GOVERNANCE, MORAL GOVERNANCE AND ORGANIZATIONAL MORAL ETHOS: A SYSTEMS VIEW REVISITED

John Davies, Victoria Business School, Victoria University of Wellington, Rutherford House,
23 Lambton Quay, Wellington 6140, NZ, +64 4 4635382, john.davies@vuw.ac.nz

ABSTRACT

This paper builds on prior work that sought to explore systemic links between governance, moral governance, organizational moral ethos and moral behavior in organizations. In doing so, it extends the use of related frameworks for examining how moral ethos and moral behavior evolve within systems of governance and moral governance.

The paper shows how the protocols of qualitative systems dynamics can aid the development of perspectives and insights about the systemic features of the related frameworks of Kohlberg and Snell, and how those frameworks can be used to refine insights about aspects of moral ethos and moral behavior within organizations.

Keywords: ethics, governance, moral governance, organizational moral ethos, systems thinking

INTRODUCTION

In a previous paper, the author [21] has outlined a seeming convergence of issues in governance and moral governance, a convergence that appeared somewhat paradoxical given an extant diversity of views and conceptions of governance. Since then, others have similarly queried matters of convergence, for example, [8] in relation to governance practices; Rossouw [52] [53] and Othman *et al*. [46] in relation to the ethics of governance [29]; and others such as Rose [50] who have examined the influence on convergence, for example, of the corporate governance industry. It is interesting that Bozec and Dia [8] suggest that if corporate governance is about ethical practice and "stems from the culture and mindset of management", then "corporate governance cannot be regulated by legislation alone." This paper revisits how complementary perspectives on the nature of governance can be developed by using the frameworks of Snell *et al*. [59] [60] [61] and Kohlberg [36] [37] [as interpretive filters for examining what constitutes organizational moral ethos. The paper then builds on this work using the protocols and frameworks of qualitative system dynamics to provide a further complementary and alternative perspective. The paper will conclude with some observations on the usefulness of Causal Loop Diagrams (CLDs) in understanding the systemic relationships that impact governance and moral governance, and on the systemic influences that impact on individual and organizational behavior.

Issues in Governance and Moral Governance

Over the last five decades, interest in corporate governance has been catalyzed by considerable media attention given to poor company performance, corporate failure, inappropriate accounting/audit practices, excessive remuneration packages for senior managers and executive directors, insider trading, pension fund mismanagement etc [21: 58]. But, as implied by Kay *et al*. [34: 84] some two decades ago, whilst such events were then recent phenomena, much of the increased scrutiny could be attributed to the advent of harsher economic conditions at that time, which conditions drew to the surface manifestations of underlying corporate frailty, weaknesses, excesses or unethical behavior.

At the turn of the millennium, a growing focus on governance had also been attributed, for example, to an enhanced awareness by those organizations that operate in an international context, of the different governance practices that exist in an increasingly global corporate sector [11: 13] [39: 270] [68: 78]. In addition, the extent to which governance issues have pervaded society is exemplified by the behavior of organizations in the voluntary or non-profit sector, and by their perceptions of the role and importance of governance. We also note that changes that have been, and are taking place or suggested in the world of sport [20] [25], reflect a climate that mirrors the earlier movement for reform of corporate governance described by Tricker [64] and Cadbury [13]. In an interesting, but still relevant, comparison to governance issues arising in sport, Hampel [27: 9] contrasted the perspective of his work to that of earlier research by Cadbury [13] and Greenbury [26]. He suggested that whilst their approach and guidelines 'concentrated largely on the prevention of abuse' in the corporate world, responding to 'things which were perceived to have gone wrong', his pioneering work, which appeared as the combined UK

code on corporate governance [39: 283] [47: 101] was equally concerned with the articulation of principles of corporate governance that would make a positive contribution to organizational life.

