

The Ethics of Corporate Grantmaking

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Philanthropy: Voluntary Action for the Public Good

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Ethical Confusion

Some years ago, a group of colleagues at Washington University published a collection of articles and essays on *Ethics and Standards in American Business*.¹ Although most of the contributors taught in the business school, one was a distinguished philosopher, Albert William Levi. Levi wrote about "ethical confusion in the business community," and in the process talked at length with a number of business executives. He summarized the views that he gleaned from those conversations in these paradigm statements:

A. Ethics is ethics and business is business. Profits are one thing and moral squeamishness is another. You have to make a choice.

B. I'm a businessman and I try to be ethical, but when others in my field cut corners morally, I don't see how I can stay in business if I don't follow suit.

C. Morality is terribly vague, it seems to me. The churches say one thing, the bosses of my company another, and I guess the government even something different. Who's right?

¹ Joseph W. Towle, editor, *Ethics and Standards in American Business*, Houghton Mifflin, 1964, pp. 20-29.

D. Business as a whole is ethical. Of course you'll always find a few crooks, but they're built that way. They'd cheat whatever they worked at.

E. If a man follows the Gospel he can't go wrong. Too many business executives have let the basic religious truths out of their sight. That's the trouble.

Levi then summarizes these positions:

A says: Ethics and business are by nature incompatible. B says: In competitive activity the morally lowest necessarily sets the standard. C says: Morality is a matter of "knowledge," and with plural answers, there is no way to choose between them. D says: Immorality is a defect of personal character. It will always exist. E says: Morality means following the rule of religion.

Levi concluded that these statements "indicate the doubts and uncertainties, the confusions and inconsistencies which pervade the thinking" of the business community on ethical matters.

A similar ethical confusion seems to characterize corporate grantmaking. Grantmakers confess to "doubts and uncertainties," and some indicate that ethical matters arise more frequently than in the past.

Corporate grantmakers, if interviewed by a philosopher working on an essay on the ethics of corporate grantmaking, might well show a pattern similar to that sketched out by A. W. Levi.

- A. The first question to answer is, What's in it for us if we make the grant?

- B. The second question is, Do we have to make the grant? What's the competition doing? Will they make us look bad?

- C. The whole process of grantmaking is so arbitrary, anyway. You can make a case for almost any grant.

- D. The average of corporate grantmaking is quite high—higher than the average of business practice in other functional areas, probably. The exceptions prove the rule.

- E. The underlying thrust of corporate philanthropy derives from Judeo-Christian ethics. That's the tradition we have to keep turning back to, and those are the values that should guide our grantmaking.

Part of the confusion results, I think, from what various writers refer to (including Peter Drucker, who has shown an unerring instinct for emergent trends in business) as the turbulence of the marketplace. When conditions are turbulent, it is difficult to know the direction of events. In the case of corporate grantmaking, things have suddenly become unstable, after a decade and a half of relative calm and moderate growth (roughly from 1970 to the mid-1980s). It is possible to offer three plausible interpretations about what is taking place in the environment of corporate philanthropy:

- This is a period of slump; corporations are readjusting to new competitive factors, severe reorganization and restructuring, and downward pressures on earnings and profits. Grantmaking is bound to

reflect cost-cutting and staff reductions elsewhere in the corporation. As things settle down again and begin to improve, corporate philanthropy will recover, too.

- This is a period of rethinking philanthropy along with everything else. Grantmaking has to serve corporate purposes first. As Jerry Welsh of American Express argued several years ago, the future is in cause-related marketing; "checkbook philanthropy" is a thing of the past.
- This is the first stage of a long period of decline. Business social philosophy has changed. Competitive forces no longer permit management to turn its attention to an array of social problems that don't directly affect business performance. A greatly diminished core will remain, but it will be the least that corporations can get away with.

There is, in other words, some reason for doubt and uncertainty about trends in corporate grantmaking. In general, it is not yet clear whether American business will come forward with a statement of a new philosophical consensus, as it did forty years ago, or whether echoes of an abandoned philosophy will continue to be heard while a new way of doing business takes over in fact. I don't often these days hear statements like this one from corporate leaders:

During the forty years of my business career, I have observed a slow but steady transition in the attitude of corporate management from one of more or less exclusive preoccupation with self-interest, to one of self-interest tempered with a broadening sense of social consciousness.
(Frank W. Abrams, former chairman of Standard Oil

Company of New Jersey, in his testimony in the A. P. Smith case, 1952.)²

When we hear such statements now, we doubt that it reflects a consensus of business leadership as it did in Abrams' time.

In fact, most people believe that there has been a rapid shift backwards, towards a "more or less exclusive preoccupation with self-interest." Many of those charged with grantmaking are thus reshaping their work to this narrowing sense of social consciousness. The rationale for corporate philanthropy has always been presented in terms of "enlightened self-interest," a self-interest that justifies grantmaking in terms of long-range and indirect benefits. During the first several decades of corporate grantmaking—say, from 1870 until World War 1—insistence on *direct* benefit excluded corporate grants for public purposes; the argument for indirect benefits over the long term carried the day—it even became part of corporate law.

Corporate law does not *require* corporate philanthropy, of course. Corporate philanthropy is still a voluntary decision of management, influenced by tradition and peer pressure but not controlled by them. Rather than abandon philanthropy altogether, the emphasis is on increasing the corporate benefits from making grants. Philanthropic budgets decrease in size, and grantmaking priorities are reordered.

During a period of corporate affluence, the nonprofit sector can expect to share the gain; in a period of cost-cutting and layoffs, the nonprofit sector can expect to share the pain.

² Richard Eells, *Corporation Giving in a Free Society*, Harper and Brothers, 1956, p. 1.

