

# PHRONESIS AND PERSONAL RESPONSIBILITY IN BUSINESS ETHICS

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*Phronesis* has been seen as a general guide to business ethics by several authors (Giovanola and Fermani, 2012; Hartman, 2009; Moberg, 2007; Rossouw, 2008; Solomon 1993). However, from our perspective the core of this guidance is the very nature of business rationality itself. *Phronesis* can be seen as the proper business rationality.

Moreover, Aristotelian practical reason allows conciliating business ethics reasoning with personal responsibility. Indeed, *phronesis* does not require an unconditional ethical imperative or a mechanical application of any universal principle to concrete cases as is the case with deontology (Kant, 1785) and utilitarianism (Bentham, 1789; Mill, 1863; Mirrlees, 1982), respectively. On the contrary, in certain circumstances, the *phronetic* application of principles to concrete cases requires a personal choice of non-*a priori* ethical universal principles (e.g. duty, the utilitarian maximization of utility, personal care, justice as fairness, charity, and compassion, among others).

By requiring a personal choice of non-*a priori* ethical universal principles and by refusing a mechanical application of any universal principle to concrete cases, *phronesis* can also be seen as an alternative approach to deontology (Kant, 1785) and utilitarianism (Mill, 1998) to deal with business ethics issues (Hartman, 1998, 2006, 2008; Solomon, 1993, 1999). Indeed, a deontological and utilitarian approach to business ethics faces some well-known difficulties (e.g. Kantian practical reason does not offer a criterion for dealing with conflicting

rules (Crisp & Slote, 1997; Staveren, 2007), and utilitarian reasoning does not offer a suitable criterion to rank interests (e.g. Hsieh, 2007; Robbins, 1945; Sen, 1997, 2009; Simon, 1983).

We acknowledge the multifaceted contribution of *phronesis* to business ethics. *Phronesis* is undoubtedly valuable for managerial reform (Kane and Patapan, 2006), a suitable understanding of the morality of everyday activities in organizations (Nyberb, 2008), or mentoring (Moberg, 2008). *Phronesis* is also related not only to the importance of character in ethical rational decision-making (Athanassoulis and Ross, 2010; Bhuyan, 2007; Hartman, 2001; Solomon, 1993, among others), but also to entrepreneurship (Dunham 2010; Dunham, McVea and Freeman 2008). Finally, *phronesis* also provides a framework to guide regulators against corporate psychopathy (Marshall, Baden & Guidi 2012), to guide the development of management (Mckenna, 2005; Mckenna & Ronney, 2012; Rooney & Mckenna, 2006, 2007; Tsoukas & Cummings, 1997), and to guide business ethics in general (Giovanola & Fermani, 2012; Hartman, 2009; Moberg, 2007; Rossouw, 2008; Solomon, 1993).

We also acknowledge the increasing emphasis of Aristotelian virtue ethics in business ethics (Bragues, 2006; Desjardins, 1995; Hadreas, 2002; Hartman, 1998, 2001, 2008a, 2008b, 2009; Meikle, 1996; Koehn, 1998; Solomon, 1993, 1994, 2001, 2003, 2004).

Nonetheless, and from our perspective Aristotelian practical reason not only can be understood as the main contribution of Aristotelian ethics to business ethics, but also allows overcoming the main difficulties of a deontological and utilitarian approach to business ethics issues. Additionally, since the application of universal principles to concrete ones depends on a *personal and communal* deliberation, we also wish to show that Aristotelian practical reason does not avoid alienating personal responsibility.

From these premises, we will first evaluate the main difficulties of deontological and utilitarian approaches to business ethics issues in the business ethics literature. Secondly, we will present *phronesis* as a *personal and communal conception of rationality*, which requires

that responsible persons are able, under certain circumstances, to relate a plurality of *universal ethical principles* to concrete cases.

### *1.1. Some limitations of utilitarian rationality*

Although it is controversial, we can accept that profit is the main aim of business activity. Roughly defined as the surplus remaining after total costs are deducted from total revenue, and the basis on which tax is computed and dividend is paid (<http://www.businessdictionary.com/definition/profit.html>), profit is the best known measure of success of economic activity in markets and organizations.