Indeed, and in respect to the latter notion, many leading sports bodies have restructured their governance processes voluntarily in recognition of a need to bring about greater organizational effectiveness [23], accepting the notion that performance is predicated on effective governance (Schlefer [54], quoted in Byrne [9: 82-85]). Others have engaged in reforms of the governance and management structures - for example, New Zealand Football, Soccer Australia and the Football Association in England - to effect change to the balance of stakeholder representation and stakeholder interests, and to limit potential abuse of executive power. At the global level of influence, the commercial success and financial strengths of the IOC [31] and FIFA [31] [62], set alongside bribery in cricket and drug scandals in cycling, weight-lifting and athletics, has focused attention on issues of moral governance and governance processes, addressing the relationships, in general, between governors, executive management, private sector agents and private sector interests, and focusing particularly on the potential for conflict of interest, corruption, and the extant lack of transparency in board operations and financial accountability [4].

We note that continuing common conceptions of governance connote not only government and governing, but also the activities of governing boards and bodies, the terms often being used interchangeably and confusingly [61: 17]. Indeed, the governance literature has long been regarded as fragmented reflecting the different disciplinary backgrounds of researchers - sociology, finance/economics, organizational theory and strategy - leading to different terminology and operationalization of similar concepts [19] [42] [65] [67] [71]. The opinion more than two decades ago of Maw *et al.* [43: 1], based on their practitioner experiences, that corporate governance was 'a topic recently conceived, as yet ill-defined, and consequently blurred at the edges', matched empirical findings that describe corporate boards as 'complex, dynamic human systems charged with an ill-structured set of responsibilities' [24], findings which were endorsed by Cadbury [11: 15], and which had a counterpart in the nonprofit sector [45: 141].

Alternative conceptualizations of governance that have surfaced in the academic and practitioner literature, have drawn attention to the cybernetic and systemic features of diverse views of governance. Davies [21] [22], Tepe and Haslett [63], and Turnbull [65] sought to develop systems and cybernetic perspectives on governance and models of governance. Whilst Davies [23] sought to determine the extent to which alternative models of governance exhibit systemic and cybernetic properties, others [63] used systems and cybernetic concepts to aid the design and implementation of governance systems.

Moral behavior has been examined elsewhere using Kohlberg's six-stage model of moral or ethical reasoning [36] [37]; Snell's adapted Kohlbergian model [57]; Badaracco's frameworks examining moral responsibilities [2] [3]; and also using the Lumpkin, Stoll and Beller model [41] linking moral knowledge, moral values and moral reasoning. Here, after outlining Kohlberg's model relating to moral development in individuals, we comment on Snell's adapted model and its use in framing organizational moral behavior.

We surface the literature on how such behavior relates to organizational moral ethos (or atmosphere), the nature of socialization within the organisation, the basis of moral authority in organizations, formal moral governance, and the values that underpin moral reasoning – in order to provide a basis for developing a systems perspective.

This paper focuses on issues of moral governance, reinterpreting Snell's adapted Kolbergian model of moral reasoning and moral development, within the context of a qualitative systems dynamics framework. The paper briefly draws upon cases to illustrate and re-examine moral and ethical behavior within organizations, and to relate that behavior to organizational moral ethos and moral governance. We also seek to demonstrate that the embedded and systemic nature of individual, organizational and societal systems lends itself to the use of the causal loop diagrams of qualitative systems dynamics in adding insight and perspective to those arising from Snell and Kohlberg's conceptualisation.

GOVERNANCE, MORAL GOVERNANCE & ORGANIZATIONALAL MORAL ETHOS

First, we state how each of the key concepts or terms are to be considered. Davies [21] has provided an overview of alternative conceptualizations and models of governance including some that have been identified as exhibiting systemic features and functions. They range from Young [70] who focuses on information and feedback mechanisms as prerequisites of effective governance; Jessop [32] and Rosenau [51] who explicitly refer to systemic functions of governance; to Carver's values-led policy-driven governance framework [14] [15]; Kay *et*

al's trusteeship model governance [34]; Charkham's view [16] of effective governance being 'its ability to reconcile entrepreneurial freedom with effective accountability'; and Demb *et al's* [24] emphasis on balancing stakeholder rights and needs.

However, such a bare summary does little justice to the domain. For example, Allison [1: 29] has commented that 'the system of contemporary world governance in sport' is also one of complex interdependence - between international and national governing bodies, international law and the courts, the media, commerce and business, the fans and the public etc. Nevertheless, these frameworks for understanding governance, and views on the nature of governance, can be set alongside the frameworks of Snell *et al.* [59] [60] to examine matters of moral governance, organizational moral ethos and its antecedents. To ground this examination, we will provide an operational basis useful for discussing moral ethos and moral governance.