It is not surprising that grantmaking executives appear to be uncertain about how to behave. Hedging is as popular in grantmaking as it is in the stock market. It is a climate in which ethical uncertainty is bound to increase—and ethical performance is likely to deteriorate unless there is a conscious effort to rectify the balance. Business ethics courses become popular, as do books on business ethics, when news stories and editorials on ethical failures in business become more frequent. Such has been the case in the recent past. (The major capital campaign to endow ethical studies at Harvard Business School is not in celebration of high ethical standards in the marketplace.)³ Although the stock market has taken the worst of it, large corporations have been ethically embarrassed as well. Corporate training programs are beginning to add courses and seminars in ethics. Bristol-Myers has a new program at Dartmouth, for example.⁴ The current wave of interest is just beginning.

When people are unable to follow a clearly drawn path of behavior, some show an innate sense of direction and others stray or wander about in confusion. If their past behavior has been that of following instructions rather than understanding how the map was drawn, such people may find themselves quickly lost. They won't know which instruction to follow, which one to abandon, which new direction to explore.

Others, those who show that "innate sense of direction, " may have achieved an understanding of map making. Take their map away from them, and they know how to read the stars and the angle of leaves and the moss on trees and all those other skills and arts that the Boy Scouts tried to instill.

³ Paul Desruisseaux, "Harvard Will Seek \$30-Million for Program on Business Ethics," *The Chronicle of Higher Education*, April 8, 1987, pp. 27, 29.

⁴ Elizabeth M. Fowler, "Industry's New Focus on Ethics," *The New York Times*, August 11, 1987.

The difference between map reading and map making, between following instructions and exercising your judgment, may be the simplest way to bring out an important distinction between "morality" and "ethics." Moral behavior can be thought of as the behavior imposed on us by our parents and the other influences charged with domesticating us. We are expected to follow the rules whether we understand them or not. Ethical behavior, by contrast, means the capacity to make judgments, to apply principles in specific situations, to interpret rather than imitate. A person of very limited intelligence can follow clear and explicit rules. It requires a higher form of intelligence to exercise judgment and autonomy.

I agree with those who believe that ethical maturity begins in childhood. Moral values are best taught at that time. Some philosophers and psychologists contend that many of the abstractions of ethics can be reduced to simple situations that children can deal with and even begin to understand. Require a child to make his bed in the morning. It becomes a habit, if repeated often enough. Explain why: "On balance, neatness is better than disorder, and over time you will find that a remade bed is more comfortable to sleep in." That suggests that good behavior pays, and that a modest investment of energy now will be repaid with a modest benefit of comfort later on. More important, the child may begin to learn that if he makes the bed his mother won't have to. (It is in such modest ways that consideration of others begins.)⁵

To believe that morality is best acquired in childhood raises a question of the utility of ethical education later in life. Many people believe that college is too late—that courses in business ethics at the level of the professional school come too late to make a difference. If that view is correct, why bother with corporate training in ethics?

First, even those who are morally sensitive and well-disciplined benefit from the review of principles and the discussion of cases. Second, the ethical implications of new practices may not be self-evident, and discussion will bring that out. Third, the process itself will strengthen the moral dimension of the corporate structure. Fourth, even those without a reliable moral compass can benefit from a reliable map of the territory.

In the face of uncertainty, the greatest anxiety is felt by those whose personal habits are rule-bound, or who work in a corporate setting that leaves little to individual judgment (or both). At one level of the organization there may be great insistence on following the rules to the letter; at another level there may be rich rewards for those who know what to do when the rules no longer apply—or, more commonly, when the rules remain but no longer mean what they meant before. Following rules often leads to bad results because the meaning of the rules has changed while the form has remained the same. Letting rules determine behavior is also often seen as praiseworthy in a junior executive and as a weakness in a senior executive.

The way out of ethical confusion will not be found in rules. We have entered a period where we may be called upon to fashion a new ethics, a new understanding of the consensus concerning what is ethical and unethical. The sources of ethics and morality are to be found in custom and usage as those reflect the externalized values of the community and the internalized values of individual behavior. We can expect ethical norms to change as community values change, reminding ourselves that values don't change monolithically or uniformly. "Openness" and "accountability" were more generally applauded in the 1970s than in the 1980s. The "tolerance" praised in some circles as sensitive consideration of the rights of others may be considered by others to be the reflection of

⁵ Based on an informal conversation with Irving Kristol.

an empty and spineless relativism.⁶ And, if tolerance of other people's values has increased in many ways, there is much resistance in some others. Most religious leaders argue that religious values should permeate our lives, and not be relegated to ritual observance on weekends. Many corporate leaders consider the influence of organized religion out of place in the business corporation, and worry about personal values supplanting corporate ones.

To address the complex and uneasy relationship of religious and secular values in corporate philanthropy would require another essay. The matter is extremely sensitive as well as complicated. Even so, religion and philanthropy are so interwoven in the American tradition that I am convinced the tensions should be discussed and clarified rather than avoided and ignored.

The question here is whether the values of corporate grantmaking are changing, putting more emphasis on the benefits to the donor and less on the needs of the recipient. If they are, is that an ethical issue? For example, when someone advocates that grants to nonprofit organizations be used as a means of increasing corporate profits, one of the questions that must be asked is whether that is an ethical matter as well as an operational and organizational change. It may be argued that it is a different strategy to achieve the same ends—or that it is simply adding a second end to the first one, or making the whole process more efficient. If it is an *ethical* change, what do we mean by that? If the answer is given that the result will be more money flowing through nonprofits to increasing numbers of people in need, that will reflect one approach to ethics. If the answer is given that the moral rules of philanthropy and the practices of marketing are incompatible, that will reflect another approach. A third approach may be

⁶ Cf. Allan Bloom, *The Closing of the American Mind*, Simon and Schuster, 1987, pp. 141ff.

that we have to balance rules and results in the way that is most "responsible."

Almost all ethical problems are complex, not simple. Many problems have an ethical dimension, and in some cases the ethical consideration will govern the solution-the ethical aspect will determine the choice among the available alternatives.

But it is wise to remember that not all problems are ethical problems, and that the ethical consideration should not always be conclusive. Leaping to ethical conclusions is as risky as leaping to financial or manufacturing conclusions. On the other hand, more business problems arise from neglecting the ethical dimension than from putting too much emphasis on it.

