

Ayn Rand's Objectivist Virtues as the Foundation for Morality and Success in Business

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This article makes the case that a particular manifestation of virtue ethics can concurrently provide a sound, logical foundation for organization theory and practice, leadership theory and practice, and moral theory and practice. It examines the applicability of Ayn Rand's virtue ethics in business and explains the steps necessary to create a virtues-based business. The two concluding sections summarize the argument, provide a diagram that illustrates the connections among the ideas presented, and discuss what needs to be done in order for Objectivist virtue ethics to be accepted as a strategic guide for business firms. The main message is that a corporate philosophy based on the Objectivist virtues can be a fundamental source of business success and of the flourishing and happiness of a firm's employees. This virtue theory has immense applicability and strategic implications in businesses and has the potential to revolutionize the way in which businesses are operated.

A case is made that virtues should serve as a touchstone for achieving a firm's goals, values, and purpose. Virtues, as rational moral principles, need to be integrated with the company's vision, culture, and climate. More specifically, it is maintained that Ayn Rand's Objectivist virtues provide an integrated, rational, philosophical basis for employee decisions and actions (Rand 1957; 1964; Smith 2006). They include: rationality, honesty, justice, independence, integrity, productiveness, and pride. These virtues supply an integrated framework and link virtues to the objective requirements of the survival and flourishing of both employees and firms.

Objectivist Virtue Ethics in Business

Virtuous actions can lead to the achievement of values. When the context is restricted to business, virtue theory contends that pursuing virtuous principles, strategies, and actions can result in firms realizing their values—including their mission, purpose, profit potential, and other goals. Virtuous employees tend to carry out their roles in a competent manner that is congruent with the firm's goals. Virtues are instrumental in allowing a person to act to gain values. When business people adopt the Objectivist virtues, they increase the likelihood of achieving their values and goals. Virtue ethics stresses the importance of each individual employee being able to make contributions of value. Valid virtue concepts are required to describe what it means to be an excellent director, leader, manager, or employee. To be successful, a business needs to espouse a set of virtues that are reality-based, non-contradictory, integrated, and comprehensive.

Virtue theory holds that ethics is an inherent part of business and that it is necessary to integrate moral theory into management theory and practice. The role of the virtues in business is to direct and motivate behavior toward the success of the business. Strategic management and business ethics converge because each has an explicit interest in the nature and goals of business. In business, the virtues facilitate successful management and cooperation and enable a company to attain its goals. The Randian virtues can provide a moral framework and integrating strategy to guide a business in achieving its goals.¹

The virtues connect ethics to business positively and provide a sound logical foundation for business ethics. Given the laws of nature and of human nature, there exists a set of virtues that fit reality and that are most likely to lead to success and happiness in business. Rand's ethics specifically recognizes production as the central human value. In addition, the personal virtues that she advocated have a direct bearing on work: rationality, honesty, independence, justice, integrity, productiveness, and pride. These virtues can be used as guiding forces in a business career and in the management of a business. They define the excellent manager (or other employee) and provide the principles that a corporation should adopt with regard to investors, employees, customers, vendors, and others.

A case can be made that virtue ethics has priority over, and perhaps grounds, other competing ethical approaches to business. In most cases, being virtuous will be sufficient for leading a morally decent life in the world of business. Virtue theory is more attractive, positive, unified, comprehensive, and practical than are traditional approaches to business ethics because it is concerned with the type of person that one should be rather than with rules that tell people how they ought to act. Virtue theory is concerned with the cultivation of character and provides a framework through which a person can lead a flourishing and happy life. Moral growth comes from choice rather than from conformity to rules or codes.

Traditional approaches to business ethics (i.e., deontology, consequentialism, and codes of conduct) are viewed as formulaic, prescriptive, constraining forces that legislate the form of moral deliberation. Conventional approaches focus on a set of prohibitive principles or rules that tell people how they ought to act. Kantian and utilitarian act-oriented approaches concentrate only on the development of principles while neglecting the cultivation of an individual's character. Neither deontic nor consequentialist judgments are apt to supply sufficient action guidance for resolving particular dilemmas. Consequentialism holds that an action is proper if it results in the best results. Deontology contends that an action is correct if it is in agreement with a moral principle or rule. By contrast, virtue theory maintains that an action is right if it is what a virtuous person would do in the circumstances. Virtue ethics should be viewed as a precondition of, and complement to, moral reasoning based on a deontological focus on one's obligation to act and on a teleological focus on the consequences of an action. Virtue ethics is more fundamental, and in many cases, preempts the consideration and application of deontic and utilitarian rules. An emphasis on virtuous behavior is motivational because it depends upon a person's ability to aspire to excellence through virtuous acts. Virtue ethics emphasizes the process of individual moral character development. Above all, virtue ethics is concerned with the flourishing and happiness of the human agent (Mintz 1996, 537–38; Arjoon 2000, 159–78; Whetstone 2001, 101–14).

Virtue theory provides a context in which strategies, plans, tactics, policies, and procedures can be developed to attain a business's stated

mission and other relevant values. Virtues can play a causal role in achieving economic success. Virtue-driven firms tend to maximize profits. However, acting virtuously does not always result in wealth creation because other factors can come into play. Despite such occurrences, virtuous employees can still experience the internal rewards of pride, self-esteem, and the joy of knowing that they did their jobs well.