Jackal [33] and Snell [56] defined moral ethos as 'a set of force-fields within organizations, comprising everyday norms, rules-in-use, social pressures, and quality of relationships, all of which impinge on members' understandings, judgements and decisions concerning good and bad, right and wrong.' Elsewhere, moral ethos is seen as synonymous with moral or ethical climate, atmosphere, culture, that is, what constitutes shared member perceptions, assumptions and expectations about how everyday issues and ethical dilemmas are to be viewed and resolved [57: 265].

Here we may regard formal moral governance (FMG) as referring to those systems for determining, establishing, encouraging and enforcing official ethical standards within an organization [57: 281] [61: 454]. As such, the systems may emphasize control in the hard, arbitrary or coercive sense, or through oppressive ideology or imposed identity; obversely, they may suggest 'control' in the sense of values-lead self-regulation expressed through open inquiry and dialogue, that is through participative structures [18: 194]. Consequently, the nature of formal moral governance may be identified as having several dimensions and may be characterized to the extent it is based on procedural justice and open dialogue rather than ideology and role or role-model identification; or based on coercion or rules rather than laissez-faire attitudes.

The Kohlbergian Model

The moral behavior of individual actors may be examined using Kohlberg's (1984) [36] [37] six-stage model of moral or ethical reasoning. Kohlberg's framework can be used to ascertain the level of moral reasoning-in-use by various organizational actors and/or to suggest the moral developmental process experienced by those actors. Similarly, one can examine and develop a profile of the levels of moral reasoning-in-use by organizational entities, by using Snell's adaptation of the Kohlberg model [Appx 1]

It is presumed that Level Zero individuals cannot or do not engage in ethical reasoning. They 'act out … gut emotions' without thought, impulsively and amorally. Snell [57: 272] suggests that the remaining stages can be conceived as representing degrees of attempted 'goodness.' Levels One and Two are used to categorize individuals who respond to outside influences in a self-centred fashion. Level One captures an egocentric 'fearful, unquestioning deference to authority' - obedience, fear of retribution - but with no consideration of others. Level Two captures recognition of the self-interest of others, but only serving that interest to benefit oneself.

Levels Three and Four represent a morality based on conformity, and the mutual expectation of conformity, to 'socially-defined standards' that are given legitimization by significant or respected others, or by governing institutions. Whereas Level Three behavior manifests as an orientation to interpersonal, group or organizational approval, a disposition to loyalty and pleasing others, Level Four extends beyond being the 'loyal organization man,' to a conscience-embracing conformity in terms of fulfilling roles and obligations, and as commitment to law and order that enhances the wider social system. In the football system, this may be seen as captured in the world football governing body's – FIFA's motto – 'For the Good of the Game", if not in their actual behavior.

Level Five morality extends to recognizing and valuing those various human rights, for example, freedom of speech, and notions of justice and welfare that contribute to the general good, and to promoting the 'greater good' of the wider community. However, Level Six morality embraces the validity and personal respect of universal human rights, and of universal principles of justice and welfare, without condition. In a sense, it involves meeting social responsibilities beyond legal and contractual duties [57: 272-273].

MORAL GOVERNANCE AND SNELL'S ADAPTED KOHLBERGIAN MODEL

Kohlberg's framework, as initially developed [36] [37], facilitated the examination of moral judgement and the capacity for moral reasoning of individuals, by conceptualizing a hierarchy of levels or stages of moral

development, and by attempting to identify the level or capacity for moral reasoning that the individual has reached. Snell [56] [57] has since followed in the paths of others [28] [37] [40]) in attempting to translate Kohlberg's work to an organizational level of analysis.