Under the economic concept of rationality, profit results from the maximization of self-interest. When facing several courses of action, economic agents ought to choose the one that promotes or maximizes the best self-interest (Smith, 1776; Weirich, 2004). In spite of the fact that this maximization does not reduce utility to self-interest — it can also include social goals (Sen, 1987, 2009; Weirich, 2004 - e.g. concerns of fairness (Akerloff & Kranton, 2010) and commitments (Sen, 1987, 2009)) — social well-being can result as the consequence of an invisible hand (Smith 1776), from which the sum or aggregation of individual selfish goals can contribute to social welfare. Social well-being can also be the consequence of political legislation (Friedman, 1970; Levitt, 1958).

Nevertheless, the paradoxes of economic rationality reveal that instead of leading to collective welfare, economic rationality can lead to collective “worst-fare” (e.g. the prisoner’s dilemma (see Campbell & Sowden, 1985; Gauthier, 1985; Hardin, 1968; Harsanyi, 1977; Sen, 1977, 1987, among others)). Accordingly, the economic concept of rationality has been challenged by alternative views of rationality, such as utilitarian and Kantian descriptions of rationality.

Even if the utilitarian conception of rationality shares with economic description the ideal of maximization, classical utilitarian rationality depends on the claim of maximization of the well-being or the happiness of the majority (Bentham, 1789; Mill, 1863; Mirrlees, 1982). Based on the principle of utility, “that property in any object, whereby

it tends to produce benefit, advantage, pleasure, good or happiness” (Bentham, 1789: I, III), any economic agent will always choose the interests that increase the sum of interests of the majority of individuals in the economic market or the majority of stakeholders in organizations. For that reason, under classical utilitarian rationality, profit ought to maximize the well-being of the majority.

However, in *Utilitarianism* (1863), Mill stresses that the claim of happiness, the utilitarian standard, requires that between “his own happiness and that of the others, utilitarianism requires him to be as strictly impartial as a disinterested and benevolent spectator” (Mill, 1863: 2.18.5). The utilitarian hypothesis of the impartial, benevolent, and spectator observer, implies that business agents, whether in markets or corporations, ought to be disinterested. The agent can rationally balance *the majority* of the considering interests only if his or her own interest is ignored. Otherwise, the calculation of overall utility will be biased. Therefore, under the utilitarian conception of reason business activity depends on a selfless conception of rationality. Since no business agent can seek the safeguard of its self-interest, business activity implies that individuals ignore their own interest, which means that their own interests would be reduced to nothing more than those of an impartial spectator.

Nevertheless, accepting that all the individuals would reason under an impartial concern, and the rule of reasoning would be the well-being of the majority, one cannot explain the relationship between self-interest and the well-being of the majority. Therefore, besides the conflict between utilitarian rationality with individual rights (Lantos, 2002; Rawls, 1971; Solomon, 1993) and liberties (Sen, 1990), and the sacrificial nature of utilitarian calculations (Barry, 1999; Lantos, 2002; Rawls, 1971; Solomon, 1993), utilitarian rationality fails to explain the relationship between self-interest and the well-being of the majority.

Admitting, however, that utilitarian impartial calculations could be compatible with the self-interest, utilitarian rationality does not offer a suitable criterion to: a) rank interests or; b) choose among interests with the same utility. Considering the well-known controversy

about the rationality of comparison of utilities (e.g. Hsieh, 2007; Robbins, 1945; Sen, 1997, 2009; Simon, 1983), and accepting the criticism against interpersonal comparisons of utilities, economic agents are condemned either to irrationality or to the incapacity of deliberation. Condemned to irrationality because economic agents will choose arbitrarily; condemned to the incapacity of deliberation because if they did not wish to choose arbitrarily, they would feel like Buridan's ass. Buridan's ass describes a situation demonstrating the impracticality of decision-making using pure reason, especially a situation involving two equal choices. For example, a hungry and thirsty man cannot decide whether to slake first his thirst or his hunger, and dies in the meantime ([http://wordsmith.org/words/buridans\\_ass.html](http://wordsmith.org/words/buridans_ass.html)). Similar to the hungry and thirsty man, the utilitarian agent led by the utilitarian conception of impartial rationality can jeopardize stakeholders' duties.

