

***The Institutionalization of Conscience:  
Some Philosophical and Theological Reflections***

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**Abstract**

In this exploratory paper, I reflect on a framework for a theology of institutions through the philosophical lens of *conscience*. I look forward to a dialogue about the suggestions I will advance. My line of argument will be as follows. (1) Moral attributes, including the attribution of conscience to human beings, are grounded theologically in the creation of human beings by God and philosophically in the consequence that natural law (“written in our hearts”) offers us a basis for moral discernment. (2) The attribution of conscience to organizations or institutions is both meaningful and (theologically) a manifestation of human participation in the work of God’s creation (“co-creation”). (3) Consequently, the role of the corporate (institutional) leader is (as co-creator) to help the organization remember and fulfill its purpose, its mission. (4) The essence of “sin” (individually and organizationally) in this context is *idolatry* – or what I have called *teleopathy*. Institutional corruption can thus be understood as a failure of alignment with the plan of creation, substituting various “false gods” for the common good to which institutions are called.

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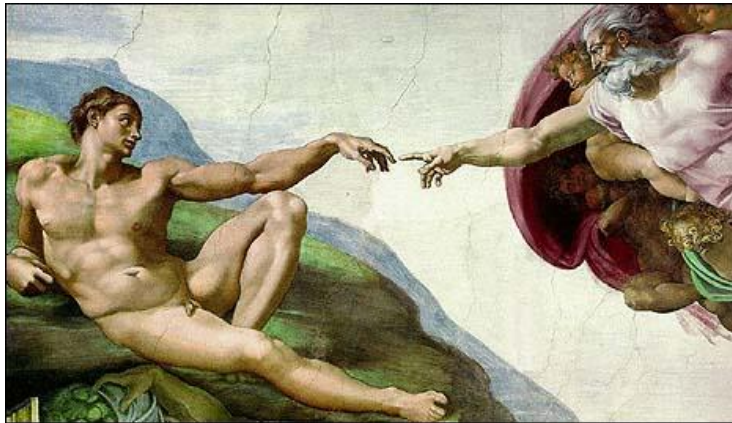
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*In the day when God created man, He made him in the likeness of God.*  
-- Genesis 1:26

The ultimate source of our moral understanding of the world – of what philosophers call the “moral point of view” – lies with the “laws of nature and nature’s God” to which Thomas Jefferson refers in the U.S. Declaration of Independence. Joseph Cardinal Ratzinger (today Pope Benedict XVI) wrote in 1991 that conscience involves a kind of “anamnesis” or “memory” within each human being:

The word *anamnesis* should be taken to mean exactly what Paul expressed in the second chapter of his *Letter to the Romans*: "When Gentiles who have not the law do by nature what the law requires, they are a law to themselves, even though they do not have the law. They show that what the law requires is written on their hearts while their conscience also bears witness ..." (2:14 ff.).

Ratzinger points out that *accessing* this “inner sense” is not the only challenge of the moral life, for maintaining its *health* is just as important.<sup>1</sup> Michelangelo’s painting of the moment of creation on the ceiling of the Sistine Chapel in the Vatican might be viewed as *also* the moment at which the moral law is given to Adam and to each of us in our time.



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<sup>1</sup> Ratzinger continues: “This *anamnesis* of the origin, which results from the godlike constitution of our being is not a conceptually articulated knowing, a store of retrievable contents. It is so to speak an *inner sense*, a capacity to recall, so that the one whom it addresses, if he is not turned in on himself, hears its echo from within. He sees: ‘That’s it! That is what my nature points to and seeks.’”

If we add to this insight about the genesis of conscience two *further* insights, the foundation of a (moral) theology of institutions begins to take shape.

### ***Man as an Institution-Making Animal***

The first of the two “further insights” mentioned above is that organizations or institutions play a critical role in human history. Indeed, it is difficult to imagine the unfolding of human history without the proliferation of institutional forms, beginning with families, of course, but continuing with governments and economic organizations of various sizes. Alexis DeTocqueville marveled in the mid-19<sup>th</sup> Century at the American cultural tendency to multiply “voluntary associations” in response to various social needs – associations that are neither public sector nor private sector. We might almost say in a phrase reminiscent of Aristotle that “man is an institution-making animal.”