The achievement of a firm's *telos*, mission, purpose, ultimate end, or ultimate value requires virtuous action on the part of the company's employees. The ultimate value for a business is financial value. The purpose of a business is to maximize owner value over the long term by selling goods and/or services.² Most corporation mission statements communicate this purpose explicitly, or at least implicitly. It is necessary to recognize a business's distinctive purpose when organizing and integrating human effort into purposeful long-term activities. Purposeful behavior requires a single overarching valued objective function. In a corporation, market price per share can be a surrogate for owner value. More specifically, the ultimate purpose of maximizing total long-term market value can provide a criterion for management decisions and choices among competing alternatives. Virtues are instrumental and support a firm's overall *telos*. In addition, a virtuous work life can be viewed as both instrumental to, and partly constitutive of, a flourishing and happy life of an employee. Virtuous activity at work can be seen as both a means to, and realization of, an important part of a good life (Badhwar 1999).

To accomplish a corporation's ultimate purpose requires the attainment of a number of goals. It is possible to look upon both a firm's ultimate purpose and its goals as values that need to be achieved. Although technically a value is an object of goal-directed action, in general parlance, both terms, goals and values, are often used interchangeably. For our purposes, we can consider both the ultimate end of a corporation (i.e., the long-term maximization of firm value) and the goals that can lead to this ultimate end to be values.

Goals (sometimes referred to as objectives) are specific quantitative targets that a business needs to meet in a manner consistent with ethical principles in order to accomplish its purpose. Typical goal areas in a business include: profitability, sales, sales growth, return on investment (ROI), profit margin, cash flow, market share (or posi-

tion), customer loyalty, productivity, efficiency, cost control, research and development, product leadership, employee development, employee attitudes, employee loyalty, expansion or contraction of product and service lines, reducing business risks, and so on. Each and every goal should be analyzed to determine the potential impact on firm value and contribution or lack of contribution to the attainment of the firm's target valuation. Goals whose achievement does not contribute to increasing shareholder value should be eliminated.

To succeed, a business must have a superior vision and purpose to work toward and the strategic focus and direction of effort to achieve them. The Objectivist virtues can enable people to direct their actions toward the attainment of a company's goals and values, including the maximization of owner value. Virtuous actions can lead to better customer service, gains in productivity and efficiency, higher employee retention rates, reduction in employee absenteeism, improvement in employee morale, better communications both internally and externally, honest and reliable internal and external financial reporting, flexibility needed to adapt to market conditions, increased innovation and more frequent and timely launching of new products and services, higher sales and profits, sustainable competitive advantages, greater flourishing and happiness of the firm's employees, and so on.

Virtuous behavior is required at all levels of a company from employees who realize that business is a natural and moral means by which they can satisfy their needs and attain their actualization as individual human persons. Virtuous employees are energetic, productive workers who: (1) focus on reality; (2) think objectively, rationally, and logically in applying relevant knowledge; (3) ask clear, pertinent, insightful questions and listen carefully; (4) search for facts in their total context before judging and evaluating business situations; (5) use time efficiently and effectively; (6) organize their lives and work toward accomplishing worthwhile endeavors; and (7) set value-producing goals and strive to accomplish them.

A virtuous employee begins by understanding what the facts are and does not evade the distinction between the real and the unreal. Evasion detaches a person from reality. Virtue begins with the effort to confront reality as it is. Given that there is no standardized

algorithm for making business decisions, an employee needs to use his reason to make rational, logical decisions based on the facts of reality. One needs to apply conscious, prudent, rational judgments and choices in various business contexts in order to identify, execute, and implement profitable and ethical internal and external exchange transactions.

Much of morality in business falls under the rubric of honesty. Honesty means being in accord with reality. Honesty is basic to the structure of human relationships in virtually all contexts. Dishonesty is self-defeating because it involves being in conflict with reality. Morality in business involves objectively recognizing and dealing with customers, employees, creditors, stockholders, and others as autonomous rational individuals with their particular goals and desires. The trader principle should govern the course of all human interactions because voluntary value-for-value relationships are consonant with human nature.

Honesty is closely related to the virtue of justice. Justice, a form of faithfulness to reality, is the virtue of granting to each man that which he objectively deserves. Justice is the expression of man's rationality in his dealings with other men and involves seeking and granting the earned. A trader, a man of justice, earns what he gets and does not give or take the undeserved. For example, a virtuous manager must make sure that customers get what they pay for. In addition, he needs to identify employees for what they accomplish and treat them accordingly. Employees should be objectively appraised and compensated based on their contribution toward achieving a firm's mission, values, and goals. A virtuous manager will discriminate among all those that he deals with (i.e., customers, suppliers, workers, etc.) based on relevant qualities and personal merits such as ability, competency, performance, and character. He will not improperly discriminate based on irrelevant characteristics such as sex, race, nationality, and so on.³

Although individuals can learn from each other, the fact remains that each of us thinks and acts alone and is responsible for his own actions. Independence requires the acceptance of one's intellectual responsibility for his own existence, requires that a man form his own judgments, and that he support himself by the work of his own mind. It is not a corporation's fault if someone does not attain his goals.