### 1.3. *Kantian practical rationality*

In Kantian moral philosophy the function of pure practical reason is to establish the principles that should prevail, deriving the actions from the law. Practical reason determines the human will (faculty of determining itself in accordance with the representation of certain laws) to act according to its representations *a priori*. Given the nature of the human person — both rational and sensible — the will is not absolutely good, since what it does is always in accord with reason. Therefore, the determination of the will by moral law is a constraint and the representation of a principle or law (concept of unconditional necessity) is an imperative. Consequently, the moral law appears in the form of imperatives: categorical if it will be determined solely by reason, and the action is seen as an end in itself; hypothetical if the will is determined by the representation of the substance of the action and if the action is understood as a means to obtain an end.

In *Grundlegund zur Metaphysik der Sitten* (1785) Kant proposes three formulations of the categorical imperative: act in such a way that your actions may be erected into a universal law (Kant, 1785: BA 52, 53), act in such a way that your actions may be erected into a universal law of nature (Kant, 1785: BA 52, 53) , act in such a way as to

treat humanity in your person and others as an end and not a means (Kant, 1785: BA, 66, 67). The third formulation is perhaps the one that best reflects the essence of Kantian morality, not only because it clarifies the distinction between the categorical imperative and hypothetical imperative, but also because it reveals the intentionality of the categorical imperative: when the human subject acts in accordance with this imperative he or she is raised to the dignity of a person, being understood as an end in itself and not as a means.

Nevertheless, the understanding of persons as an end in them hardly permits that economic agent can also calculate the interests of the others. Calculating interests, whether related to individuals or groups, demands a hypothetical imperative, and implies treating persons as a means. Moreover, if profit is one of the main interests of business, from the Kantian conception of rationality business agents can then face the dilemma of increasing profit and neglecting ethics, or behaving ethically and ignoring profit. Although some social business decisions have excluded profit (e.g. “3M’s decision to [curtail] its pollution despite economic loss” (Schwartz & Carroll, 2003: 515), business ethics is not incompatible with profit.

As the Kantian conception of practical rationality does not allow considering interests, it offers, at best, a criterion to calculate interests, i.e. to consider *equally* all the interests (Freeman, 1994; Lantos, 2002; Arnold & Bowie, 2008). As persons are seen as ends in themselves, persons’ interests deserve equal respect. Nonetheless, the principle of equal respect does not offer a criterion by which to choose between *competing and conflicting interests*, or to decide among *competing duties* (Lantos, 2002). A business agent (e.g. a corporate manager) will comply with those duties unequally or comply with only one of them. At worst, the corporate manager would behave as Buridan’s ass, and comply with none of them.

Kantian practical reason also does not offer a criterion for dealing with conflicting rules and does not allow for exceptions (Crisp & Slote, 1997; Staveren, 2007). Since the increasing global scope of economic activity demands a greater effort to reconcile social competing rules, practical deontological reason cannot help business agents

(consumers, managers or shareholders). For example, when dealing with a religious norm followed by consumers, such as respecting a sacred tree (e.g. the Neem tree (Werhane, 2008), or following the norm of increasing the shareholders profits, Kantian deontology does not offer a criterion by which to choose between them.

## **II. 2. *Phronesis relates private to social interests***

The Aristotelian concept of practical rationality or *phronesis* seems to offer a suitable way of reasoning that allows any economic agent to rationally consider all interests. Why does this description of *phronesis* offer a suitable way of reasoning for business activity?

*Phronesis*, which can be translated as “wisdom” (Hardie, 1977; Hartman, 2009; MacDowell, 1997), “practical wisdom” (Beabout, 2012) or “prudence” (Aubenque 1963), is an intellectual virtue of the calculative faculty of the soul. This calculative faculty “contemplate[s] those things which admit variation” (Aristotle, 1999: 1139a 9-11), such as action, contrary to the scientific part of the soul, which contemplates the first and foremost invariable principles. The calculative faculty of the soul corresponds to our practical reason, a scientific [part of the soul] to our theoretical reason. *Phronesis* is therefore the excellence of reasoning of our practical reason, which is the reason that deliberates about human action. As Aristotle distinguishes intellectual from moral virtues or virtues of character — roughly defined as a state in accord with the correct reason and as a habit of choosing the relative mean — prudence is then the intellectual virtue or the correct reason that guides moral virtues to always choose the relative mean in accordance with happiness.