However, Snell's approach has differed from others, for example, Logsdon and Yuthas [40], in a significant manner. Snell [57: 276] does not seek to reify or personify the organization, asserting that organizations, in and of themselves, are not capable of moral judgement, and only reach a particular stage of moral development in a 'metaphorical' sense. Additionally, since organizational morality is expressed through a variety of individual actors 'who come and go,' organizational moral ethos is better represented by a profile of 'prevalent and powerful stages' rather than the single stage that is used to reflect any limiting capacity for moral development of individuals. We agree with Snell on the importance of conducting an 'analysis of moral reasoning-in-use across a wide spectrum of issues facing the organization, and from the point of view of various stakeholders' [57: 286]. We concur that such analysis would then provide the basis for developing a profile of moral behavior reflecting the various levels of moral reasoning exhibited within the organization.

Kohlberg's framework, as modified by Snell to provide insights about moral reasoning, moral governance and *Organizational Moral Ethos* (OME) in organizations, can help in understanding moral governance, that is, how ethical 'standards' develop or are determined and enforced in those organizations; how moral authority emerges on a spectrum stretching from domination through to acceptance based on deferential and then critical trust; how socialization within organizations impacts on those beliefs underpinning moral reasoning; and then how individual and 'corporate' perspectives and outlooks and actions are effected.

The nature of formal moral governance will influence and be influenced by the *Basis of Moral Authority* (BMA) in the organization. In the simplest terms, we may define the *basis of moral authority* as reflecting the nature of power to define or attribute what is right or wrong, good or bad, what is acceptable as behavior or outcomes, or not. As such, it may reflect the politics of positional legitimacy, hierarchical status, authority and an ability to coerce, dominate, manipulate, disempower, engage in patronage, sponsorship, favoritism and nepotism, or control of access to information etc. It may also reflect expertise, charisma, network maintenance, gatekeeper status, tacit knowledge, rewards; and also reflect notions of deferential or critical trust and faith.

Consequently, we may see the nature of feedback loops operating whereby the emergence of critical trust, for example, promotes confidence in open dialogue about ethical values and standards, leading to the acceptance of standards that constitute the organization's evolving system of moral governance. Involvement in these participative aspects of governance then reinforces what may have been the critical trust basis of moral authority, and what we refer to, colloquially, as a virtuous cycle continues – until that trust is breached! [61: 451-455]

How organizational members perceive and understand the signals and values implicit in organizational action and behavior will be influenced by what Snell [57: 282] refers to as *Deep, Implicit Socialization* (DIS). It may manifest itself through a 'hidden curriculum' of controls, rewards, mentoring, role-modeling and implicit story-telling. It may help individuals understand the balance between goal and performance orientation – between ends and means; the importance of mimetic behavior, cloning - mirroring the behaviors and values of the powerful; and recognizing a need for critical self-reflection, independence & confidence in exercising judgment. Organizational members may learn of differences between espoused values and actual values; they may become aware of codes of conduct not being enforced; of unpunished violations of the code; of the blind-eye being turned towards transgressions; or of moral muteness – the unwillingness to speak on ethical matters, or reluctance to make a moral stand [44]. Such differences between what constitutes formal moral governance and what constitutes the social reality of the organization, reflect the ambiguity in *organizational moral ethos*. De facto morality can then be conceptualized as a normative structure that represents the nexus of official and unofficial values, and of assumptions and expectations about day-to-day moral conduct.

Drawing parallels with Korac-Kakabadse *et al's* [38: 24] comment that one role of corporate governance involves understanding and addressing the interests of various stakeholders and constituencies, we note that Snell [57: 283-286] [61: 454] seeks to include stakeholders within the system of influence for understanding the nature of *organizational moral ethos*. Snell suggests that stakeholders and stakeholder groups can evoke different levels of moral reasoning, in terms of how the needs and moral claims of those various stakeholder groups are perceived passively, viewed actively and cared for in diverse ways within the organization. These features may recognized in the recently exposed behaviours of FIFA's Executive Committee and some US Police Departments in the second decade of the millennium. Consequently, any interpretation of corporate or individual behavior must take

account of possible different perspectives emerging from the frame induced by the particular stakeholder group. Snell encapsulates this view by describing it as the *Corporate Outlook towards Stakeholders* (COTS). For him, the concept not only captures how the needs and claims of various stakeholder groups are attended to, but also how multiple perspectives on different stakeholders are manifest in the moral reasoning behind major governance and policy decisions.