Thinking About Ethics

Grantmakers make grants or reject them, or recommend to others that grants be made or not. Grantmakers are *agents*, actors, and making a grant is an act. Grantmakers as well as others often ask whether a grant *should* be made or not; some grants are not automatic (although many are: consider matching gifts, for example). Asking that sort of question involves a *spectator* or *commentator*. It is a level of reflection one step higher than that involved in the act itself.

At a third level there is a different sort of question that is asked, and this is what *philosophers* do (amateurs and capital-P philosophers alike). According to the British moral philosopher Bernard Mayo (from whom I borrow this analysis), moral philosophers ask:

- *Why do we do what is right?*

- *Why should we do what is right?*
- *How do we know what is right?*

Mayo adds a fourth question to these "three fundamental questions" for moral philosophy:⁷

- *What do we mean by 'right'?*

To which I will add a fifth, of fundamental importance to corporate grantmaking (that we will come back to later):

- *Who do we mean by 'we'?*

We could also add, in parentheses after "right" in each of those questions: "(or wrong)."

I would also add, adapting a suggestion from a philosopher who is a writer and corporate consultant on business ethics, three other questions that are particularly germane to corporate grantmakers: A grant is thought to be:

- Good (or bad) *for whom?*
- Good (or bad) *when?*
- Good (or bad) *by what standard?*⁸

⁷ Bernard Mayo, *The Philosophy of Right and Wrong*, Routledge and Kegan Paul, 1986, pp. 8-9.

⁸ Adapted from the work of Mark Pastin, Arizona State University.

For example, "Will a grant to a private voluntary agency engaged in development in Central America be helpful to that organization?" is one way of asking the first question. A different way of asking the question would be to ask, "Will we be criticized for making a grant in a country where we have very little business interest?" The question of whether the grant will help the people most directly affected by it in Central America may never be asked at all. The question of timing may be crucial. A grant for a chemistry laboratory may not be considered timely if the donor is a chemical company being sued for illness following the use of a toxic chemical. The third question—by what standard—might come up with a grant for research that includes pressure to redirect the research away from the original objective. That would be thought to violate an accepted grantmaking practice. (Are corporate strings on research support any different from, government strings? What do we mean by "strings," anyway?)

In thinking about notions of good and bad, right and wrong, students of law have been more persistent in studying the underside of their domain than have moral philosophers. Criminology is a fat and affluent field. There are not only books about it, there are courses, even degrees. I know of no courses or degrees in immorality.

I have a great many books about ethics and morality. I have very few that confront the *unethical* and *immoral* as their main theme. There are some important exceptions, of course: Ronald Milo has published a book entitled *Immorality*.⁹ Sissela Bok has written a bestseller with the title *Lying*.¹⁰ There is a reawakened interest among moral philosophers in

⁹ Ronald Milo, *Immorality*, Princeton University Press, 1984.

¹⁰ Sissela Bok, *Lying: Moral Choice in Public and Private Life*, Pantheon Books, 1978.

Aristotle's notion of *akrasia*—"weakness of will"—the failure to behave morally even when we know the right thing to do.¹¹

This is as good a time as any to point out that ethics and morality can mean (a) theory and practice, or (b) the externally imposed and the internalized.¹² "The two words, once fully synonymous ... have now so divided their functions that neither is superfluous ... *ethics* is the science of morals, and *morals* are the practice of ethics."¹³ The distinctions are useful to philosophers, but in my opinion common usage now considers the two terms to be interchangeable.

(This digression may also be a good time to argue that references to "business ethics" are misleading; ethical problems characteristic of life in large complex organizations do not differ in important ways among business corporations, government agencies, universities, even religious organizations. It is moral life *in the organization* that is the common factor.)

Thinking About the Unethical

We might find it fruitful to study what lies under the rock of ethics as well as that which basks in the sunshine of our approval. The handiest guide to the set of problems that plague us will be found in J. Barton Bowyer's book *Cheating*.¹⁴ Shortly after it was published in 1982, I made reference to it in a talk to college and university development officers.

¹¹ Cf. the essays by M. F. Burnyeat and David Wiggins in Amelie Oksenberg Rorty, *Essays on Aristotle's Ethics*, University of California Press, 1980.

¹² Erik Erikson offers still another distinction in *Insight and Responsibility* (Norton, 1964) when he speaks of moral rules as based on "a fear of threats to be forestalled," and ethical rules to be based on "ideals to be striven for" (p. 222).

¹³ H. Ward Fowler, *Modern English Usage*, 2nd ed., edited by Sir Ernest Gowers, Oxford, 1965, pp. 170-171.

¹⁴ J. Barton Bowyer, *Cheating*, St. Martin's Press, 1982.

Since I believe that people who raise money are engaged in an inextricable relationship with those who give it away, it should also be appropriate here. (The relationship between fundraisers and grantmakers is to be the subject of another essay.)

Bowyer provides a summary table that is suggestive of what he has discerned to be "the structure of deception":¹⁵

The Structure of Deception

(with process defined)

DECEPTION

(distorting reality)

DISSIMULATION

(Hiding the Real)

MASKING

Conceals one's own
Charcs*

(To Eliminate an Old
Pattern or Blend It
With a Background
Pattern.)

REPACKAGING

Adds New Charcs
Subtracts Old Charcs

SIMULATION

(Showing the False)

MIMICKING

Matches another's
Charcs*

(To Recreate an Old
Pattern, Imitating It.)

INVENTING

Creates New Charcs

(To Modify an Old
Pattern by Matching
Another.)

(To Create a New
Pattern.)

DAZZLING

Obscures Old Charcs
Adds Alternative Charcs

(To Build an Old Pattern,
Reducing Its Certainty.)

DECOYING

Creates Alternative
(To Give an
Additional
Alternative Pattern,
Increasing Its
Certainty.)

*Charcs: Characteristic Spectrum

From *Cheating*, by J. Barton Bowyer, copyright 1982 by St. Martin's Press, Inc., New York. Reprinted by permission.