The moral and intellectual virtues of *phronesis* have different tasks: (a) “moral virtue enables us to achieve the end” (chosen by desire) and “makes the goal correct”. (Aristotle, 1999: 1145a 7, 5, 1144a 6, 10, 1144a 10). The correct goal ought to be in accordance with the final end or happiness, which is the activity of reason followed by virtue, and; (b) “prudence makes us adopt the right mean to the end” or “makes the things promoting the goal [correct].” (Aristotle, 1999:

1145a 7, 5, 1144a 6, 10, 1144a 10). The excellence of the rational part of the soul *prescribes* the right means to the end chosen by desire. Prudence is then *prescriptive* because it dictates or prescribes what “we ought to do or not to do.” (Aristotle, 1999: 1143a 10), i.e., it dictates or prescribes what means are allowed or forbidden to attain our ends. Since the object of rational deliberation is the means to promote our ends (Aristotle, 1999: 1112a 30), the excellence the right reason or *orthos logos* — which is not necessarily translated as right principle or correct reason (see Aubenque, 1963; Cottingham, 1991; Crombie, 1962; Peters, 1967; Thornton, 1982) — consists of always choosing the means in accordance with the ultimate or sovereign end.

Ethical practical reason, or *phronesis*, commands persons to relate their personal well-being with that of others. Actually, as a *virtue*, *phronesis* is the excellence of practical reason, because it always supposes the search for the just means among competing interests. Pericles is the example of a prudent person because he belongs to the group of persons that “are able to study what is good for themselves and for human beings (...)”. (Aristotle, 1999: 1140b 8). Looking for the right means stresses the link between what is good for human beings and for personal interest. Any deliberation is then prudent if (a) the rational part chooses the right means if and only if it is based on correct reason; (b) the practical reason is only right or excellent if it is virtuous in that its deliberation follows the reasoning of the prudential human being.

Not dissociating private interests from collective ones is one of the great advantages of Aristotelian rationality relative to Kantian deontology and utilitarianism. Looking for the right means does not imply any impartial reasoning, i.e. a selfless reason, as happens in the utilitarian and Kantian conceptualization of rationality, nor a selfish reason, as is sustained in the classical or neo-classical economic concept of rationality. In this last case, when reasoning in accordance with *phronesis*, agents are not behaving from the perspective of *each extreme*, i.e. ‘individual’ ego. From this perspective, they can only be *rational egoists*. On the contrary, when reasoning under *phronesis*, business agents are simultaneously weighing their personal and their collective interests. Prudent business agents clearly include in

their personal calculation what is good for themselves and for human beings. They “make money” promoting, then, happiness.

One may wonder if “making money” and happiness could be compatible under the Aristotle’s distinction between the chrematistic exchange and the economic one (Aristotle, 2002: 1256b, 41 and 1257b, 24-25; see also Bragues, 2006; Collins, 1987; Hadreas, 2002; Meikle, 1996; Solomon, 1993), according to the refusal of the chrematistic exchange “making money” as the only aim of businessmen. Nevertheless, that distinction and refusal do not avoid the personal ambition of “making money” under the command of *phronesis*, and do not entail a gap between “making money” and happiness. For instance, on the one hand, Aristotle explicitly relates ethical deliberation to making money (Aristotle, 1999: 1112b 4, 1112b 15) framing the choice of the means by the “rule” of the right reason. On the other hand, even though Aristotelian ethics recognizes the ambiguity of the expression “ambitious” (Aristotle, 1999: 1225b 13) and the lack of a proper middle term between ambition and the lack thereof, it explicitly mentions that “there is a mean and also excess and deficiency in getting and giving money” (Aristotle, 1999: 1225b 8-9).