For example, the same behavior - an action, communication or media release, restating a football club's anti-racism policies - may be regarded by some, within and without of the organization, as an attempt to placate or buy-off ethnic minorities; and yet may be interpreted by others as a legitimate attempt to signal the sense of corporate citizenship prevalent in the organization in a manner thought necessary to maintain trusting relationships with, say, sponsors. As an additional example, the decision to allow sportsmen who are charged with serious offences to continue playing for an elite team (for example, Ray Rice and Adrian Peterson (NFL), Hope Solo (USSF), Adam Johnson and John Terry (EPL)), on the presumption that individuals are innocent until proven guilty, may reflect Kohlberg's Level 4/5 moral reasoning in demonstrating respect for the players' legal rights as stakeholders, that is for natural justice as procedural justice, but also be regarded as Level 2 reasoning in terms of 'pandering' to supporters' groups wanting to see their best players on the field.

Embedded in the Kohlbergian model are beliefs, values and assumptions that underpin moral reasoning. Such beliefs can evolve through different socialization processes impacting on one's capacity for moral reasoning and how that reasoning evolves into principles of moral and ethical behavior in broadening contexts. Kohlberg suggests that such principles may then guide the individual away from egocentric and individualistic behavior, towards a consideration of justice and welfare for significant others and societal groups, and then to an embracing of universal ethical ideals and principles.

This paper now seeks to draw selected parallels between the embedded processes involved, for example, in the development of values that underpin moral reasoning in organizations, the evolution of an organization's approach to formal moral governance, what forms the basis of its moral authority, and the systemic nature of governance.

First, however, we provide an operational distinction between the nature of *authority*, in general, and *moral authority*, in particular. We also acknowledge different types of authority: *legal* - arising from a constitutional, legislated or legal basis; *expert* - arising from knowledge, skill; *reputational* - arising from position, status, mana, ability to act; and *power* - arising from persuasiveness, force, fear. In addition, we recognize the notion of authority in as much as it may be used, on the one hand, to restrict, prevent, coerce, punish or sanction, or it may be used to enable, enhance, facilitate or provide approval.

By contrast, and noting the correspondence to Kohlberg's categories or levels of Moral Reasoning, *moral authority* may be conceptualised as deriving from:

1. the power to threaten punishment; … an ability to dominate
2. the prerogative to impose rules, sanctions, targets, incentives etc
3. being kind, showing goodwill and benevolence
3/4. respecting members' sense of occupational pride
4. improving the environments in which the organization thrives
5. policies enhancing the organization's beneficial social and environmental impact.
6. enhancing insights and sensitivity to various moral issues and perspectives; … a development of critical trust.

Second, we provide a brief constructive example of developing a Causal Loop Diagram (CLD) as a systems representation reflective of qualitative systems dynamics. For example, in Figure 1, we seek to capture the generic sense of Snell's adapted Kohlbergian model related to organizational moral ethos.

We note an interpretation of the CLD as:

> … the **more affirming** the *nature of moral governance*, the **greater** *the influential basis of moral authority*, thus **heightening** the *impact of socialization processes*, in turn, **strengthening** the *adoption of beliefs underpinning moral governance*, **furthering** *the alignment of individual moral action to moral governance*, and **additionally affirming** *the very nature of moral governance ... that we started with!)*

This representation reflects what is described as a *Reinforcing Feedback* loop – shown here as an implied *Virtuous Cycle* – good things get better! The danger is that if any variable in the loop becomes negative, in the

sense, for example, that *the influential basis of moral authority* lessens, as a consequence of some force exogenous to the loop, then the virtuous cycle can become a vicious cycle.

> **Note**: The cause effect links in Figure 1a are denoted by arrows. An arrow with a '+S' indicates that 'if the cause increases, the effect increases *above what it would otherwise have been'*. A negative arrow with a '−O' indicates that 'if the cause increases, the effect decreases *below what it would otherwise have been'*.