Cheating is to ethics as crime is to law.

I am not here concerned with the illegal aspects of grantmaking (which are probably most often those associated with using foundations in self-dealing abuses of the tax law). In fact, I am most interested in the gray areas of behavior where it is often difficult to know the right way to behave, the right thing to do, the right rule or principle to apply.

I have not re-read Bowyer's book to see whether there are examples in it drawn from charity and philanthropy, from fundraising or grantmaking. Most of the examples seem to be drawn from military strategy, politics, and business. But it is instructive to think about "cheating" in the context

¹⁵ Ibid., p. 61.

of the ethics of everyday life. It is especially useful to keep in mind the terms of art proposed by Bowyer: *hiding the real; showing the false*.

I use some of these techniques—but not all—every time I face an opponent on the tennis court. Ruses are employed in every sport: Faking permeates every move in basketball; trap plays and hand-offs are used in football (where the quick kick was once popular). Baseball is filled with stratagems, ploys, and gambits: stealing bases, pick-off plays, the pitcher I s deceiving changes of pace.

When we speak as we did earlier of how morality is taught to children, we should remind ourselves how much of it is learned in sports—playing by the rules. One might have said *playing by the ruses*. The arts of deception are part of sports, even though they are not required by the rulebooks. Deception is useful to victory, perhaps even essential when the physical skills are evenly balanced.

Having been sensitized to the feminine perspective, I must also mention that children learn much from other forms of play than sports, not overtly competitive, and without written rules. *Fantasy*—the delights of pretending, of dressing up, of deceiving oneself as well as one's friends. Misapplied, the harmless deceptions of childhood fun in sports and fantasy can become pathological in adults.¹⁶

"Hiding the real" and "showing the false" are so much a part of some aspects of our behavior that an important judgment involves deciding which rules and norms apply in each situation. Their misapplication in our personal lives is what Eric Berne's *Games People Play*¹⁷ was about—and

¹⁶ For an insight into the differences between male and female attitudes to rules and their interpretation, see Carol Gilligan, *In a Different Voice*, Harvard University Press, 1982.

¹⁷ Eric Berne, *Games People Play*, Grove Press, 1964.

the terrible problems that usually follow from applying the wrong rules or playing the wrong game. Watergate and the Iran-Contra scandals are variations on a familiar political theme of deception: that one can cheat and still be moral if the cause is just.

Those whose professional tools are words have reason to be uneasy about the ethics of persuasion. (Those whose professional tools are numbers are equally uneasy about the ethics of statistics.) Corporate grantmaking takes place in a world that uses persuasive language (and statistics) all the time. The deceptions of language used in fundraising brochures and in corporate annual reports are alarmingly similar.

Beneath the surface of fundraising and grantmaking language is the social dynamic of power and influence. The philanthropic relationship is usually asymmetric: in its cruder forms, it appeals to the cupidity of the one and to the vanity of the other. It is an environment in which cheating can be commonplace and yet unrecognized as such.

Bowyer concludes his book with this observation:

Nature may not cheat but man does—to be human is to cheat and be cheated.

Bowyer has also come to a conclusion about *some* people:

The clever mind, prepared or not, can be cheated more easily than the simple. The avaricious mind will cheat itself. The wise mind, here prepared, taking "consiglio," [advice] will at least know the rules of the game.¹⁸

¹⁸ Bowyer (see note 14), p. 432.

Virtues and Vices

We don't often reflect enough on the relevance of cheating to ethics. We have also lost touch with the immensely useful traditional ways of talking about moral behavior—that part of ethics that focuses on the study of virtue. The words themselves appear to be a major obstacle. On the one hand, the word *virtue*, for many people, calls to mind puritanical religious values, narrowness, priggishness, sexual repression, and the hypocrisy of the Victorian age. On the other hand, virtue represents for them a goal of perfection, which a corporate colleague finds to be "both unrealistic and personally destructive."

Although some corporate grantmakers find as I do that using traditional ethical language and concepts is helpful, some others do not find it so. I have found to my chagrin that it is easy to be misunderstood if virtue-language is brought into a conversation about ethics. At the same time I agree with Bernard Williams, whose *Ethics and the Limits of Philosophy* is immensely readable as well as challenging:

The word "virtue" has for the most part acquired comic or otherwise undesirable associations, and few use it now except philosophers, but there is no other word that serves as well, and it has to be used in moral philosophy.¹⁹

What I want to talk about is a *pattern* of behavior in situations that encourages us to praise some behavior as ethical and to criticize other behavior as unethical. The notion of a pattern of behavior suggests

¹⁹ Bernard Williams, *Ethics and the Limits of Philosophy*, Harvard University Press, 1985, p. 9.

persistence, predictability, the "conventions" that make up the conventional:

Conventions embody expectations; they impose limitations; they result in liberation.²⁰

The author—a theologian named G. R. Dunstan—argues that "mutual expectation is at the heart of professional ethics.... Society, and his professional colleagues, attach certain expectations to his role." Behavior is not determined by how the professional happens to feel at the moment, or spelled out in every detail by regulations. Conventions also impose limitations: "the first demand of community is limitation—an ethics which requires the limitation of self-interest where it conflicts with the interests of other persons or of the community itself." And, although it always sounds self-contradictory, the limitations must be self-imposed beyond the minimum standards established by law.

A healthy community requires that the limitations essential to corporate life be, so far as possible, inward and voluntary; the product of conscience, conviction, inward persuasion, and belief, and not imposed from without.

Conventions embody expectations and impose limitations, but Dunstan argues that they result in liberation—"liberation for the individual and the conditions of freedom for the community."

Where there is a convention of honesty and fair dealing, buyer and seller can negotiate together without crippling suspicion or fear....

²⁰ G. R. Dunstan, *The Artifice of Ethics*, SCM Press, 1974, from Chapter 1, "Community and Convention," pp. 1-17.

As in personal behaviour, so also on the social level: it is worth reflecting how much more constricted social life would be—how much less free—were not so much of it governed by an extensive conventionalized morality.

