



Business, Integrity, and Peace

Ethical business behavior has an unexpected payoff: it may reduce the likelihood of violence. This insight forms the basis of *Business, Integrity, and Peace*. Academic and popular interest in the topics of corporate responsibility and Peace Through Commerce has surged in recent years. This book demonstrates that the adoption of generally accepted ethical business practices does not require wholesale changes in corporate governance. It does require, however, the development of more reflexive and self-regulating models of corporate decision-making, drawing upon three strands of existing corporate responsibility approaches: the legal, the managerial, and the aesthetic. Fort introduces the concept of Total Integrity Management, providing an integrative framework that transcends disciplinary boundaries to create ethical corporate cultures, which in turn offer the best opportunity for corporations to become instruments of peace.

Business, Integrity, and Peace is an important and provocative work that will appeal to academic scholars, business leaders, and policy-makers alike.

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Business, Value Creation, and Society

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The purpose of this innovative series is to examine, from an international standpoint, the interaction of business and capitalism with society. In the 21st century it is more important than ever that business and capitalism come to be seen as social institutions that have a great impact on the welfare of human society around the world. Issues such as globalization, environmentalism, information technology, the triumph of liberalism, corporate governance, and business ethics all have the potential to have major effects on our current models of the corporation and the methods by which value is created, distributed, and sustained among all stakeholders – customers, suppliers, employees, communities, and financiers.

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Business, Integrity, and Peace

Beyond Geopolitical and Disciplinary Boundaries

TIMOTHY L. FORT

George Washington University Business School



CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press
978-0-521-86298-1 — Business, Integrity, and Peace
Timothy L. Fort
Frontmatter
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CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9780521862981

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First published 2007

A catalogue record for this publication is available from the British Library

ISBN 978-0-521-86298-1 Hardback

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To Nancy, Kurina, Steven, Theo, Scooby, and Rose

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Foreword

Tim Fort has written an important book for our times. At a point when the world seems more fragmented and torn apart by differences among fundamental beliefs, Fort has the audacity to suggest that we rethink our institutions, especially business. If we do so, he argues, we will find multiple opportunities for the creation of peace and the subsequent human flourishing that results. Fort has long suggested that we see business as a “mediating institution” in society, especially relevant to the way that we solve our conflicts with each other. Now, he goes further and shows how taking “ethical business” seriously can lead to dramatically different consequences for societies.

The first step in Fort’s argument is to delineate what business can really be: an instrument of value creation and trade that affects many parts of society. We need to look beyond economics and profits to see the real impact of business on civil society. In fact all businesses create value for stakeholders, i.e., customers, suppliers, employees, financiers, community, and others in civil society. Business executives must take this broad role seriously to create “ethical businesses”. And, policy makers need to begin to see business as an instrument of peace and civility, rather than mere means to advance whatever policy agenda happens to be in power. Citizens have a role to play as well, and Fort’s argument suggests that they need to see the possibility inherent in business as creating peace and prosperity rather than being based on individual self-interest and greed. All must demand the highest standards of ethics and responsibility from business. By focusing on what he calls “total integrity management” we can come to expect business and its executives to be “honest brokers” who build trust in civil society, and act from a position of trust.

By integrating the work done in management, corporate responsibility, stakeholder theory, law, anthropology, and other related disciplines, Fort has given us a complex and multi-layered argument that continues to set the direction for a new conversation about business

and its role in society. Indeed it is a perfect introductory volume for the series on *Business, Value Creation, and Society*. The purpose of this series is to stimulate new thinking about value creation and trade, and its role in the world of the 21st century. Our old models and ideas simply are not appropriate in the “24/7 Flat World” of today. We need new scholarship that builds on these past understandings, yet offers the alternative of a world of hope, freedom, and human flourishing.

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Special acknowledgment

I met Dr. Walter Neiswanger for the first time in 1990. Walter is a retired pathologist and a lifelong resident of Davenport, Iowa, not far from where I grew up. Walter was a skilled pathologist in the Davenport area. A few minutes with him demonstrates why. He pays meticulous attention to detail and is just flat-out smart. He brings to the people he encounters a profound interest in their well-being and an infectious, joyful approach to life.

In addition to being a successful professional and wonderful neighbor, colleague, and friend, Walter is one of the most philanthropically active human beings I have ever encountered. His generosity is legendary in the community. Reflecting his own interests, Walter's philanthropy covers a wide range of areas ranging from medicine to art to education to homeless services and much beyond, many of which I undoubtedly do not know about because Walter quietly supports individuals and organizations. He is one of those people who gives because he wants to help, not because he will be recognized for his generosity.

Sometimes Walter's gifts are so significant, though, the charities themselves insist on honoring him. Among Walter's most prized philanthropies is the Neiswanger Institute at Loyola University Chicago, which engages the ethical issues surrounding medicine, bioethics, and physician care. He also has been an enthusiastic supporter of the Figge Museum of Art, particularly with respect to his passion for the art and people of Haiti.