Peter Drucker, in an influential article in *The Atlantic Monthly* magazine once introduced the phrase “society of organizations” in characterizing our new age, the age beyond both agriculture and manufacturing: “Because the knowledge society performe has to be a society of organizations, its central and distinctive organ is management.”<sup>2</sup>

The second “further insight” is that just as God plants conscience in our hearts as individuals, so too we, as “institution-makers” are called to “plant” conscience in our *institutional* co-creations. Pope John Paul II was quite explicit about the co-creative vocation of humanity:

The word of God's revelation is profoundly marked by the fundamental truth that man, created in the image of God, shares by his work in the activity of the Creator and that, within the limits of his own human capabilities, man in a sense continues to develop that activity and perfects it as he advances further and further in the discovery of the resources and values contained in the whole of creation.<sup>3</sup>

*I am suggesting that institution-making is one primary form of humankind's sharing in the unfolding of the work of creation. And just as conscience is the anamnesis or memory of God's law in our own hearts – so must we co-create organizational or institutional missions and memories – what I have elsewhere called “corporate” conscience.*

There are two parts, then, to our call from the Creator: (1) to carry on His creation through the fabrication of institutions to minister to humankind through history individually (human dignity) and collectively (the common good); and (2) as part of this institution building (and maintenance), to impart moral sensibilities to the institutional “work of our hands.” The first part of this vocation is *teleological* – emphasizing the great *purpose* of our calling; while the second part is *deontic*, attending to *how* we pursue that great purpose. We are called upon to co-create – but insofar as what we create has a “life of its own” (as an institution does) – we must be able to see that “it is good” (*Genesis 1*).

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<sup>2</sup> Peter Drucker, “The Age of Social Transformation,” *The Atlantic Monthly*, November 1994

<sup>3</sup> John Paul II, *Laborem Exercens* (1981), #113.

## *Moral Projection*

The idea that corporations or other institutional forms might have “consciences” -- analogous to the consciences of individual persons -- is an idea that has been explored at length in the literature of corporate ethics.<sup>4</sup> I have myself been one of its principal exponents, despite skepticism from certain quarters about the implications of such a view for individual responsibility in the corporation.<sup>5</sup>

Philip Selznick, in his classic *Leadership in Administration*, describes institutional *character* drawing upon an analogy between individual personality and organizational development:

The study of institutions is in some ways comparable to the clinical study of personality. It requires a genetic and developmental approach, an emphasis on historical origins and growth stages. There is a need to see the enterprise as a whole and to see how it is transformed as new ways of dealing with a changing environment evolve.<sup>6</sup>

This idea -- that organizations are in many ways macro-versions (projections) of us as individuals -- is as old as Plato's *Republic*. The general principle at stake is not only about the descriptive *meaningfulness* of corporate moral attributes, but also about the *normative* responsibility of leaders to give shape to corporate conscience. Indeed, this responsibility is called for by what we might call the *co-creative imperative*.

*Moral Projection Principle*. It is appropriate not only to describe organizations and their characteristics by analogy with individuals, it is also appropriate normatively to look for and to foster moral attributes in organizations by analogy with those we look for and foster in individuals.<sup>7</sup>

Exploring the analogical predication of human traits to institutions need not entail careless anthropomorphism. The study of business has been enriched by exploring the parallels between individual psychology and the attributes of organizations. Lawrence and Dyer make the point persuasively in their classic *Renewing American Industry*:

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<sup>4</sup> Goodpaster and Matthews, “Can a Corporation Have a Conscience?” (*Harvard Business Review*, May-June 1982). Also see Goodpaster, *Conscience and Corporate Culture* (Wiley-Blackwell, 2007), Chapters 2 and 4.

<sup>5</sup> “Commentary: Velasquez on Corporate Responsibility,” *Business and Professional Ethics Journal*, 2 (Summer, 1983), pp. 100-03.

<sup>6</sup> Selznick, *Leadership in Administration*, (New York: Harper & Row, 1957) p. 141.