The autonomy of the professional is based on the conventions that we can take for granted: Our expectations make possible the professional's latitude. The cost of not having those conventions accepted and understood are at the source of the explosion of medical malpractice insurance costs, to cite only the most familiar example. The loss of professional freedom of action is obvious: Never act boldly in a patient's behalf; don't run risks in a patient's behalf; keep your own interests in mind.

My conclusion from Dunstan's discussion of convention is that it squares with my experience in various areas of professional life: journalism, diplomacy, teaching and administration, and grantmaking. Convention is also consistent with the theory of virtue. A virtue is defined as "an ethically admirable disposition of character"; the word *disposition* is crucial. Under normal circumstances a person can be expected to behave in a certain way. If the way of acting happens to merit praise for its moral quality, it will be considered virtuous.

Other writers make the same point. John Dewey, for example, identified *persistence* as one of the aspects of virtue; more recently, James D. Wallace spoke of *conscientiousness*.²¹ The point is fundamental: What counts is not the isolated act; what counts is reflective habit. Doing the right moral thing at the right time and in the right place requires reflection

²¹ John Dewey and James H. Tufts, *Ethics*, Henry Holt, 1909, p. 404. James D. Wallace, *Virtues and Vices*, Cornell University Press, 1978.

on each case, and when that reflection becomes a disposition, it is called a virtue.

Is "enlightened self-interest" a virtue?

Enlightened Self-Interest

The conventions of grantmaking are based on a rationale of enlightened self-interest. I quoted Frank Abrams earlier on "self-interest tempered with a broadening sense of social consciousness." I found that quotation in a book written in 1956 by Richard Eells of Columbia University: *Corporation Giving in a Free Society*. Eells lists seven principles of corporate philanthropy, and this is the first one:

The corporate donor's motive should properly be one of enlightened self-interest that reflects the socially dimensioned purposes of the enterprise.²²

Bearing in mind what was said earlier about conventions, enlightened self-interest as a principle will be spelled out in written statements that are widely shared by grantmakers. In the course of preparing this essay I came upon a "check sheet" for the corporate contributions committee of a large corporation (that has since been swallowed up by a larger corporation). The list is almost identical to another offered in the same book—*Corporation Giving*, by F. Emerson Andrews²³—and I think we can take it as representative. Although it is 35 years old, I have seen many like it in recent years. The list is an effort to spell out the conventions that will guide the committee in making decisions about grants and their recipients.

²² Eells (see note 2), p. 135.

1. Is the cause a worthy one?
2. Will the contribution benefit [the company] directly or indirectly?
3. Is the request likely to lead to other similar requests in the future? Is this objectionable?
4. Does the organization have widespread acceptance and support?
5. Is it efficiently and honestly managed?
6. Is the immediate need significant or does the organization have substantial reserve funds?
7. Does it aid all kinds of people, or is it restricted in its operations?
8. Is the request consistent with our place in the community?
9. Will there be a public relations reaction if we give or do not give?
10. Will the contribution advance the community and public relations of the company?
11. Are important customers, dealers, or other business contacts interested in the solicitation?
12. Are other organizations in the community similar to ours supporting the soliciting organization, and if so, in what amounts?

²³ F. Emerson Andrews, *Corporation Giving*, Russell Sage Foundation, 1952, pp. 340-341.

If grantmakers are to be ethically alert, what kinds of questions should be asked about that list of questions?

- Which of those questions might be thought to be self-interested (or *self-regarding*, as the philosophers say)? Which of them might be thought of as "enlightened"? Questions 2 and 8 through 11 are clearly focused on the company rather than the recipient.
- Questions 4 through 7 seek to determine whether the organization is worth investing in and whether the funds are really needed.
- Only the first question deals with the cause itself.
- Some grants are useful but not important, according to question 6. That suggests that a small grant to a large and successful capital campaign, for example, might be unimportant in that context but that the same amount of money given to a small and struggling organization could be important to its very survival. Grants that are token grants are not "bad" in some absolute sense, but they are often the result of laziness or timidity. They are examples of poor stewardship.
- Might the answer to question 1 ever be so compelling that the answers to questions 2-12 should be brushed aside? How might we go about weighting the 12 questions?
- Questions 4 and 5 are the source of the criticism of mainstream corporate philanthropy and the mainstream nonprofit organizations supported by business. Where do innovation or risk appear on the list? Should corporations limit their bets to favorites and sure things?

- Question 5, about "efficient and honest management," calls to mind the frequent efforts to put a ceiling on fundraising expenditures by nonprofits. Yet every effort to do so brings out the difference between the fundraising costs required of a new and unknown organization in a controversial field and the fundraising costs that claim a share of the resources of established organizations serving traditional causes.

The tendency of the fundraiser is to explain away the shortcomings; the tendency of the grantmaker is to make them more important than they are. When are we deceiving each other? When are we deceiving ourselves?

The term *enlightened self-interest* was not coined until the late 18th century. Until then the word *prudence* was popular, but since Aristotle, prudence has often been described as "wisdom" or practical reasoning. What is intended is the idea that morality requires action based on reflection, what Dewey described as "severe inquiry and serious consideration of alternative aims."²⁴ Prudence is self-regarding (egoistic); benevolence is other-regarding (altruistic).

After a long and difficult discussion of the inadequacies of thinking about corporate grantmaking in terms of virtues and vices, a seminar participant put these thoughts on paper in a letter to me:

I do not believe that a paradigm based on traditional concepts of right and wrong is adequate—or useful—in dealing with current motivations and practices of corporate grantmaking. New language and a new model of ethical behavior must be crafted to deal with the changed dynamics in today's corporations.

²⁴ Dewey (see note 2 1), p. 418.

A revised paradigm should identify a new balance point between altruism and self-interest and define parameters for corporate giving that tap and blend the best of both motivations. Though difficult to craft, this approach would take advantage of the complexity inherent in corporate grantmaking today. In many ways, this model would be characterized by compromise.