Each employee is responsible for his favorable or unfavorable outcomes in a business setting where responsibilities are defined by, and arise out of, his particular role. Of course, a goal may not be completely under one person's control. It may require interdependence with or on other employees who co-contribute to whether or not someone attains a goal. Positive change and innovation in a company are based on the creativity of logical independent thinkers. It is through such employees that a firm discovers and invents ways to improve the fiscal bottom line thereby increasing the firm's market value.

Integrity is the refusal to permit a breach between thought and action. It means acting consistently with rational principles that will lead to success and happiness. In business, an employee's rationally made plans are integrated with his actions in order to bring values into existence. From more of a macro viewpoint, we could say that the integrity of a business is maintained if the purpose for which it was created is followed (i.e., the maximization of owner value).⁴

Productiveness, the virtue of creating material values, is the act of translating one's thoughts and goals into reality. Productiveness comprises an important existential component of virtuousness and is a responsibility of every moral person. It involves a commitment to creating value and to being responsible for bringing what one needs and wants into existence. Workers in a business are committed to producing wealth and bringing about well-being by taking the actions required to achieve the firm's mission. Profits are an indicator of productive work on the part of people who want to achieve, produce, and improve well-being. Because people differ with respect to their intelligence, talents, and circumstances, the moral issue becomes how a particular employee addresses his work given his facticity, including his potentialities and concrete circumstances. In a business, the Randian virtues (including productiveness) offer a set of principles for getting the most value from one's work. Rand's Objectivist ethics recognizes that individuals search for meaning and purpose in the various components of their lives (work life, love life, home life, social life, and so on). Each of these is an end-in-itself and a means to the end of one's life in total. One's life in total is an end-in-itself and an ultimate value.

Pride, also called moral ambitiousness, is a man's commitment to

achieving the best in his life thereby effecting his moral perfection. Pride is the reward we earn by living by the other six Objectivist virtues. A businessman's drive for success is a result of his taking pride in the business portion of his life. Each employee needs to work in such a way as to be able to be rightfully proud of what he has done. Work is needed not only for sustenance, but also for psychological well-being—it can be viewed as a means by which a man can maintain an active mind, attain purposes, and follow a goal-directed path throughout his lifetime. Through work, a man can achieve his highest potentials. Doing work well in accordance with the goals of a firm (which are aligned with the personal goals of the worker) can cause an employee to positively enhance his self-esteem.

Business, as a calling, is related to the flourishing of the individual. Innumerable individuals have satisfied their needs, actualized their potentials, and attained their goals in the realm of business. Virtuously engaging in business involves selecting a way of life that offers opportunities for human flourishing and happiness. Work is at the root of a meaningful life, the path to individual independence, and a necessity for human survival and flourishing. It is also the distinctive means by which human beings forge their identity as rational, goal-directed beings. Productive work is the process by which humans control their existence by acquiring knowledge and translating their ideas and values into physical form. Work is a synthesizing activity, involving both cognitive and physical aspects, that helps to actualize specifically human abilities and desires. Work is needed not only for sustenance, but also for psychological and spiritual well-being—it is the means by which a person can maintain an active mind, attain purposes, and follow a goal-directed path.

Creating a Virtue-Based Business

Virtue ethics can contribute importantly to a comprehensive theory of business and supply a context in which actions can be taken to attain the mission of a particular business. At the same time, the virtues can play a pivotal role in establishing a corporate culture and related climate that provide meaning and purpose for the company's employees. Virtuous leaders, managers, and other employees can take actions that lead to, and create, a strong, focused business that is moral and financially successful.⁵

A company's vision, mission, and purpose establish its identity. An effective, authentic, and credible top-level leader will communicate these clearly in an inspirational fashion to the firm's human assets. His job is to create a vision and to inspire others to make that vision a reality. Such a leader realizes that a business vision plays an essential role in realizing a company's prospects. He understands that a successful firm needs ethical leadership, an explicit set of core ethical virtues, and a sense of purpose.

At the top level of an organization, it takes effective communicators who are clear about what they champion and who establish the company on virtuous behavior. At the highest levels of a corporation, it takes individuals of virtue to develop agreement and commitment about shared virtues and moral values. A culture (or climate) of virtue in a business begins with executives who exhibit virtuous leadership through their personal actions and interpersonal relationships. Employees are influenced by observing visible and legitimate role models who themselves act as virtuous agents. Not only should leaders openly discuss virtues and values, they should also live the virtues and values that they advocate.⁶

A firm's climate and culture are inextricably interconnected and mutually reinforcing.⁷ Its climate includes the company's policies, practices, and procedures and the culture encompasses its deeply-held values and beliefs. A firm's climate is the internal environment that is experienced by its members, that influences their behavior, and that can be used to infer the values of the company's culture. What a company practices and rewards (i.e., its climate) implies what the company and its leaders value (i.e., its culture).