<sup>7</sup> See Goodpaster, “moral projection, principle of” in Blackwell's *Encyclopedic Dictionary of Business Ethics*, Werhane and Freeman, eds., Blackwell Publishers, 1997, p.432. Harvard's Lynn Paine refers to this transfer of attribution as the “moralization” of the corporation: “Through this process ... companies have come to be regarded, at least implicitly, as moral actors in their own right. As such, they are presumed to have not only technical functions, such as producing goods or generating profits, but also moral attributes, such as responsibilities, aims, values, and commitments.” Lynn Sharp Paine, *Value Shift* (McGraw-Hill, 2003), p. 98.

In talking about organizations as learning systems we do not mean to suggest that they have human properties. Organizations do not think, do not learn in a literal sense. Only people do. It is true, however, that members of an organization can not only learn as individuals but can transmit their learning to others, can codify it and embody it in the standard procedures of the organization. In this limited sense, the organization can be said to learn.<sup>8</sup>

The unified cultural norms that guide the decision making of organizations or institutions are intelligible independently of the consciences of the individuals who participate in the corporation as employees – even if those individuals are essential (and they are) for the realization of the unified culture of the corporation. As Lynn Paine put it in 2003:

A company, as a moral actor in society, has commitments, values, and responsibilities, such as duties to its lenders or contractual obligations to its customers that are distinct from those of its individual members. These corporate responsibilities survive even when a company's individual members and agents change.<sup>9</sup>

### ***Ethical Leadership***

There are three “practical imperatives” that anchor the moral agenda of institutional leadership: orienting, institutionalizing and sustaining shared values. The first two involve placing moral considerations in a position of salience and authority alongside considerations of profitability or strategy in the institution's mindset. The third imperative (sustenance) has to do with passing on the spirit of this effort in two directions: to future leaders of the organization and to the wider network of organizations and institutions that make up the social system as a whole.

Leaders who seek to orient, institutionalize, and sustain ethical values in their organizations – to be architects of institutional conscience – often employ mission statements, codes of conduct, ethics officers, executive development seminars, recruitment and promotion practices, and various other forms of communication. As with individuals, organizational character formation can lead to a fundamental revision of an organization's understanding of *success*. A theology of institutions inevitably must

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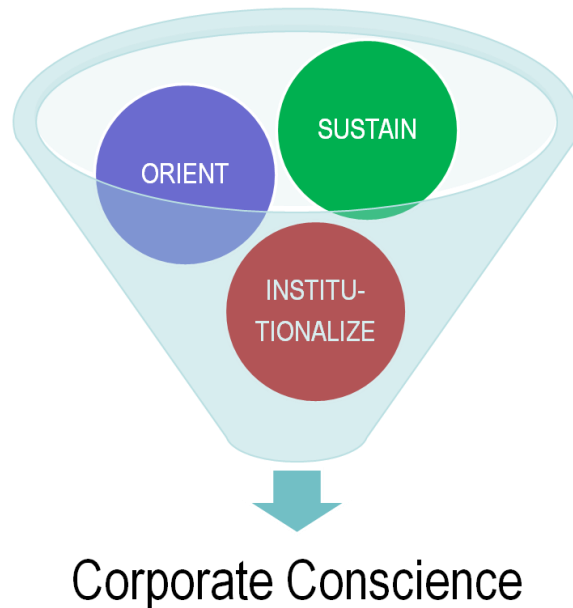
<sup>8</sup> Paul Lawrence and Davis Dyer, *Renewing American Industry* (Free Press, 1984), pp. 262-3. Lawrence and Dyer continue: “Similarly, organizations, as such, do not expend effort to achieve efficiencies. People do. But when involved organization members strive in coordination with the efforts of others, we can fairly say that the organization is efficient as a production system. Treating organizations as production systems is probably the most venerable way of looking at them.” Also relevant in connection with the idea of a “learning organization” is the work of Peter M. Senge, *The Fifth Discipline* (Doubleday, 1990).