Figure 1: CLD Generic Systems Representation of Snell's adapted Kohlberg's Model

+S

Influential Basis
of Moral Authority

+S

Impact of Socialisation
Processes

+S

R

The Nature of Moral
Governance

Adoption of Beliefs
underpinning Moral
Governance

+S

+S

Alignment of
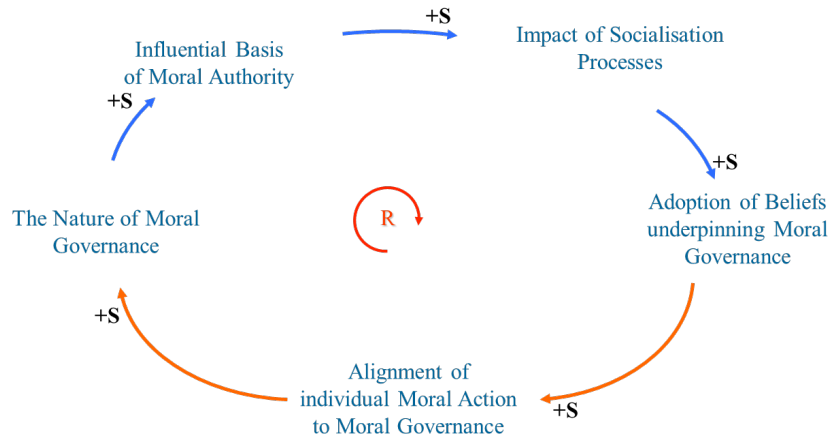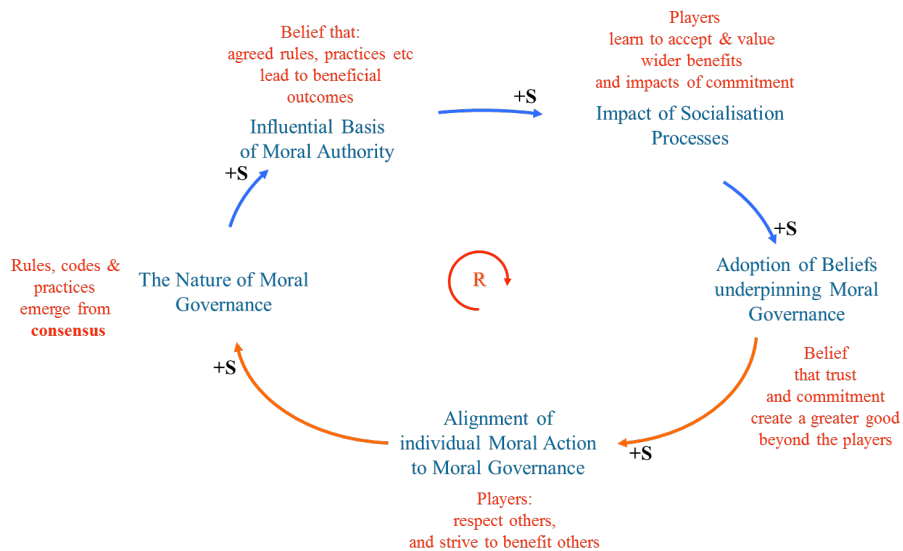individual Moral Action
to Moral Governance

+S

Figure 2, seeking to capture a context in the sporting domain, overlays the generic representation with Level 5, post-conventional *moral reasoning* mirroring a *stewardship* that similarly reflects an acceptance of wider responsibilities. We then consider the impact of authority and moral authority on athlete moral reasoning and behavior.

Figure 2: Illustrative CLD Representation of Snell's Adapted Kohlbergian Model Applied to Moral Ethos for Level 5, post-conventional *Moral Reasoning*

Belief that:
agreed rules, practices etc
lead to beneficial
outcomes

Players
learn to accept & value
wider benefits
and impacts of commitment

+S

Influential Basis
of Moral Authority

Impact of Socialisation
Processes

+S

+S

Rules, codes &
practices
emerge from
consensus

The Nature of Moral
Governance

R

Adoption of Beliefs
underpinning Moral
Governance

Belief
that trust
and commitment
create a greater good
beyond the players

+S

Alignment of
individual Moral Action
to Moral Governance

+S

Players:
respect others,
and strive to benefit others

The case example relates to the manner in which a sports team, such as the New Zealand All Blacks:

> may create and then pledge the **highest** level of commitment to its own internal *code of practice/rules*, engendering a **strongly-held** *belief that such agreed rules will lead to beneficial outcomes* whose realization will engender even **greater** *acceptance and recognition of the benefits and impact of their commitment,* further **strengthening** the *belief that trust and commitment create a greater good beyond the individual players*, **boosting** *players' resolve to benefit others, and* further **affirming** *the code of practice/rules*-in-use.