In order to promote a culture and climate of virtue, leaders need to communicate their ethical expectations. They need to convey a sense of identity to employees that will aid in guiding their decisions and that will elicit their loyalty. Loyalty produces partiality, interest, and personal identification with a firm. An appropriate tone needs to be set at the top with time devoted to discussing the importance of virtues and values. Time needs to be taken to express what the company finds to be meaningful, how the employees should be functioning, and how the firm wants to be regarded both internally and externally. The language of virtues, with its emphasis on *telos* and character, can become a source of action in the firm.⁸

It is also necessary to lead by example—words must be backed up by consistent virtuous actions. It is essential that executives, managers, and other employees perceive that the company's most senior leaders live and support the virtues and values that they espouse. They will then be leading by authority that derives from their character. The virtues can guide those in authority positions to make ample use of their roles as exemplars, vision creators, stewards for owners, and motivation sources for others in the firm. Leaders of character who establish and base their company on virtues can make a tangible impact on the entire business, which can become the type of firm to which individuals are attracted. A culture of virtue not only can attract loyal and moral employees, it can also influence relationships with customers, suppliers, and others. A company that values the virtues is a superb firm to work for, to deal with, or to be an owner of.

A culture of virtue creates a highly-valued work environment that serves as a foundation for long-term financial performance. Extraordinary effects can result from an emphasis on virtues. Virtues can engender a sense of authenticity and wisdom and can positively affect a firm's activities and outcomes. Business activities and decisions can be approached in a manner that contributes to accomplishing the company's goals. Virtues serve as touchstones defining employees' decisions and actions. There is a relationship between virtues, individual performance, and organizational performance.

Business is about the creation of value. A commercial firm exists in order to make money for the shareholders. Virtue ethics contributes to a culture (or climate) for business that fosters best practices, enhanced profits, and the well-being of employees. In order to create exceptional long-term economic rewards to shareholders, a firm needs to provide outstanding products and/or services to customers, and, to do that, the company needs to employ excellent workers. Living by Rand's prescribed moral virtues can enable a business to meet the above requirements. Some of the objectives of such a company will be: to respect individual rights, to produce efficiently, to increase sales and customer loyalty, to maintain vendor loyalty, and to attract virtuous and loyal employees. Focusing on the long-term good of investors, customers, employees, and suppliers brings about excellence in financial performance.

To succeed a firm needs to achieve meaningful and genuine alignment between employees' goals, values, and virtues and those advocated by the company itself. A company that is able to achieve such congruence will strengthen employees' ethical behavior, personal effectiveness, and company loyalty, and will likely outperform other firms in revenues generated, profits attained, company growth, stock prices, and so on. A firm needs to concentrate on developing the freedom, independence, and virtuousness of employees if it wants to succeed. Developing virtuous employees is a major concern in developing a thriving business enterprise.

A firm that has developed an explicit set of virtues and moral values will strive to attract and retain workers who adhere to those virtues and moral values. They can provide a filter, screen, or benchmark in employment evaluation decisions. They can also be acquired and/or strengthened through education, training, mentoring, observation of role models, and other experiences in the business. It is essential to devote ample time to locating and developing outstanding employees. It is especially important to pay attention to who is selected for, or promoted to, management positions. A good manager will hire excellent people, train them well, assign to them the appropriate level of authority and responsibility, expect high levels of achievement, and reward performance justly. Companies that develop a corporate culture of virtue will tend to attract quality applicants with a minimum investment in recruitment and hiring, reduce training costs, have lower turnover rates, experience better employee morale, build up employee loyalty, elicit greater employee effort, and earn higher profits.

To foster an internal strategic culture of virtue, a company needs to emphasize rational self-interest and to treat employees as traders. Each individual employee has the goal of self-actualization and there are links between that goal, the virtues, and the advancement of the firm's goals. A virtuous work climate provides opportunities for employees to flourish in the world of work. There are linkages between employee flourishing and positive organizational outcomes. These connections provide plentiful opportunities for concurrent individual growth and firm productivity. A flourishing employee is one who is motivated, creative, and happy and who takes pride in his work. A virtuous employee possesses competencies and performs his

job in a competent manner. Having such employees is conducive to the corporate goal of sustainable profit.

Virtue ethics is contextualized and linked directly to fulfilling the expectations of an assigned role or function. People's positions and relationships within a business are defined through their various roles and related rules that assign (and restrict) functions and responsibilities. When acting as a manager or as a member of a board of directors a person is acting in a representative role or function for the stockholders. Managers in a particular context-specific role must keep in mind which decisions and actions will improve firm productivity and/or efficiency and pay off for the owners. Workers who are not managers are technically not representatives of the stockholders, but they do act for them because they are employed by the company (Ewin 1995, 833–42).

An organizational culture (or climate) based on sound virtues provides a solid foundation for rational moral judgments and actions by employees. An explicit set of core virtues can serve as a valuable resource for employees when they are resolving ethical dilemmas. Through ongoing promotion and reinforcement by leaders in a business, the virtues can be adopted by employees and become part of their routine behavior. A culture (or climate) of virtue can positively influence employees' personal flourishing, attitudes toward their work, job satisfaction, and commitment (i.e., loyalty) to the business. Good leaders will understand that a virtue-based culture must be continually supported, developed, and renewed.