<sup>9</sup> Lynn Sharp Paine, *Value Shift* (McGraw-Hill, 2003), p. 145. Paine goes on: “At the same time, a company's members and agents all have personal commitments and responsibilities outside of work as well as personal values that they need not share with one another or with their corporate employer. Failure to observe this distinction is a theme running through some of the most frequently heard criticisms of the corporate turn to values.”

confront Charles Handy's fundamental question: "Whom and what is a business for?"<sup>10</sup> And his answer fits well with our reflections on co-creation:

The purpose of a business . . . is not to make a profit, full stop. It is to make a profit so that the business can do something more or better. That "something" becomes the real justification for the business.<sup>11</sup>

That "something" must in the end contribute to the unfolding of God's purposes in creation as communicated through what philosophers have called the natural law.<sup>12</sup> The task of the institutional leader is to provide a *memory* function that is rooted in the *ultimate* mission and purpose of every institution – to appreciate human dignity and to advance the common good.<sup>13</sup>



Institutional leadership, then, is an extraordinary vocation rooted in co-creation, whether or not the leader herself or himself embraces this theological interpretation. But as we know, the history of organizations is too often *not* a history of cooperation with God's

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<sup>10</sup> Handy, Charles, "What's a Business For?" (*Harvard Business Review*, December 2002).

<sup>11</sup> Handy added: "We need to eat to live; food is a necessary condition of life. But if we lived mainly to eat, making food a sufficient or sole purpose of life, we would become gross . . . This is a moral issue. . . To mistake the means for the end is to be turned in on oneself, which Saint Augustine called one of the greatest sins."

<sup>12</sup> For some new insights into the evolutionary foundations of our moral intuitions, see Jonathan Haidt, "The New Synthesis in Moral Psychology," *Science* **316**, 998 (2007).

<sup>13</sup> I shall not address it here, but I have elsewhere argued that conventional appeals to "stakeholder thinking" are useful, but insufficient for an adequate account of corporate conscience. See Goodpaster, "Corporate Responsibility and Its Constituents," in Brenkert and Beauchamp, eds., *Oxford Handbook in Business Ethics* (Oxford, 2009).

plan. Why is this and what are its implications? Let us recall what theologian Michael Novak wrote over 25 years ago: “Whether to treat big corporations as potential vessels of Christian vocation or to criticize them for their inevitable sins, Christian theology must advance much further than it has in understanding exactly and fairly every aspect of corporate life.”<sup>14</sup>

### ***The Failure of Institutional Leadership: Teleopathy***

Over the last half century, we have seen organizations manifest dysfunctional behavior from Watergate to Wall Street -- and from the career crashes of inside-traders like Ivan Boesky to literal crashes, like that of NASA’s space shuttles *Challenger* and *Columbia*. We have seen some of the most reputable names in American business implicated in questionable behavior: General Electric, Sears, E. F. Hutton, H.J. Heinz, Prudential Insurance, Microsoft, Enron, Arthur Andersen, WorldCom, Lehman Brothers, and the list goes on to include companies in Europe and Asia as well.

I have elsewhere labeled the mindset that lies behind this kind of behavior *teleopathy* -- *the unbalanced pursuit of goals and objectives* -- and I have identified its symptoms as fixation, rationalization, and detachment.<sup>15</sup> The organizational manifestation of teleopathy is illustrated nicely in a story from poet David Whyte’s book *The Heart Aroused*. Whyte attributes the story to a friend of his named Joel Henning:

The idea, issuing from the boardroom, was to offer tempting prizes and outlandish financial rewards to the one department in the company that could achieve the highest level of growth over the following financial year. Before long it became evident that one particular department had it completely sewn up, and Jim Harrison, the vice president in charge of that area, was the hero of the occasion. By the end of the following financial year his department had doubled its income; no one else came even close to the seductive figures appearing on his reports to the president. Harrison was sent back and forth across the country to give speeches and talks at all the company plants. The toast of the company, by the middle of the following year he had been disgraced and fired. . . . The success of Jim Harrison was based on the neglect of every constituent part of the system except the one order programmed from above to improve profitability. Rather than being educated into the broad needs of the business, he was manipulated to produce one result at all costs. In his turn he reflected back to upper management an almost Biblical parable of their own narrow vision. To achieve this, his department had dropped all its education and training programs, stopped all new hiring, cut its research and development to the bone, and instilled the chill atmosphere of a police state onto the office floor. In the second year Harrison’s department lost money at a greater rate than any other department. His people were leaving in

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<sup>14</sup> Michael Novak, *Toward a Theology of the Corporation*, Washington, D.C.: American Enterprise Institute, 1981.