How does the ambitious person, who wants to make money behave in accordance with *phronesis*? As a state in accord with the correct reason and as a habit of choosing the relative means, the ambitious virtuous person led by *phronesis*, avoids making an excess of money, i.e. avoids *greed*, and also avoids making insufficient money, *apathy*. He or she also avoids excess in giving money, i.e. being a *spendthrift*, and analogously, the deficiency of giving money, *avarice*. Accordingly, and unlike being greed, being a spendthrift or being stingy (i.e. not being able to find the just means between excess and deficiency, ambitious men or women are simultaneously *generous* people. Actually, generosity is the virtue in spending and giving “*anything whose worth is measured by money*” (Aristotle, 1999: 1119b 25-26). Excess is wastefulness and the deficiency is miserliness.

How can the ambitious person avoid the extremes? Given the different tasks of moral virtues and *phronesis*, and the teleological structure of Aristotelian virtue ethics, personal ambition is a moral virtue

— or virtue of character —, and “to make money” is therefore the end, as prudence makes us want to attain the right means to attain this end. Thus, ambitious generous persons relate the rational part of their soul to the guidance provided by the excellence of the right reason (*orthos logos*). Actually, the excellent rational deliberation refers to the choice of means to make money in accordance with the sovereign good, satisfying both the personal and the common ends. Ambitious persons are, then, concerned with their personal interest as well as the interest of others. In other words, the ambitious virtuous person is able to find the just means between his or her personal ambition and that of others, who are equally ambitious and to be concerned with his or her personal interest as well as the interest of others.

The unethical behavior of an ambitious business agent can then result in the failure to choose the right means to “make money” as dictated by *phronesis*. For example, the search for the right means would not allow someone to borrow money without having the means to pay the interest on the loan, as it happened with borrowers in the housing bubble and the subsequent subprime crisis (Helwig, 2009; Krugman, 2009; Shiller, 2008; Stiglitz, 2010a, 2010b, *et al.*). Conversely, *phronesis* would also not allow lending money to people that were not able to support loan repayments, or to offer below-market rates of interest for the first few months to two years or teaser rates (temporary low rates that exploded after a few years), having in mind the rise of the interest rates that would compensate those low initial interest rates (Krugman, 2009; Stiglitz 2010a, 2010b). *Phronesis* would surely command the behavior of Dame Anita Roddick, Ben & Jerry’s (Lager, 1994) and Malden Mills (De George, 2010), who can be seen as the example of prudent and generous business agents. As generous economic agents, they simultaneously chose what is good for themselves and for human beings. In reality, they were neither greedy nor apathetic in making money, nor spendthrifts or misers in giving money. The concerns with the environment and the fair pay to the producers ethically limit the means for making money. Similarly, the best pay, as well as the safeguard for the working conditions for their employees, along the concern with for making safe products for her consumers exempts them from avarice. Ben & Jerry’s, Malden Mills,

and Dame Anita Roddick clearly integrated into their personal calculations the interests of consumers, employees and members of the community that allowed them to “make money”, thereby promoting happiness.

### **2.1. *Phronesis, rules and concrete cases***

The understanding of Ben & Jerry’s, Malden Mills, and Dame Anita Roddick’s reasoning under *phronesis* shows us that *phronetic* reasoning is understood as a bargaining reasoning in which every business agent struggles to gain the advantage. Their reasoning is based on circumstantial general principles. In fact, it is even indisputable that *phronesis* deals with particulars and concrete cases (Allan, 1977; Curzer, 2015; Solomon, 1993; Hartman, 2008, 2009; Wiggins, 2001; Sorabji, 1980), just as ethical act demands knowledge of particular facts — correct reason ought to deliberate about the particular means in particular situations for fulfilling its task virtuously. The result of this deliberation is decision, which consists of applying universal principles to particular situations (Aristotle, 1999: 1112b 26, 1139a21-1139b 5, 1141b14, 1142a20, 1144a32, 1147a2, 25). Prudence deals with particulars, but that does not mean that it excludes universals (Aristotle, 1999: 1141b 15, 1142b 15, 1142a 23; Beabout 2012; Curzer; Sorabji 1980). Aristotle (1999: 1142a14-15) clearly states that “prudence is concerned with particulars as well as universals”. Under *phronesis* agents have universal suppositions, and apply them to particulars. Thus, any ethical behavior is always based on the right principle(s), which in turn offer us the right answer(s). I remind the reader that when arguing against the person who lacks self-restraint, Aristotle distinguishes “lower animals” from human beings on the basis that the former have “no universal supposition, but [only] appearance and memory of particulars” (Aristotle, 1999: 1147b 5-6) . Consequently, one thing is to be aware about the difficulty and the importance of experiencing the knowledge of the particulars (Aristotle, 1999: 1112a15), as well as the impossibility of always subsuming concrete cases under general principles (Aristotle, 1999: 1141b25-1142a10). It is a completely different thing to deny that the knowledge of the particulars dismisses the importance of universal principles, and the impossibility of subsuming concrete cases under