Kaptein (1998a; 1998b; 2008) has explained that an organization's ethical context is presented by its ethical climate and ethical culture. He maintains that the climate constitutes ethical conduct and that the culture stimulates ethical conduct. As sources of normativity, managers need to communicate to all employees what is expected and acceptable and what is not. According to Kaptein, both consistent signals and reinforcement are needed regarding the proper use of corporate assets and performance of one's functional responsibilities. A company needs to have clear, concrete, and comprehensive expectations with respect to employee conduct. Because these expectations need to be feasible (or achievable), an employee requires sufficient time, budgets, resources, information, and authority to fulfill his responsibilities. In addition to creating the conditions that will

enable employees to comply with normative expectations, employees need to be supported and encouraged to identify with organizational values. A company should also provide the freedom and opportunity for employees to raise, discuss, and debate ethical issues. The firm needs to make sure that the consequences of one's actions are observable, visible, and transparent. Finally, there should be known and probable sanctions (i.e., rewards and punishments) for various ethical and unethical actions.

An organization's culture and climate are comprised of numerous distinct and observable artifacts, forms, and behaviors. The culture and climate are, to a certain extent, influenced, created, managed, and maintained by the organization's leaders. A number of managers at various levels can lead culture and climate initiatives and design strategies and infrastructure to shape and support the culture and climate. Those involved can and should include the CEO, senior executive team members, senior and mid-level functional executives, and senior and mid-level human resources managers, among others.

Hall (2008) notes that everything that a manager does sends a message and that employees pay attention to what is measured, controlled, and rewarded over time. She explains that people's exemplary actions need to be reinforced, rewarded, and recognized. An effective reward strategy for reinforcement might include recognition at an organizational event, informal praise by a manager, the offering of professional development opportunities, formal recognition by management, visibility with senior leaders, monetary rewards, appreciation at social events and celebrations, awards programs, newsletter recognition, and so on.

A business culture and climate built upon a virtue-based framework can provide a powerful theoretical and practical model for a corporation. To create such a culture and climate, it is essential to incorporate virtues and values into the firm's language (i.e., its in-house terminology and slogans), symbols, traditions, meetings, ceremonies, rituals, myths, customs, legends, stories, recognized heroes, problem-solving methods, and so on. These can help align people with a common vision or purpose. They can provide direction and clarity, convey messages and resolve confusion, increase order and predictability, maintain solidarity, socialize employees and pass along traditions, supply role models, help employees find purpose and

passion, recognize accomplishments, aid in recruiting and hiring the right people, and serve to guide and legitimize everyday decisions and actions.

BB&T Corporation is a great example of a company that has successfully adopted an Objectivist virtue-based framework.⁹ John Allison, an articulate advocate of Rand's ideas, took BB&T, a local bank in Winston-Salem, North Carolina, and built it into the tenth largest bank in the United States. Allison began his career at BB&T in 1971 and became CEO in 1989. During his tenure at the top, the bank went from having \$4.7 billion in assets to \$152 billion in assets. Under Allison's leadership, BB&T bought up 60 competitors and expanded into 11 states. The bank has grown into a multi-state financial services holding company and is considered a regional leader in banking. In order to create superior long-term economic rewards for its stockholders, BB&T has provided excellent service to its clients. In order to do that, it has attracted, hired, and maintained excellent employees. To accomplish all of the above, the bank has focused on creating a corporate culture based on values and virtues.

BB&T uses philosophical principles and values as guiding forces. Allison has established a corporate culture of virtue that emphasizes rational self-interest. He argues for self-interest, productivity, and sustainable profits, and explains that those who produce more will receive more. BB&T's policy is to hire the best people, train them well, assign them to appropriate organizational roles, expect high levels of performance, evaluate them objectively, and recognize, compensate, and reward their efforts and achievements fairly. The bank's compensation system is in alignment with its virtues and values. Its peer appraisal system focuses on, and provides, feedback about how each employee is performing in relation to BB&T's core values. BB&T has created a culture (or climate) of virtue that brings about trust, loyalty, consistency, and predictable results.

A 30-page booklet (written by Allison) called *The BB&T Philosophy* clearly delineates the bank's philosophy and values. The bank's purpose is stated as follows: "Our ultimate purpose is to create superior long-term economic rewards for our shareholders" (Allison 1998, 5). To accomplish this, the company spells out 10 primary values, many of which conform to what Rand has called virtues. These values include: reality (fact-based), reason (objectivity),

independent thinking, productivity, honesty, integrity, justice (fairness), pride, self-esteem (motivation), and teamwork (mutual supportiveness). It is explained that these values are held consciously, that they are logically consistent, and that each employee must act consistently with all of them.

BB&T employees are expected to exhibit morality and mindfulness at all times. This begins with recruiting only the best candidates, especially at the management level, where applicants are screened for both values and abilities. Every employee is given a copy of *The BB&T Philosophy* and is expected to read it and to live it. Managers are also given a copy of *Atlas Shrugged* to read. In addition, managers are regularly assigned and given books to read for their business and personal benefit. BB&T's ongoing training and educational programs instill the notion of life-long learning and help to develop virtue-based and value-based employees. The bank is committed to developing and keeping productive, virtuous, and happy employees.