In summary, new motivations and practices are not in themselves amoral ... or unethical. It is our challenge to develop a code of ethics that works with today's realities, without losing the commitment of business to "do the right thing" in situations devoid of self-interest.

Combining the self-regarding with the other-regarding, as enlightened self-interest implies, is difficult. For one thing, the word *enlightened* tends to have an elastic quality. It is often a fudge word, useful to have on hand because it can be reshaped when circumstances call for it. It will mean one thing when the CEO is being addressed; another when speaking to a volunteer from an arts organization. The problem I have with the position just outlined is that the overall pattern of behavior today is indeed changing, and is changing strongly toward the self-interested side of the scale. The "new balance point" tips the scale away from other-regarding and toward self-regarding. The result is a diminished concern, even a disregard, for the purposes served by the philanthropic part of the corporate enterprise.

The author of that appeal for a new model of ethical behavior in grantmaking wants desperately to preserve the other-regarding aspect. What sort of "commitment" does one expect to find in the new environment to "do the 'right thing' in situations devoid of self-interest"?

A moral philosopher, observing and then reflecting on the argument, might argue that self-interest is deeply grounded in human nature, and that it is by definition the dominant characteristic of the marketplace. By inference, then, it is plausible to expect that the most powerful forces at work in a corporation will always be those of self-interest. Other forces and constraints will be necessary in order to restrain that self-interest and to keep it from destroying itself.

It is not intended to show disrespect in arguing that one need not be concerned about the corporate determination to pursue its self-interest. The problem has always been that of broaden that self-interest, to lengthen the time horizon, to take into consideration those who fell outside the direct benefits of the self-interest. Frank Abrams's "broadening sense of social consciousness" and Richard Eells' "socially dimensioned purposes of the enterprise" are *other*-regarding, even if the rationale for them is put in the form of long-term and indirect benefits to the self.

But the point is well-taken: Either we need new language and a new way of thinking about corporate morality and the ethics of corporate grantmaking, or we need to clean the barnacles of misuse from the traditional language and values. Or some of both.

The Road Less Traveled

The title of this section is drawn from the extraordinarily successful bestseller by psychiatrist M. Scott Peck (who borrowed it from Robert Frost).²⁵ Peck offers a simple and evidently persuasive guide to behavior. He begins with a warning that *life is difficult*. Because life is difficult, we

²⁵ M. Scott Peck, *The Road Less Traveled*, Simon and Schuster, 1978, pp.15, 18.

need disciplines to cope with it. He names four: delaying of gratification, acceptance of responsibility, dedication to truth, and balancing.

That list fits well with enlightened self-interest by putting "delaying of gratification" first. *Delaying gratification* is the psychologist's equivalent of the philosopher's *prudence*. *Acceptance of responsibility* may also apply to enlightened self-interest—if the corporation's sphere of responsibility is broad enough to include some of those who won't share directly in the benefits. But we should ask: Responsible *for whom?* Responsible *at what time?* Responsible *by what standard?*

Dedication to truth is very tricky in this context, for several reasons. "Honesty is the best policy," is often claimed as business policy but we reserve judgment until we observe the practice. The language of advertising and public relations undermine not only honesty but meaning. In much of the self-reporting literature about corporate philanthropy that I have read—and in much that I have written myself—the goal is *persuasion* rather than *truth*. Persuasion is self-regarding; truth-telling is other-regarding. There are those who have argued fervently for full reporting of corporate grantmaking activity, and companies are sometimes praised for making public information that used to be considered private company business. But such material usually has very little effect on the grantmaking policies and practices of the corporations involved. Most corporations see their reports instead as another opportunity to present the corporation in a flattering light—whether deservedly so or not.

Peck's notion of *balancing* is most intriguing of all. He refers to it as "the discipline of disciplines." Consider the discipline of balancing in the context of the traditional concept of character.

Character

Virtue is both a unitary idea and an aggregative one. There is virtue and there are virtues. Classical philosophy identified four virtues as "cardinal"—that is, as summarizing all the other virtues. (The word cardinal, I'm told, comes from the Latin *cardo*, or hinge.) Prudence, temperance, courage, and justice. *Prudence* is the disposition to think about the consequences and other aspects of alternative courses of action. (Gary Hart was imprudent.) According to John Dewey, *temperance*—which became a term of amusement when swamped in the rhetoric of Prohibition—meant to the Greeks “a happy blending of the authority of reason with the force of appetite.”²⁶ It meant *self-discipline*. *Courage* is often advanced as the highest of the virtues, because if one lacks courage he lacks the will to act virtuously. But courage is double-edged: courage can be employed as prudence can in a bad cause. (Some terrorists are courageous.) *Justice* is the only one of the four cardinal virtues that has real contemporary popularity, and it has particular importance for grantmaking. In our day, *justice* means *fairness*.

The Greek list did not include the virtue of benevolence, by the way. We owe the powerful idea of benevolence as charity to religion rather than to philosophy. It is to religion, in fact, that we owe the rash notion of "love for humanity," which is the way philanthropy is translated. Religion is the source of the moral obligation to share one's surplus with the poor.

To add the virtue of charity to corporate grantmaking is awkward, at best. ("Corporate philanthropy is not almsgiving," Eells wrote.)²⁷ We find other ways to rationalize the charitable, usually calling upon prudence. For example, as people argued in 1935 and again in 1970: "If we don't help to

²⁶ Dewey (see note 21), pp. 405-406.

²⁷ Eells (see note 2) p. 136.

alleviate conditions in this city we're going to have a riot on our hands." Or, to paraphrase Frank Abrams and others in 1952: "If we don't provide more financial support for the private colleges, they'll go under, and then government will fill the vacuum. Not only will our taxes go up, but freedom will be lost."

The purpose of this quick summary of the virtues is to bring out the point that some of the virtues are sometimes in conflict (or seem to be). Justice and benevolence are often at odds. We seem unable to resolve the conflicts by arranging them in a hierarchy and subordinating everything to a single virtue. (Try it.)