MORAL GOVERNANCE – AN ALTERNATIVE SYSTEMS VIEW

We may now attempt to draw attention to Snell's summary of how moral governance is impacted upon by wider societal, sectoral and institutional forces, as well as by forces from within the organization A number of studies by Snell and fellow researchers [61: 449] [60: 171] [59: 493] have surfaced how societal factors, for example, the strength and integrity of the legal system; the nature, level and acceptance of civic accountability; and the existence of controlled or distorted markets can impact on broader public perceptions breeding cynicism and lack of trust, and then adversely on workforce moral self-efficacy, presenting further challenges to the pursuit or preservation of individual moral integrity.

These factors can be observed at different levels within the system.   Using examples drawn from prior parts of the paper, we may suggest the strength and integrity of a sporting code's disciplinary system may be subject to close scrutiny and appraisal given the manner in which off-field indiscretions by high profile athletes are processed. In doing so, we may similarly question the nature, level and acceptance of civic accountability by sporting organizations for their athlete employees' behavior. As an additional parallel to the Snell *et al*'s findings above, we may note how the existence of distorted player transfer markets and distorted remuneration systems can impact on broader public, fan and sponsor perceptions – any of which may breed cynicism, lack of trust, and perhaps adversely impact on moral self-efficacy (illustrated by the cry of 'what can I do acting alone?) within the sporting community – all, or any of which, may present yet further challenges to the pursuit or preservation of individual moral integrity.

Snell and Tseng [60: 171] have suggested how the absence of rational-legal moral governance at the government level, and the sociological phenomena of anomic and relative deprivation, contribute to implicit socialization processes that may provide the seed-bed for corruption at the level of the business.

Snell and Tseng [61] also found that government-championed, or in-company propagation of avowed business morality appeared to have little impact on prevailing organizational moral ethos. They attributed the failing of such approaches to what they termed 'normative incoherence' – what Senge [55: 197] has referred to as the absence of 'walking the talk' – a clash between espoused values and actions that becomes sufficiently, yet implicitly embedded in socialization processes and experiences to undermine any 'well-intentioned' exhortations from having an impact within the nested business or organizational systems. These matters again resonate with many situations observed in the sport sectors, as do the findings of Bird and Waters [7]. They state that managerial behavior, actions and interactions are influenced by a number of 'normative expectations' that emanate from wider society, reflecting societal mores and socialization processes, the legal system, regulatory and professional bodies, the political culture etc. [48: 6]; and also from within the organization itself, its policies and its own embedded socialization processes. Such norms may then manifest as ethical principles that link to notions of fair play, on and off the field; social responsibility to fans, sponsors, and the sport; occupational health/player safety etc, These can have wide-ranging impact spreading within and without of the organizational system/the professional sports domain to affect children, young adults, parents and coaches involved in the wider sport.

SUMMARY

This paper has outlined and demonstrated the value of a systemic perspective in attempting to develop insights about the link between governance and moral governance.

Others, for example, Beer [5] [6] has contended that organs, instruments, activities and processes of governance need to be effective in the sense that they establish or contribute to the maintenance of systemic identity and purpose(s) which have coherence, and which are projected, shared and accepted within and without the organization by its internal and external constituents. That identity is obviously linked to the organization's purpose, its raison d'être and its values. We may therefore conceive of organizations as moral agents not just in a consequentialist or utilitarian sense, in terms of outcomes brought about by deliberate actions, but also in terms of purpose and values, practices and processes [18: 182], that is, not just in terms of strategic goals, ends and visionary values, but also strategic behavior, means and missionary values.

As such, we assert the usefulness of the related frameworks of Kohlberg and Snell in examining systemic features of governance and moral governance. We note how they can help surface insights about conceptual differences in the nature and level of higher order or meta-systemic moral reasoning exercised by organizational actors, how such differences are reflective of organizational moral ethos, and how they may be affected by socialization

processes operating within the organization and at other levels within the wider system.