Parnell and Dent (2009, 587–96) describe how BB&T managers are taught to “focus more” and to “evade less.” Psychological assessment and development for BB&T's high-level executives takes place through a 5-day structured course held by Farr Associates, a leadership development firm. This course encourages self-awareness and potentially reduces a person's tendency to evade unpleasant realities in business situations. Through this course, a manager will gain the ability to evade less because he has been taught to understand the root causes of evasion. Managers are encouraged to think rationally and logically based on facts, not to let their emotions lead them to make bad decisions, and to pursue purposes that both achieve company goals and make themselves happy. After attendance at this program, the managers take part in a team-building process and attend a follow-up course on effective thinking.

The bank's operating policies reflect its free-market philosophy and values well. In 2006, the Supreme Court ruled that it was legal for local governments to condemn private property and then transfer it to other private companies and/or citizens to use for commercial purposes. BB&T refused to make loans to firms that obtained property through this dubious use of eminent domain laws. BB&T also avoided subprime mortgages and refused to grant “negative amortization loans,” in which borrowers make payments that do not

even meet their interest obligations. In addition, the bank did not need or want to accept money from the Troubled Assets Relief Program (TARP) but was forced to accept it by the federal government. BB&T paid back the money with interest in record time—it was forced to pay a price for money that it neither needed nor wanted. It is clear that the Objectivist virtues direct BB&T's exemplary company policies.

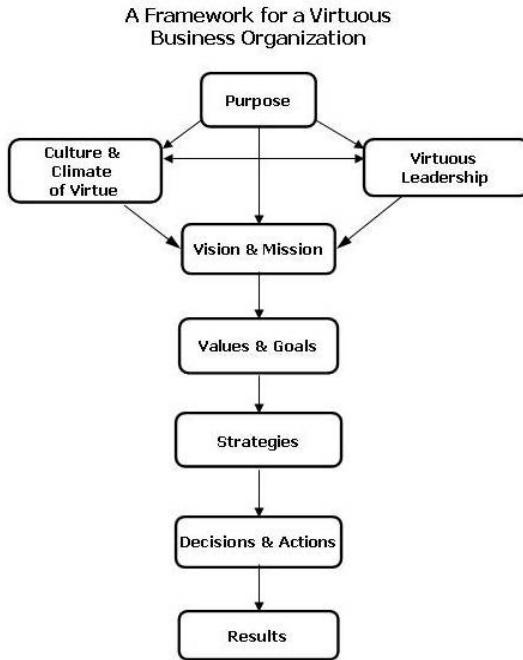
Since 2005, the BB&T charitable foundation has found it to be in the company's interest to fund 65 colleges and universities in establishing academic programs devoted to studying the moral and intellectual underpinnings of capitalism and free enterprise, including Rand's Objectivist ethics. After retirement, Allison has continued to work with schools participating in BB&T's Moral Foundations of Capitalism program in his tireless efforts to promote the virtues of capitalism.¹⁰

A Framework for a Virtuous Business

This article has presented a skeleton of a conceptual and practical framework for a profitable and virtuous business organization in which employees can flourish and be happy. To summarize and to aid the reader, the diagram below (on page 253) depicts the relationships among the ideas discussed in this paper.

By its nature, a business fulfills its definitive overarching purpose (i.e., its ultimate value) when its leaders, managers, and other employees act in a manner that will maximize owner value over the long run by selling goods and/or services. In a corporation, managers owe the stockholders the morally justified fiduciary duty of caring for the stockholders' interests. This purpose or *telos* provides the standard of value that should guide a firm's goals, most of which can be expressed in quantitative terms. These goals should be organized hierarchically leading to one overall end. The ultimate end of a corporation (i.e., the long-term maximization of shareholder wealth), as well as the goals that can lead to this ultimate end, can be considered to be values. There is a distinction between a firm's ultimate value and its instrumental values. A value in a business is something worth having, attaining, or doing. Values in a business contribute positively to both the business and to the flourishing of the individual employees as human beings. It is these values that guide the evaluation of business

situations and the choice of the best alternatives.



A firm's purpose, mission (i.e., its unique aim), leadership vision (i.e., desired or intended image or future state of the business), and a commitment to virtues as instructive principles can be genuine sources of guidance in decisions throughout a company. Leaders can play a pivotal role when they provide a business with purposeful direction for addressing organizational issues. A leader needs to undertake a program to build and confirm a corporate culture and climate in which principled actions and virtuous norms predominate. A company's purpose, mission, vision, and ethical principles serve as premises to its strategies, policies, values, goals, and actions. Locke (2001, 29–46) emphasizes the benefit of tying a firm's goals to its mission. Doing so makes the employees believe that the goal is important. A manager should provide reasons why the achievement of each goal will benefit both the firm and the employee, frame goals as opportunities for self-development, present goals as challenges,

make commitments to goals public, and tie goal achievement to rewards.

Each employee should be encouraged to make ethical decisions and act from within his organizational role based on judgments guided by virtues. Virtue ethics preserves roles for prudence (i.e., practical wisdom) and excellence. An emphasis on virtues fosters a sense of meaning and well-being and grounds morality in facts about human nature. Virtues can serve as guides for attaining an organization's values including its ultimate purpose. Judgments based on virtues are primary, whereas deontic and utilitarian appraisals can be regarded as secondary to, and derivative of, virtue-based ones. Crockett (2005, 191–208) explains that virtues advance the purposes and particular practices of an organization and result in the concurrent flourishing of the individual and the institution. Virtue provides the prescription by which a business can define its own purposeful excellence, elevates the ideal of aspirational perfection, averts the leveling tendency of deontological ethics, and continually inspires employees and the firm toward their potentials. The hoped-for result is excellence of both people and practice. A virtuous firm attracts people who want to invest in, work for, and deal with, the company.