And so we balance them.

Those who balance the virtues well are said to be virtuous or people of good character. A person of good character is someone who persists in the disposition to do the morally right thing. Such a person knows when deception is appropriate and when it must be avoided, even at great cost. A person of good character will be someone who will weigh the alternatives prudently and have the courage to choose and then to act wisely with conviction tempered by justice.

A person of good character will not have to have a rulebook or a set of instructions to tell him how to make the right decision. The person will know the conventions of his profession, and he will be reliable about meeting the expectations that people have of him.

The person of good character will be a person with a conscience, a lively sense of the right thing to do and an itch to do it.

The problems arise when the conscience of the individual comes into conflict with the conscience of the corporation. It is easy to write, as I just have, about "doing the right thing," but how is one to behave when the personal perception is different from the collective one?

Corporate Character and the Individual Grantmaker

The important question that I've been building up to, of course, is that the things that I've just said about the qualities of character as they are attributed to persons might also be usefully applied to corporations. Corporations also have character—revealed in what is popularly called "corporate culture" these days. Corporate culture can strengthen the personal integrity of employees or undermine it. Corporations can fail in truth-telling so often that they are unable to be truthful even to themselves. Corporations can be prudent to the point of being cowardly, just as individuals can. Failure can be punished in a corporation in such a way that prudence becomes timidity.

I have seen the average of behavior in business and other organizations deteriorate under stress, and I have seen the average rise as well. It is that average of behavior among those who set the tone of a corporation that I'm talking about when I try to apply the notion of character to the business corporation, to stretch some of the useful ideas of individual virtue and personal character to collective action.

In the course of our seminar, someone referred to the grantmaker as "the conscience of the corporation." That is an awkward role at best. It seems self-serving and self-flattering. It puts the grantmaker in the position of moral superiority, which is presumptuous. It also puts the grantmaking

function at a higher moral level than the mainstream of the business— which is accurate, and hence awkward at times.

There is a practical aspect to the place of conscience in the grantmaking function. Grantmakers are in touch with the community in important ways, but with aspects of the community and in ways that are very different from others in the same corporation. There is a generally positive mutual relationship of grantmakers with nonprofits. An effective grantmaker will have an easy rapport with a wide range of people whom others in the corporation would never know or deal with in an official way. The interaction of the grantmaker with other grantmakers is also valuable. (This is especially true when corporate grantmakers are in touch with grantmakers in foundations. My impression-as one whose corporate foundation experience gave him informal membership in both groups-is that the mutual ignorance of corporate grantmakers and independent foundation grantmakers is appalling.)²⁸

The point is that the process of grantmaking is the source of valuable information—of intelligence, in the military and diplomatic as well as the marketing sense. The information is about values and ideas, the undercurrents of community life.

Because the information that grantmakers absorb deals with values, grantmakers cannot be indifferent to the interpretation put on those values. There is a moral requirement to try to interpret values fairly and honestly. Pandering to management bias or prejudice by telling management only what it wants to hear about the changing environment is a bad habit—a vice.

²⁸ The Council on Foundations is to be complimented on its determined efforts in recent years to bridge the gap between the two Subcultures.

The grantmaker is one among many who shape the moral dimension of a corporation's culture, but someone with a very distinctive contribution to make that no one else is likely to. The internal as well as the external image of the corporation is shaped, as is that of the individuals involved, by patterns of language and behavior over time, by the subjects that are discussed and the seriousness they are given. Perfunctory discussion about grantmaking will gloss over ethical distinctions. The gaps between statements of ethics policy and ethical practices will then, sooner or later, become evident. Failures in ethical practice on occasion will be weighed against a larger pattern.

The larger pattern includes the basic standards of doing the company's mainstream business. The congruence between claims of quality appropriate to price, the interpretation of contracts and less formal agreements, the treatment of employees all involve ethical considerations that are at least as important as the ethical claims of corporate philanthropy. The difference is that corporate philanthropy enlarges the responsibility to include in the discussion the interests of those who will not directly benefit from the company's success. It is their claims and needs and rights that must be considered.

Conclusion

The first point of this essay is that enlightened self-interest is the core value of corporate grantmaking and that enlightened self-interest is ethically problematic in practice. It is an unreliable guide.

The second point of the essay is that to behave ethically as a corporate grantmaker requires continuing reflection on the ethical dimension of the work. Although many of the conventions of grantmaking can be spelled

out and serve as a guide to behavior, there is no simple set of rules to follow.

These points are supposed to merge in reflection on such questions as enlightened self-interest. Why bother? Can reflection on the ethical dimension act as a guide to behavior? A long popular and respected book on ethics cautions us not to expect too much:

" . . . Ethics cannot serve practice in more than an advisory capacity. It cannot decide the issue itself."²⁹ In order to make sound decisions we need information about the specific case, enough information to determine whether or which general rules apply. For example, we will want to anticipate the impact of our decision on others; for corporate grantmakers, "others" includes a great many people, not just the recipient. Ethical thinking forces a careful consideration of the consequences of a decision. That in itself is a major step forward. Thinking about the longer term and indirect consequences of an act, you will recall, is a characteristic of the "enlightened" aspect of enlightened self-interest. To speak seriously of being enlightened is to bring the ethical dimension to the surface. Talking about enlightened self-interest, then, can have a positive value by forcing a corporate grantmaker to weigh the consequences for others against the consequences for the corporation, and not limit the analysis to benefits to the corporation.

"To make the gray areas less gray," as a friend challenged me recently, is difficult, but that is what decision-making is all about. Making decisions ethically involves the process as well as the result. Almost every decision is made in the context of uncertainty about the facts and the consequences. There is a tendency to resolve the ambiguity by pretending that the matter is clearer than it is. We seek to be consistent by forcing cases into

²⁹ A. C. Ewing, *Ethics*, Free Press, 1953, p. 17.

predetermined and comfortable categories; we find such comfort in certainty that we blind ourselves to the ambiguity that won't go away.

