

On the Essential Nature of Business

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A COMMENT ON Alexei M. Marcoux (2009), “Retrieving Business Ethics from Political Philosophy,” *J Priv Ent* 24(2): 21–33.

ABSTRACT

Alexei Marcoux has argued that business ethics should focus less on organizational form and more on business practice. He suggests that a definition of ‘business’ as “a(n intentionally) self-sustaining, transaction-seeking and transaction-executing practice” can help facilitate this shift by attuning researchers to the essential activity of business. I argue that this definition has troubling implications for a practice-based approach to business ethics, and that anyone advocating such an approach would be better served by treating ‘business’ as a cluster concept.

IF PROGRESS IN business ethics requires a firm understanding of the concept of ‘business’, then Alexei Marcoux deserves much credit for trying to advance the discipline. He has on various occasions presented a definition of business as “an intentionally self-sustaining, transaction seeking and transaction executing practice” (Marcoux 2006: 5; Gini and Marcoux 2011: 22–30). He has further argued that this definition can attune researchers to the practice of business, thereby overcoming certain anomalies and irrelevances characteristic of the discipline as it currently exists (Marcoux 2006; Marcoux 2009; Gini

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and Marcoux 2011). Once attuned, Marcoux believes business ethicists can provide analyses more relevant to ordinary businesspersons and thus advance the discipline beyond the dominant themes of stakeholder theory, CSR studies, and C-level analyses, which focus too much on organizational form and too little on the everyday concerns faced by typical businesspersons. By contrast, a practice-based approach would focus on the inherent ethical structure of business activity, which is exposed by the presuppositions anyone makes when engaging in the self-sustaining transactional activity Marcoux identifies with business. These presuppositions include, among other things, respecting property rights, acknowledging autonomy, and honoring promises.

I think a practice-based turn in business ethics is a welcomed development, but I suspect Marcoux's definition does little to advance the discipline. For it has the effect of placing profit at the center of business activity, since profit is the engine by which transactions become self-sustaining (Gini and Marcoux 2011: 28). However, profit as a demarcation of business has at least two peculiar implications for a practice-based approach. One is that the ethical analyses of two identical activities must differ. To borrow an example from Marcoux, for-profit 'news' organizations are businesses and thus fall within the scope of a practice-based approach. Yet non-profit 'news' organizations are not businesses and thus fall outside that scope—despite engaging in the same substantive activity of delivering the news. If an activity meets Marcoux's definition of a business, its ethical analysis will derive from the moral presuppositions implicit in a set of profit seeking transactions. If it fails to meet that definition, the analysis must derive from ethical presuppositions implicit in a different transactional engagement. This suggests that identical actions, such as 'purposely misrepresenting the news', are analyzed differently in the two cases. One might have expected the ethical analysis of identical actions to be identical in the two cases given the nature of the activity, and one might achieve an identical analysis by focusing on the activity. But Marcoux's definition precludes this possibility by focusing on the abstract financial means by which the activity is sustained over time.

The ethical similarity between non-profit and for-profit organizations can also be exposed by the fact that many for-profit businesses regularly rely on a steady flow of financing beyond the transactions themselves. This leads to a second peculiarity, for in these cases, fixing upon the intention to create self-sustaining transactions risks failing to provide a distinctive approach to business ethics, since the intention to create self-sustaining transactions is insufficiently different from features characteristic of organizational approaches criticized by Marcoux. To see this, consider that ‘intentionality’ must be attributed to either a business or a person(s) running the business. If attributed to the former, Marcoux must address certain metaphysical problems associated with ascribing intentionality to artificial persons. If attributed to the latter, then Marcoux will restrict business ethics to those running the business. In either case, the attribution lends itself to a study of organizational structures, since its key concern is the profitability of an organization irrespective of the organization’s particular trade.

The two above peculiarities result from a definition of business that is drawn too tightly. The boundary it creates cuts the substantive activity off from the moral analysis by making it superfluous to what Marcoux sees as the essential nature of business practice. In order to develop a definition that incorporates the particular trade into the understanding of a business ‘practice’ one might attempt to redraw the boundary. Ludwig Wittgenstein noted that it is possible to draw a boundary around any concept by defining it for a special purpose (Wittgenstein 1973: 33). Business ethics is not short on examples. However, if the aim is to develop a practice-based approach, then every effort to isolate the essential nature of business practice will fall short; for any definition will need to be sufficiently abstract to cover all instances of business and, as a result, will peel away the very contextual features by which a substantive activity becomes morally salient. This in turn will leave us ill equipped to leverage those characteristics when conducting moral analyses. It is no surprise that Marcoux’s arguments against organizational approaches to business ethics are illustrated with reference to medicine and the law (Marcoux 2006; Marcoux 2009). These activities are normatively rich because of their salient moral features, which include their inherent aims of treating the ill and regulating social activity through coercive rules. They provide perfect models through which Marcoux can press his

key insight, namely, that the normative dimensions of particular activities (medicine and law) focus our attention on very different issues than would be the case if we focused on the activity's organizational structures (hospitals and law firms). Moreover, the normative richness of these contextual features warrants our focusing on them. So it is curious that his definition has the effect of stripping away these contextual features, although I hint at what might have driven him in that direction below.

