is not. Actions that may be prudent in one culture or country may not be in another. For example, in the UK, whistle blowing might not be perceived favorably because conflict is not seen in a positive manner (Appelbaum, 2006). In China and other cultures with strong Confucian influences whistle blowing would be considered a serious breach of loyalty and in consequence a behaviour which contradicts harmony.

Notwithstanding such debates, we would argue that whistle blowing, certainly in the context of the typical Anglo-Saxon public or private limited company, is one way of promoting truthfulness, honesty and accountability by senior managers to codes of which directors may have approved. This can help mould the ethical culture of the company as well as help shape the ethical culture of the business world more generally.

Ethical reasoning is subject to intra-company sub-cultures as well. For example, Dubinsky et al. (1992) showed that sales people differ from others in their view of what is or is not an ethical situation. Managers have a more critical view of questionable behaviour than sales people (Henthorne, Robin, and Reidenbach, 1992). Facilitating whistle blowing may be particularly important in contexts where the sub-culture of one part of the organisation (for example the sales force) undermines the culture of the organisation as a whole.

CONCLUSION

Markets are sometimes represented in statements by prominent Catholic figures – and others - as having an autonomy of their own. However, this is not compatible with Catholic social teaching which sees human action in the economic sphere as involving the exercise of free moral choices which ought to be grounded in virtuous behaviour. This was a key insight of Pope Benedict XVI's encyclical *Caritas in veritate*. The gap between the two ways of thinking can be bridged by thinking more deeply about the culture within which a free economy operates. Culture itself is not autonomous as it develops from the free decisions of individuals, including individuals that guide corporations. However, culture itself makes good moral choices in the economic sphere easier or more difficult depending on the kind of culture that develops.

We argue that corporate social responsibility ought to be grounded in ethical behaviour as informed by natural law and not be merely instrumental and designed to achieve higher profits or greater customer loyalty. Additionally, we argue that individuals and companies have a responsibility to help foster a culture of virtue within the business environment in which they operate and this has 'spillovers' outside the organisation itself. Fostering this culture should be an important aspect of corporate social responsibility.

A corporate culture in which honesty, openness, and fairness in one's dealings with others is admired is one which is likely to have a culture in which it is easier for those involved in business to choose the good. We take and develop one example of how this might be achieved. Firms can help improve the culture within their organisations through the promotion of whistle blowing within an internal framework that privileges due process and the centrality of justice. This will not necessarily benefit the firm in the short run – or perhaps even in the long run. However, it may well improve the culture within the firm by sending a signal that directors believe that unethical behaviour higher in the hierarchy of the firm should not be tolerated. Firms that develop an internal culture of ethical decision making may become widely admired and this may influence other firms thus ultimately affecting business culture more generally.

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ⁱ For example, it would always be wrong for a company manager to deliberately harm a child through his actions working for the company, but it does not follow that it would always be wrong to sell a product such as alcohol which might, in some way, be consumed by and damage a child.

ⁱⁱ For an analysis of the implications of this natural law approach in the domain of business ethics, see Alves and Moreira (2013a).

ⁱⁱⁱ For example, Pope Francis speech to new ambassadors to the Holy See:

http://www.vatican.va/holy_father/francesco/speeches/2013/may/documents/papa-francesco_20130516_nuovi-ambasciatori_en.html

^{iv} As defined in the natural law as discussed above.

^v It should not be thought that all advertising affects culture in a negative way. An insurance company, for example, might use advertising to promote the message that it runs its affairs in a prudent way and treats its customers well.

^{vi} For example, analysis of mission statements of Polish companies showed that the language used in mission statements differs from that used in annual reports or other formal communications. Given that mission statements have strong rhetorical value (Williams 2008), they should be considered as the key element in corporate sense-giving procedures, so it could be expected that their wording would be more value oriented. However, surprisingly, values, such as respect, integrity or responsibility are rarely mentioned in mission statements. For details see Fryzel (2011). This is partially in line with Williamson's research (2008) of the mission statements of Fortune 1000 companies, from which she came to the conclusion that most successful firms referred mostly to values such as excellence, innovation and integrity.

^{vii} Omni hotels, for example, does not sell pornography through its television services.

^{viii} One particularly good example in the past in the UK was the Stock Exchange. From the eighteenth century, it developed rules to ensure good practice by its members. By 1923, its motto became 'my word is my bond'. This is the sort of attitude that people would find difficult to envisage within financial markets today. However, it is not uncommon still within certain markets. The practice ran with the grain of – though transcended – self interest in that the Stock Exchange had a strong incentive to enforce a culture of good behaviour for the benefit of all. This was then reflected by the standards within firms operating on the exchange.

^{ix} Of course, this discussion is indicative and not exhaustive. *Caritas in veritate* takes these issues up as a main theme and includes, for example, a discussion of the right use of technology.

^x See: <http://www.blueprintforbusiness.org/Home/Resources/Catholic-Social-Teaching>

^{xi} Our intention is to propose one practical idea that can help change the culture within an organisation and within the business world more generally. There are certainly other areas that could be considered such as the position that sales forces hold in the hierarchy of a firm. In many corporate scandals of recent decades, for example in the

Enron case, sales people enjoyed a high status within the company and were not asked questions as to how they generated their sales.