general principles entails giving up the search for rules. In reality, when arguing about justice, Aristotle (1999: 1141b25-1142a10) acknowledges that sometimes general principles are unsatisfactory. In this case we have to look for a decree, i.e. to a particular rule applied to *that* concrete case.

Consequently, when behaving ethically, rational human beings not only relate means to ends, but also rules to concrete cases (Allan, 1977; Curzer, 2015). Thus, on the one hand ethical behavior consists of applying principles to particulars, looking for the already more or less existing general principles to inform individual choice. On the other hand, ethical rules result from the deliberation process itself (Allan, 1977; Curzer, 2015).

Since the content of the principles results from the deliberation process, *phronesis* allows fitting concrete cases with general ethical principles of the right reason, such as Kantian categorical imperative, the utility principle, the market efficiency principle, or the justice of fairness principle. For example, when giving the best pay to their employees Ben & Jerry's, Malden Mills, and Dame Anita Roddick behaved according principles of justice. Nevertheless, the quest for justice was not led by *spendthrift* and did not clash with the market principle of efficiency. Otherwise, their corporations would go into bankruptcy and the employees would lose their jobs, the producers could not sell their products, the consumers could not buy environmentally friendly products, and as employers Ben & Jerry's, Malden Mills, and Dame Anita Roddick would lose their money. These employers' decisions Ben & Jerry's, Malden Mills, and Dame Anita Roddick decisions followed several ethical principles, showing that *phronesis* implies a pluralistic approach to rules.

When applying principles to particulars, agents do not limit themselves to looking for the only existent general principles that already exist, but also look for *new* and *particular* rules. *Phronesis* also allows fitting concrete cases with *unformulated and unforeseen ethical principles*. Roughly, and regardless of the complexity of the theoretical apparatus explaining the relationships between rules and concrete cases in Aristotelian ethics, the right principles are chosen under

circumstances. They ought not to be understood in an aprioristic Kantian conception (Cottingham, 1991; Queiroz, 2012) or in a utilitarian perspective (Solomon, 1993). Although the attribution of universal rules or principles can be seen as a neo-Kantian interpretation of Aristotelian thought (Wiggins, 2001), that right principle cannot be understood in an aprioristic Kantian conception of rationality. The calculation of practical reason in Kant erases, among other features, the consideration of circumstances, whether spatial, temporal, or emotional. On the contrary, when looking for the right means *phronesis* faces circumstances that are not the same for each individual across time and for different individuals at the same time. Therefore, if acting on the basis of *phronesis* implies subsuming the particular case under a general principle, this inclusion of the “inner” task adjusts to the relative means for us not only *under* some circumstances, but is also dependent on them.

Accepting that principles are based on *phronesis* is also different from the deliberation of the utilitarian impartial observer. Unlike the prudent man or woman, the utilitarian impartial legislator does not have any particular interest, ought to order the utilities based on a cardinal measurement (Mill, 1863), and mechanically applies the principle to particular cases. Aristotelian practical rationality is incompatible with mechanical, rigid, and aprioristic application of laws to concrete cases. Rules ought to adapt to cases as “the lead standard (...) adapts itself to the shape of the stone” (Aristotle, 1999: 1137b 30).

In sum, from the perspective of *phronesis* general rules can not be understood as moral dicta. They are the *result* of personal deliberation about particular means in particular situations (Beabout, 2012; Curzer, 2015; Queiroz, 2012), and they imply finding a means that will foster the happiness of both agents. General rules about *phronesis* can not also be understood as rules of thumb, applied mechanically to concrete cases.