<sup>15</sup> For a fuller definition of “teleopathy,” see Blackwell’s *Encyclopedic Dictionary of Business Ethics* (1997), p. 627. Also see Chapter 1 of my *Conscience and Corporate Culture* (Wiley-Blackwell, 2007).

droves despite the glittering prizes of the previous year, he had trained no one to replace them, and there were no new products appearing on the horizon for them to sell.<sup>16</sup>

This story indicates how business life, like political life, can foster a culture in which destructive behavior is actually *incentivized*. We could add scores of similar stories based on well-researched case studies of business organizations. Enron was fixated on hiding balance sheet debt. Arthur Andersen was fixated on maintaining lucrative consulting clients. NASA was fixated on its launch schedule, possibly compromising safety. Mortgage bankers were fixated on short-term lending incentives.

What Michael Novak might call the *sin of corporations* seems to have at its root something that biblically is at the root of the sins of individual persons as well: the fashioning of golden calves out of misplaced devotion, the substitution of inferior gods for the God who surpasses all understanding. And when we discover that our idolatry does not deliver the Promised Land, instead of saying “Lord, forgive us!” – we are apt to say “Let’s try that again, just in case it will work the next time!” And the repetition is habit-forming. It holds out the fraudulent promise of extracting the infinite from the iteration of the finite – fulfillment from the accumulation of the insufficient. But it always ends with the melancholy meditation: “Is that all there is?”

Is there a way to reduce the sins of leaders and the sins of corporations; a way to recover our co-creative compass in a culture of counterfeit measures of success? Jim Loehr and Tony Schwartz offer an insightful path:

The inclination for busy executives is to live in a perpetual state of triage, doing whatever seems most immediately pressing, while losing sight of any bigger picture. Rituals that give people the opportunity to pause and look inside include *meditation, journal writing, prayer, and service to others*. Each of these activities can also serve as a source of recovery – a way to break *the linearity of relentless goal-oriented activity*.<sup>17</sup>

These considerations suggest two prescriptions for organizational leaders – the architects of corporate conscience and culture – prescriptions that are straightforward, but challenging: (1) Help your organization to be mindful of tendencies toward *fixation*, misplaced *organizational* cravings based on illusory measures of success; and (2) Encourage employees to avoid *rationalization* and *detachment*, to be *aware* of gaps between the ethical talk and the ethical walk – and reward them for finding ways to narrow such gaps.<sup>18</sup>

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<sup>16</sup> David Whyte, *The Heart Aroused: Poetry and the Preservation of the Soul in Corporate America* (NY: Doubleday, 1994), pp. 270-71.

<sup>17</sup> Jim Loehr and Tony Schwartz “The Making of a Corporate Athlete” (*HBR* January 2001, p. 128) Emphasis mine.

<sup>18</sup> An Air Force officer attending one of my classes at the University of St. Thomas Law School recently informed me that specific training was devoted to helping pilots avoid the recognized phenomenon of “channelized attention” -- a risk factor when the individual is “focusing all conscious attention on a limited number of environmental cues to the exclusion of others of a subjectively equal or higher or more

## *Conclusion*

I am reminded in conclusion of the widely-quoted *Parable of the Sadhu* in which a Wall Street executive lost his sense of humanity on a Himalayan mountain-climbing expedition. He left a holy man, a sadhu, to die on the slope. Later he lamented, “Why were we so reluctant to try the lower path, the ambiguous trail? Perhaps because we did not have a leader who could reveal the greater purpose of the trip to us.”<sup>19</sup>

I have sought here to explore the natural institution-building tendencies in the human spirit as a response to our co-creative vocation. And just as our creation as persons is at once ontological and moral – so too, our co-creation of institutions must confer both social reality and corporate conscience. Our institution-building must maintain a line of sight to the plan of creation. We must seek leaders who can reveal to us “the greater purpose of the trip.”

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immediate priority, leading to an unsafe situation.” It may be described as “a tight focus of attention that leads to the exclusion of comprehensive situational information.” (See Department of Defense PC102.)

<sup>19</sup> Bowen McCoy, “The Parable of the Sadhu,” *Harvard Business Review* (1983 and reprinted in 1997).