The goal of a leader should be to develop a consensus about shared values and virtues in order to improve performance and productivity in the workplace. When employees are viewed as traders, a virtuous culture and climate are reflected both in the understanding of members about what they are expected to do and in their expectations of what they will be receiving in answer to their performance. The goal is to have congruency between expectations and behavior. A successful business is apt to have values and virtues rooted in its employees that are accepted and shared throughout the firm.

A compelling vision is needed in order to shape a company's culture and climate. A top leader has such a vision when he has the foresight to visualize the future potential of a product, service, market, strategy, technology, innovation, etc. Together, the vision, culture, and climate provide the glue that holds a firm together and that unites employees around shared values, virtues, and beliefs, in their efforts to attain the company's one central ongoing purpose. The communication and acceptance of these begins with formal public commitment from senior management executives who are respected, trustworthy,

and have good communication skills. A leader needs to live the virtues and values that he advocates in order to attract others. Employees are perceptive observers of leadership behavior who promptly discern any discrepancies between what leaders vocalize and what they do. Locke (2001, 41–42) explains how leaders serve as role models who can motivate employees. Employees pay attention to how leaders spend their time, what they put on agendas for meetings, who gets money for projects, who gets promoted, how they treat others, and so on.

It is imperative for leaders to incorporate rational moral principles (or virtues) into the company's vision, culture, and climate. Individuals working in an organization, just as in their personal lives, need to have a moral code to guide their choices and actions. Rational moral principles guide people toward values and are necessary for achieving success, moral integrity, character, and happiness. A man needs an adequate set of principles to provide basic guidance in living well. Living by rational principles tends to make principled thought and action habitual. When a person habitually acts on sound moral principles, he develops virtues and incorporates his moral orientation into his character. Rand's philosophy provides an integrative framework and connects virtues to the objective requirements of the survival and flourishing of both men and of businesses. Normative principles are needed because the standard of survival and flourishing is too abstract. To act in a concrete situation, a man needs to have some basic view of what he is acting for and how he should act. Because actions are subsumed under principles, it is imperative to adopt good principles. Acting on virtuous principles cultivates corresponding virtues that, in turn, leads to value attainment, flourishing, and happiness. A person acquires virtues through free and deliberated actions.

Leaders need to embody the importance of the virtues into the various distinct observable manifestations of a firm's culture and climate (its language, symbols, ceremonies, rituals, stories, etc.). Emphasizing the virtues enables companies to set their aspirations on excellence. The virtues can contribute to the flourishing of the individual employees and of the business itself. A firm's leaders need to develop a virtue-based context, strategies, and processes to turn its mission and purpose into reality.

To succeed, a firm needs to have strategies, structures, processes, rules, routines, coordination devices, controls, communication processes, and so forth, that are reflective of, and compatible with, its values and virtues. Managers need to monitor and assess the conformance of activities, products, and processes to organizational standards. Executives need to establish coordination mechanisms to facilitate the exchange of information among members of the firm. There should be a deliberate plan for information gathering and the dissemination of ethics and other messages. Effective controls are needed in order to locate and reward accomplishments and to find deficiencies in order to correct them. A successful company requires a culture, climate, strategies, and mechanisms that develop competent and virtuous employees and that orient their behavior toward the correct evaluation of reality, customer satisfaction, continual improvement, collaboration, and the accomplishment of the firm's mission and purpose (Perles 2002, 59–66; Argandoña 2003, 15–28).

Thomas et al. (2004, 56–65) emphasize the need to define virtuous behavior clearly within a company's value system and to pursue it persistently as a top priority goal. They see this goal as creating and maintaining an ethical climate in which employees are "ethically mindful" and act virtuously as a matter of self-regulation and routine. Viable long-term sustainable success can be attained only through sound ethical behavior. Leaders serve as public role models who must vocalize and embody a clear, consistent, and positive ethics message from the top. These executives must also ensure visible and regular positive and negative sanctions for ethical and unethical conduct at all employee levels. It is especially important for the CEO to stand for values and virtues both in his words and in his actions.

Business is a distinctive, morally legitimate area of human activity. The moral purpose of a specific business, as an entity, is to maximize owner value over the long run by selling goods and/or services. In a corporation, managers morally owe the stockholders the fiduciary duty of maximizing shareholder value. Businesses succeed by producing wealth and by freely trading with others. Such wealth is primarily a product of the human mind. Through the use of intelligence, businessmen make possible physical goods, services, and enjoyment of life. Wealth creation is fundamental to human flourishing and is a morally respected activity. Participating in a business is

part of a good life and is, therefore, something of which a person can be proud.