In my experience, the most common expression of that tendency is to hide behind guidelines, to make them so precise and inflexible that they make the decisions for us. Reflection is time-consuming; making judgments is risky; having opinions invites criticism. The comfort-seeking grantmaker avoids contact with grantseekers and lets rules make the decisions automatically. All grantmaking thereby becomes reduced to the mechanical processes of a matching gift program.

Grantmaking should be the result of grantmakers who are engaged with grantseekers in a common enterprise-with each participant candid about the legitimate claims of self-interest on both sides. Some grants will be mechanical and *pro forma*, of course; some will be made simply to maintain continuing activities. The professional requirement is imposed by the need also to take risks, to explore, to innovate. Technicians can process paper; professionals exercise judgment and make decisions.

How do we judge professional performance? The problem in grantmaking is that there is no clear market test. It is also true that we cannot usually isolate the decision so precisely that we can measure its impact. The evaluation of professional performance in grantmaking requires a balanced assessment of style and consequence over time.

The word *balanced* was used to remind the reader of the earlier reference to M. Scott Peck's four virtues: delaying of gratification, acceptance of responsibility, dedication to truth, and *balancing*.³⁰ A grantmaker might

³⁰ Peck (see note 25).

sometimes engage in egregiously³¹ unethical conduct and deserve to be fired for a single action, just as a grantmaker might make a lucky decision and be able to make all the claimants at the door happy at the same time. The more common condition will be one of success mixed with and limited by some failure; some good things will not happen to good people; some grant money will appear to have disappeared into the sand. These philanthropic misfortunes will be offset by spontaneous and sincere expressions of appreciation, of recognition of the enlightened quality of the company's self-interest. Some troubling problems in the community will be alleviated. Some young people will have a better chance.

The grantmaker throughout will have dealt with people in certain ways, treating them with respect or disdain, courteously or indifferently. The grantmaker will have won a reputation, among those rejected as well as among recipients, among peers in other companies as well as within the company. The grantmaker will have stood firm on some issues and accommodated other priorities on other issues. The grantmaker will have recommended some risky or awkward grants because of the quality of the idea or the merit of the people. The grantmaker will have pressed for increases in program funds for what his evaluators conclude are substantive rather than empire-building reasons.

The grantmaker will be a person of good character. There no universally accepted ethical system, even though there are ethical systems that lay claim to universal validity. To be a person of good character will be to present a very different portrait in one culture than in another. Most of us are thus required to make a choice about the ethical pattern of behavior we will follow. Most of us fabricate a working ethic out of our personal upbringing, experience, and interaction with others we respect and think to

³¹ Maxwell Nurnberg, *I Always Look Up the Word "Egregious,"* Prentice-Hall, 1981.

be of good character. Occasionally our ethical beliefs will reflect study of ethical philosophers.

That is not an easy context in which to find one's ethical bearings. Persons of good character are those whose movements are corrected by an internal gyroscope. Their guesses will almost always be close to the target ethically—even if sometimes deficient in other ways.

Balancing. No single virtue is enough, no single aspect of personality, no single skill. To be of good character is like being liberally educated. The insight is best expressed in what I have found to be the most useful line to reflect upon in all the organizational literature:

. "This general executive process is not intellectual in its important aspect; it is aesthetic, and moral."³² If that point of view pervades your grantmaking, you will be able to make your own map.

The most common professional complaint is that daily pressures deprive one of "time to think." In the context of this essay, that would be revised to complain of the lack of time to reflect on being ethical—on asking what is enlightened about enlightened self-interest. The only employer for whom I ever worked who made time available for the express purpose of discussing ethical matters was not a university or a government agency but a business corporation. The corporation required an annual discussion at the smallest unit level—about 20 people on the average—of the ethical policies of the company, of shared understanding of conflict of interest, of ethical problems raised by employees. These were not moral rearmament sessions, but as practical and down-to-earth as all the other business of the company.

³² Chester I. Barnard, *The Functions of the Executive*, Harvard University Press, 1938, p. 257.

Although those sessions and the distribution of the ethics policies of the company were about all that was done, *neither* were done as a matter of regular practice in universities nor in government. Government requires employees to read documents and to sign them, forever confident that such rituals influence behavior. The affectation of universities is the pretence that everyone is ethically sophisticated to start with a striking example of self-deception. Some companies and agencies offer formal codes of ethics, but reading a code is like reading a regulation: unless the ideas and values are internalized, their written form is itself a form of deception.

I cannot accept the desperate view that ethical values and moral behavior are formed in early life and that all subsequent efforts at moral education are a waste of time and money. One of the reasons why ethical problems have become so much a matter of public concern is that we do so little to help people become more ethically sensitive and alert.

To explore ethical problems calls for some familiarity with the working definitions of the principal approaches to ethical problems—of other people's approaches as well as our own.

There is a dangerous tendency to assume that one is ethical—that one understands the principles of ethics and behaves morally—and that other people understand them in the same way. We act as if there is a "common morality" that we can all readily fall back upon. There isn't.

There is more often ethical confusion than ethical consensus on issues. Any issue of a daily newspaper should make that clear. The common morality—unexamined—is as undependable as enlightened self unexamined.

Finally, the reason ethics is so important to grantmaking is that grantmaking itself is a normative, other-regarding, moral activity. Each grant is an assertion about the way the world *should* be. Anything so important is not likely to be simple or easy or even finished.

NOTES

I am grateful to the Council on Foundations for the opportunity to participate in the seminar on the ethics of corporate grantmaking. The group was interested, involved, candid, and concerned. It is reassuring to think of them as representative of the quality of the field (and so I will think of them that way). Judith Healey of the Minnesota Foundation was the key organizer. Judy and Alice Buhl of the Council were especially helpful in offering suggestions about this paper. Seminar participants Nicholas Goodban (Chicago Tribune Foundation); Peter Hutchinson (Dayton Hudson); Carol Reuter (Pillsbury), and James Shannon (General Mills) were altruistic--downright supererogatory--in gifts of time and comments.