### *Personal responsibility and collective deliberation*

Since rules are not moral *dictas* or rules of thumb, the reasoning under *phronesis* necessarily requires personal responsibility. Although

personal responsibility would be better clarified through the distinction between voluntary and non-voluntary acts (Aristotle, 1999, 1009b30- 1111b5; see also Irwin, 1980), throughout an analysis of the relationship between desire and reason (Irwin, 1980), personal responsibility is also manifested in the choice of the means. Additionally, personal responsibility is shown through the choice of the general principles. No one can dismiss the personal responsibility in *choosing the right means guided by a general principle*. In other words, personal responsibility expresses itself in practical decisions (Hutchinson, 1995; Irwin, 1980). Dame Anita Roddick, Ben & Jerry's and Malden Mills were responsible for their behavior. However, people who borrowed money without having the means to pay the interests rates, or who lend money to people who are unable to support loan repayments are no less responsible for their choices.

Personal responsibility is also shown in the engaging (or not) in a collective deliberation. Since rational deliberation demands finding the relative means within us in order to take into consideration the relative means between the individual self and the way other beings would respond in the same situation, *phronesis* is a collective way of reasoning or a communal reasoning (Queiroz, 2012). This communal reasoning implies that “*we enlist partners (...) on large issues when we distrust our own ability to discern [the right answer] (...)*” (N.E., 1112b 13-14, emphasis added). It is not by chance that Aubenque (1963) stresses that the word deliberation (*bouleusis*) comes from (*boule*), which in Homer employed to designate the Council of Ancients, and in Athenian democracy, the Council of Five Hundred.

This communal way of reasoning means, then, that business activity demands a collective reasoning, mostly in corporations, allowing managers and executives to overcome the well-known difficulty of balancing competing interests by managers or executives (Heath, 2006). Indeed, although business rationality in economic markets can also be understood under Aristotelian rationality, the corporate nature of business activity seems handily explained under Aristotelian rationality. The profit of corporations depends on a collective activity, requiring *enlisting partners*. Although this is a necessary, but not a sufficient condition, to act on the basis of *phronesis* we (can enlist

partners to discern an unethical answer to a situation (e.g. the case of Enron)), corporations' goals are easier solved by a communal reason. In other words, it is externally easier, for example, to consider the interests of every stakeholder if managers in corporations enlist customers, suppliers, shareholders, and the community as partners for solving collective problems. It is also internally easier to solve organizational problems under a collective deliberation.

Thus, the communal business ethics reasoning does not dismiss personal responsibility in deliberating collectively. The communal scope of *phronesis* only reveals that on the one hand social problems can not be solved only by particular and selfish individuals alone; on the other hand the quest for solutions is not based on selfish and egoist reasons. Even if economic selfish rationality is not forcibly irresponsible, its *commonly selfish* scope can be valuable to the majority or even to all the individuals only by chance. Business ethics personal responsibility therefore requires choosing the right and universal principle according to circumstances, and engaging in a collective deliberation. Therefore, even if looking for the right means is a necessary condition for behaving ethically, it is not a sufficient one. *Phronetic* business decision-making requires the capacity to collectively search for ethical principles.

## Conclusion

As a practical reason that always relates individual interest with the collective one, *phronesis* necessarily follows the reasoning of any business agent. The utilitarian impartial observer (Bentham, 1789; Mill, 1863; Smith, 1776), the intricate issue of comparison of utilities (Hsieh, 2007; Robbins, 1945; Sen, 1997, 2010; Simon, 1983, among others), and the sacrificial nature of utilitarian calculation (Barry, 1999; Lantos, 2002; Rawls, 1971; Solomon, 1993) allow (but only with difficulty) a clear justification of the relationship between individual interest and the collective. Similarly, from a deontological perspective of rationality, it is difficult to link individual interest to social interest. The Kantian concept of rationality does not offer a sound criterion

by which to choose among competing duties, rules, and interests in business activity.

Since *phronesis* unites the interests of the others in our reasoning, implying a communal way of reasoning that looks for general principles under particular circumstances, the relationship between individual interest and the collective is at the heart of any economic agent's practice. *Phronetic* principles are not moral *dicta* or rules of thumb, always requiring either personal responsibility in his or her choice, or the choice of the means under the excellence of the right reason. *Phronesis* offers, then, to business ethics a way of reasoning that allows articulating self-interested ends with collective ones under a non alienable and revocable quest for personal responsibility.

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