We conclude that enhanced understanding of the nature of governance and moral governance can arise from the use of complementary frameworks, for example, those of Snell, Kohlberg and qualitative systems dynamics.

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Appendix 1: The Six Stages of Moral Judgement Applied to Moral Ethos in Organizations *Derived from Snell, 2000; Kohlberg, 1984*

Level	Criteria of Moral Reasoning	Nature of Moral Governance	Basis of Moral Authority	Nature of Socialization within Organization	Beliefs, assumptions, expectations & values underpinning moral reasoning	Nature of Members' Moral Actions	Nature of Corporate Outlook towards Stakeholders
			… derives from …	Members learn …		Members …	Management seeks ...
6 Post-conventional Morality ∨	Universal ethical principles of justice.	Moral policies emerge from open critical discussion, and are consistent with basic justice and compassion	… enhancing insights and sensitivity to various moral issues and perspectives; … a development of critical trust.	… to exercise moral judgements while keeping to the moral principles they can defend	Moral view: a belief in the validity of universal moral principles, relating to justice & care, and a personal rational commitment to them.	… developing empathy for all moral viewpoints and respecting each others' rights … improving the moral values and traditions of the "organization."	… to strengthen and honour the moral claims of all stakeholder groups … to meet social responsibilities beyond legal and contractual duties.
5	Stewardship, social responsibility.	Rules and codes emerge from discussion and consensus	… policies enhancing the organization's beneficial social and environmental impact.	… to clarify meanings of the "wider social good," and of "commitment to the cause".	Pre-societal view: a belief that adherance to law and order, and maintaining a social contract of trust and commitment to family, friendship, work etc creates "greatest good for the greatest number".	… respecting the moral rights of other groups and communities; … striving to uphold justice; … striving to benefit others.	… to understand the needs and the moral claims of all stakeholder groups.
4 Conventional Morality ∨	System & conscience maintenance	Rules and codes reviewed by management so as to maintain integrity in changing circumstances	… improving the environments in which the organization thrives.	… to value and defend the systems and moral traditions which sustain the organization.	Societal view: the recognised value of wider social and organizational systems; Imperative of conscience.	… enhancing the system in and thro' which the organization survives; … fulfilling actual and agreed duties / obligations	… to anticipate and address the needs and expectations of those stakeholders with formal rights and entitlements.
3/4	Institutional conformity	Rules and codes derive from tradition and appeal to members' duty	… respecting members' sense of occupational pride.	… to see the organization as worth protecting for its own sake.	Institutional view: the recognised value of conforming to, enhancing the organizational system.	… putting the interests of the organization first; … following conscience.	… to ensure the organization is trusted to respect stakeholders' legal rights.
3	Inter-personal conformity and approval.	Rules, codes and expectations appeal to members' loyalty and desire for approval	… being kind, showing goodwill and benevolence.	… how to appear helpful and trustworthy to their superiors.	Consideration of significant others: belief - the "Golden Rule;" The need to be a good person in other eyes.	… being good, matching others' expectations, loyalty to affinity groups, or respected individuals; Do unto others …!!	… to project a favourable self-image by maintaining good relationships with key gatekeepers.
2 Pre-conventional Morality ∨	Individualistic, instrumental purpose.	Imposed rules, codes and commands serving narrow interests are backed by clear penalties	… the prerogative to impose rules, sanctions, targets, incentives etc.	… how to follow, bend or break the rules, according to self-interest.	Individualistic: the belief that each other will pursue self-interest.	… serving one's own needs and interests just as others will serve themselves.	… to negotiate with or buy-off particular stakeholder groups when it sees this as being in its own interest.
1	Coercion, obedience and punishment.	Imposed rules, codes and commands are backed by threats, arbitrary sanctions:	… the power to threaten punishment; … an ability to dominate.	… to be seen to obey the wishes of authorities.	Egocentric: no recognition or consideration of the interests of others.	… doing as one is told; avoiding breaking rules.	… to govern or be governed thro' force or exercise of power; … to minimise impact of stakeholder forces.