How then should advocates of a practice-based approach to business ethics proceed? One direction is to follow Wittgenstein and avoid ascribing an essential nature to 'business' by treating it the way Wittgenstein treated 'games', namely, as "a complicated network of similarities over-lapping and criss-crossing: sometimes overall similarities, sometimes similarities of detail" (Wittgenstein 1973, 32). For Wittgenstein, 'games' have no essential definition. Instead, 'game' refers to a 'cluster concept'; it names a cluster of activities sharing what he called family resemblances. Similarly, we can view 'business' as naming a cluster of productive practices sharing family resemblances. Two business practices might resemble one another because they share several of the following features associated with business: producing a product, offering a service, competing for clients, generating revenue, allocating natural resources, answering the needs or desires of people, engaging in self-sustained exchange transactions, etc. As a result, hospitals, parking garages, newspapers, colleges, coffee shops, banks, hotels, and a host of other different productive practices – and when you think about it, these are *remarkably* different – all fall under the cluster concept, 'business.'

Avoiding an essential characterization of business enables business ethicists to focus on the substantive activities themselves, including the various *teleological* structures implicit in different activities. Importantly, the *telos*, or goal, implicit in an activity is not a general one, like increasing profits or establishing self-sustaining transactions. Rather, the goal is *constitutive* of the activity in that it defines the behavior of practitioners as being of a certain kind; absent the goal we could not recognize their behavior as belonging to a particular undertaking. This teleological property is particularly conspicuous in cases like medicine and the law, which is why they serve Marcoux's

purpose so well. But they are also conspicuous in a host of other business activities, including financing, education, journalism, construction, ranching, and transportation. For example, if those involved in journalism were not through their activities reporting on and investigating current events, we would hardly recognize those activities as falling under the practice of journalism. If those involved in retail banking were not through their activities allocating savings to investment, we would hardly recognize those activities as falling under the practice of retail banking. Each substantive activity is a certain kind because those laboring within it are working toward a constitutive aim.

Nevertheless, business is not just a collection of substantive activities; it is also an organizational form attempting to ensure the activity's longevity through a secure stream of financing. Business, we might say, is Janus-faced, and Marcoux's attempt to formulate a definition that recognizes both a 'practice' and a 'self-sustaining' financial structure is alert to this feature. Moreover, his examples of medicine and the law are alert to this feature, for it would be equally strange for doctors to focus solely on their revenue streams as it would for hospital managers to ignore the various concerns of doctors and patients when pursuing financial stability. As a result, any purported definition of 'business' reflecting the examples Marcoux employs must fail, since it must be both sufficiently abstract to cover all cases of business and sufficiently exact to locate the particular *telos* of a definite business activity. If the definition were not sufficiently exact, it could not attune researchers to the various interests realized by an activity's *telos*, as suggested by Marcoux's examples of medicine and the law. Since no definition can do both, it is plausible to dispense with the idea that business has an essential nature and instead focus on the contextual features of the various activities that are widely recognized as businesses. This can be achieved by looking more closely at the following: the trade's implicit teleological structure, the manner in which that structure realizes various social interests, and the organizational and allocation problems that might otherwise hinder a trade from realizing the interests implied by its *telos*.

If the above considerations are correct, then progress in business ethics might not require a firm understanding of 'business' at all, and

a practice-based business ethics could jettison attempts to define its essential nature. Instead, it can employ a methodology that relates the contextual features of a particular activity to both the pragmatic necessity of ensuring financial stability over time and the various interests realized by the activity's *telos* over time (Buckley 2013). If this path proves attractive, it suggests yet another departure from Marcoux, namely, the recognition of political philosophy as an appropriate guide to business ethics (Marcoux 2009). For it turns out that political philosophy has developed beyond Marcoux's characterization of it as an investigation into the justification of the state. As a result, his criticisms of those who draw analogies between the corporation and the state do not carry over into criticism of those who look to political philosophy for guidance when thinking about business ethics. Indeed, political philosophers are making important contributions to contextually sensitive methodological approaches (Miller 2002; Sen 2011). Business ethicists interested in developing contextual, practice-based approaches that can truly inform the actions of ordinary businesspersons should therefore look to political philosophy for ideas.

Received 3 June 2013 / Posted 8 July 2013

Editorial note: This commentary addresses work by one of the editors, Alexei Marcoux. In accordance with *Business Ethics Journal Review* policy, Alexei Marcoux played no role in the desk review of, selection of a referee for, or editorial decision about, this commentary.

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