Walter has been my friend for many years. When I was transitioning from the University of Michigan to George Washington University, Walter saw the potential for this book and offered to underwrite my 2005 summer research so I could get the major work of the manuscript completed. I am grateful to Walter for his support, without which this book might still have been completed, but certainly not as quickly nor as well. Walter is a person who, if we replicated his actions, would probably cause there to be no need for this book. He is a person who inspires peace and justice and whose life and work I honor.

Acknowledgments

Any list of acknowledgments is bound to be incomplete, but I'd like to do my best to recognize those individuals and institutions who have helped to make this book possible.

First, I'd like to thank Cambridge University Press and its representatives with whom I have had the pleasure of now writing two books. Chris Harrison, Katy Plowright, and Paula Parish have been great to work with. My thanks too to Ed Freeman for his leadership in creating this series for Cambridge and the continuous great support he gives to colleagues, including his review of the manuscript of this book.

Second, this book was written in transition between two universities. I began the work at the University of Michigan and finished at George Washington University. Both institutions, their deans, and colleagues have been very supportive of my research. Many scholars at each – and at other academic, non-government, and government bodies – have read drafts of the manuscript and have provided helpful comments. I need to give particular recognition to Cindy Schipani, George Siedel, Gretchen Spreitzer, Mark Starik, Jennifer Griffin, Jorge Rivera, Stephen Ladek, Frances Milliken, and Tara Radin for their engagement on these issues at conferences. The Association to Advance Collegiate Schools of Business thrilled me by making this concept of Peace Through Commerce one that deserved a special task force. As a result of the leadership of Carolyn Woo, Dean of the Mendoza School of Business at the University of Notre Dame and her task force, of which I was honored to be a member, I am enthused that the concepts of this book will become mainstream business school topics. I am also grateful to Igor Ambramov, the Director of the US Department of Commerce's Good Governance Program for reading the entire manuscript and offering numerous helpful suggestions.

Third, I have benefited from truly remarkable work from a series of research assistants. At George Washington, Michelle Westermann-Behaylo did terrific work and is someone the field will quickly be paying attention to for the work she does in her own right. At Michigan, Aaron

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O'Donnell, James Noone, Matt Morris, and James Devaney got this project going when I didn't have much of a clue as to what I was doing. Kevin Eckerle (both at Michigan and at George Washington), Bethanie Archbold, and Michael Herbst didn't directly contribute to the book, but their work on corporate responsibility issues gave me quite a few ideas. At George Washington, doctoral students Andie Young, Chuck Koeber, and Tim Clark took my classes and, in the process, critiqued many of the ideas of the book.

Finally, a wonderful secretarial staff not only helped in the preparation of the manuscript, but over the years have transcribed my research notes so that they were both legible and also electronically available for me to use in building the manuscript. At Michigan, Cheryl Strickland, Tami Gibson, Connie Allen, and Shelly Whitmer carried the burden of this effort. At George Washington, Rochelle Rediang patiently responded to each and every request with her trademark cheerfulness.

Last but certainly not least, my thanks to my wife Nancy, my children Kurina and Steven, and even Rose and Scooby. Given this book was written while moving halfway across the country – and at the same time I wrote another book, *Prophets, Profits, and Passions* – the time I had to take to sneak in writing took time away from them too. My thanks to them for their love and patience.

Thanks to all of you, and thanks to all of those who also helped, but which my addled brain has failed in providing the memory to give you adequate recognition.

Publication acknowledgments

Previous versions of Chapters 1 and 2 appeared in the *American Business Law Journal* as “The Times and Seasons of Corporate Responsibility”.

The excerpt on natural law in Chapter 3 has had several versions, the most recent of which was in my 2001 Oxford University Press book, *Ethics and Governance: Business as Mediating Institution*.

A portion of Chapter 5 appeared in the *Fordham Journal of Corporate and Financial Law* and was co-authored with David Hess and Robert McWhorter under the title “The 2004 Amendments to the Federal Sentencing Guidelines and Their Implicit Call for a Symbiotic Integration of Business Ethics”.

All excerpts appear in this book pursuant to agreements with the previous publishers and with permission from my co-authors.

Notes on citation style

The citation style for this book is The Uniform System of Citation, also known as “The Bluebook”. This is a system used by lawyers in the United States and is applied here with three major exceptions. First, while The Bluebook calls for citations to appear at the bottom of the page of the item referenced, I have placed them at the end of each chapter in order to be available to the reader, but not interrupt the flow of the text. Second, The Bluebook requires any proposition or statement that is supported by another source to identify that source immediately. In other words, just about each sentence will require a footnote. In fact, many times, there can be multiple footnotes within a single sentence. Particularly to the extent that such footnotes refer to the same source (i.e. in one paragraph, I may cite the same page of Steven Salbu’s article multiple times), The Bluebook can wear on the reader. Based on conversations with the editors of Cambridge University Press, I have adopted an approach I have used previously, which is to limit citations as much as possible to the same source one time per paragraph. In doing so, I believe there is a good balance between appropriate recognition of authorities without cluttering the text. Third, The Bluebook specifies particular abbreviations for the names of journals. These work well in pure legal scholarship where most readers are Bluebook-trained. The abbreviations can be a bit mysterious for a broader readership. Thus, I have tried to set out full journal names as much as possible unless the abbreviation easily identifies the full name of the journal.