This paper has argued that virtues are needed for a firm to succeed in achieving its ultimate purpose and the values and goals that contribute to this purpose. Long-term sustainable success can be attained only through sound virtuous behavior. Virtues are the means to profits. They also focus on individual excellence. A case has been made that Ayn Rand's Objectivist ethics provides a set of outstanding principles that a company should adopt in regard to its employees, investors, customers, suppliers, and others. The Objectivist virtues supply an integrated, rational, philosophical basis for employee decisions and actions. Operating businesses in accordance with these virtues contributes to both flourishing enterprises and individual employees. There are many actions that leaders can take to create, manage, and maintain a culture and climate of virtue. Of course, leaders who have created such an atmosphere should not become complacent. A virtue-based organization must continually be monitored, rejuvenated, and renewed.

What Needs to Be Done

I have stated that a business that increases its orientation toward virtues (particularly the Objectivist virtues) will improve its market performance. This declaration has face value, but so far no one has developed a valid measure of it or has assessed its influence on business performance.

To date, there has been no valid measure of Objectivist business virtues (or other typology of virtues) and therefore no systematic analysis of the effect of virtues on business performance. Managers want hard evidence and so far there is no conclusive quantitative proof that virtuous behavior enhances performance.

Existing literature has provided various lists of virtues, but the relevance of virtues to the real business world remains in question. There are no organizational virtue scales that have been empirically tested at the organizational level. Developing organizational virtue scales would enable assessment of the link between different typologies of virtues and organizational financial (and non-financial) performance.

The absence of validated measures at the organizational level is

a reason why virtue ethics, including Objectivist virtue ethics, has not been widely accepted as a generator of strategic implications for a firm. If such scales can be validated and applied, the practical implications would be applicable to organizational strategy and performance.

One general scale-development approach would be to analyze the content of ethical values statements of corporations—such as mission statements and codes of ethics—to see which virtues appear there. Another way of identifying a firm’s virtues would involve surveys and interviews with employees, customers, suppliers, and so on. The appearance of these various virtues could then be correlated with measures of success across a number of companies.

A second approach would be to develop validated Likert-type scales for various virtue typologies, including the Objectivist virtue typology. Questionnaires could be given to determine the extent of various typologies in a number of businesses. Once scales have been developed and the surveys have been administered and scored, the links between a firm’s scores on the respective typologies of virtues and business outcomes can be assessed. I expect that the findings will be that the Objectivist virtues will have the highest positive correlation with firm’s valued business outcomes compared to the scores for other typologies.

A similar but simpler alternative approach that I suggest would be to develop validated Likert-type questionnaire items to measure the extent that a company’s employees see their firm as exhibiting each of the Objectivist virtues. Overall Objectivist virtue scores could then be computed for a wide variety of businesses. Regression analysis could then be used to determine whether or not there is a significant positive correlation between the Objectivist virtues and various measures of profitability.

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Notes

1. Ayn Rand's Objectivist ethics is specifically related to business and business ethics in Kirkpatrick 1992; Greiner and Kinni 2001; Hicks 2003; and Woiceshyn 2012.

2. For more on this view of the nature and purpose of business, see Cheshier and Machan 1999; Hendrickson 1992; Hicks 2009; Kline 2006; 2009; Machan 1988; 2007; McGhee 1992; Marcoux 2006; 2009; and Sternberg 2000. For example, according to Sternberg (2000, 30), business is something specific and limited that differs from other activities and associations. Not everything is business. There is a difference between business and other types of human endeavors. There is a need to define business clearly and strictly. "The defining purpose of business is maximizing owner value over the long term by selling goods or services" (32). The purpose of business is to create wealth. Sternberg explains that "Owners are perfectly entitled to devote their organizations to all sorts of ends. To the extent that they pursue something other than maximum long-term owner value, however, they are simply not engaging in business" (45). The values pursued in a business are for the sake of the owners. An organization would cease to be a business if it were to lose sight of its purpose.

3. See Locke and Woiceshyn 1995 for an argument for honesty in business from the perspective of rational egoism.

4. Paine 1994 provides an interesting perspective on how to manage for organizational integrity.

5. For a variety of perspectives on the role of virtue ethics in business, see Arjoon 2000; Boatwright 1995; Crockett 2005; Ewin 1995; Koehn 1995; and Whetstone 2001.

6. Readers interested in studying in more depth and detail the roles of leaders in establishing a virtuous organization are encouraged to read Argandoña 2008; Ciulla 1999; Locke 2001; Minkes et al. 1999; Neubert et al. 2009; Perles 2002; Thomas et al. 2004; and Whetstone 2005.

7. For more on organizational cultures and climates, see Kotter and Heskett 1992; Schein 1992; and Victor and Cullen 1988.

8. See Blackburn and McGhee 2004 and Whetstone 2003 for detailed discussions of the importance of the language of virtues.

9. Another example of a virtue-based firm is Hutchinson Technology, a world leader in the production of precision hard-drive components. In 2002, CEO Wayne Fortun instituted a management training program based on Objectivist principles and virtues. The program, developed in conjunction with the Ayn Rand Institute (ARI), is based on the conviction that it is the culture of an organization that enables continuous improvement and innovation. More specifically, the firm's CEO explains that it is the Objectivist philosophy, with its constituent virtues, that nurtures a reality-based, value-oriented culture that maintains personal and corporate integrity. The Objectivist principles and virtues are tied to the actions and practices of everyday operations at Hutchinson Technology.

10. To date, Allison has delivered his inspiring talk on "Principled Leadership" to more than 100,000 individuals.

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