

Chapter 6

How the (Business) World Really Works. Business Metaphysics & “Creating Shared Value”

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Abstract We are all in favor of some concept of “Creating Shared Value”. The question is, accordingly, not *whether* one advocates a “Creating Shared Value”, but *which* concept of “Creating Shared Value” is plausible and productive. This paper examines the question as to whether Michael E. Porter’s and Marc R. Kramer’s *specific* concept of “Creating Shared Value” is convincing or not, through the lens of a research program called “Business Metaphysics”, referring predominantly to the “Process Metaphysics” of Alfred North Whitehead and the “Transaction Economics” of John R. Commons. As a result, the paper shows that Porter and Kramer commit the “Fallacy of Misplaced Concreteness”, namely of mistaking the abstract (the ideal world of an overall “win-win”) for the concrete (the contingent and “messy” world of real business).

From time to time, a new conceptual spectre haunts the world of business. In recent decades, we witnessed for example: “Shareholder Value”, “Stakeholder Management”, “Corporate Social Responsibility”, “Sustainability”, and lately the spectre of “Creating Shared Value” (Porter/Kramer *Harv Bus Rev* 89:62–77, (2011); Porter *Harv Bus Rev* (2011), Porter *Creating shared value (Ideas for Change)* (2012); Porter/Kramer *Calif Manage Rev* 56(2): 149–151 (2014)), which aims at replacing all the other (conceptual) spectres. We are told about “The Big Idea” and “How to Fix Capitalism and unleash a new wave of growth” (Title page of *Harvard Business Review* Vol. 89 No.1-2 (2011) or “How to reinvent capitalism” (Porter/Kramer *Harv Bus Rev* 89:62–77, (2011): 63). The way how this “Big Idea” is presented, it almost takes after a religious promise of a “promised land” of a magical capitalism. The question arises as to whether the concept of “Creating Shared Value” can do justice to this ambitious claim. My answer is that it cannot. I will provide the reasons for this answer in the light of a research program which I call “Business Metaphysics”.

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6.1 “Creating Shared Value” (CSV) – Idea & “Presumption”

Modern capitalism is an economic system which presumably has – as far as we can see – no radical conceptional alternative.¹ That does not mean, however, that modern capitalism works without problems – remember e.g. the latest financial crisis or the increasing ecological challenges. Well, Porter and Kramer claim to have found the solution for all these problems the capitalistic system is faced with:

“The solution lies in the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges.” (Porter and Kramer 2011: 64)

Their slogan – “Creating Shared Value” – aims at a double-sided value creation, namely the simultaneous creation of value for both companies (“economic value”) and society:

“The concept of shared value tries to focus on a tremendous opportunity to create economic value through creating social benefit.” (Porter and Kramer 2011)

“Companies can create economic value by creating societal value.” (Porter and Kramer 2011: 67)

6.1.1 *The Idea – Gratifying, But Not Developed Systematically*

I welcome the fact that Porter and Kramer are linking the value creation of companies to the needs of society. This has, of course, been a driving concern for a Business Ethicist like me for decades. Every Business Ethicist is in favour of some concept of “Creating Shared Value”. But Porter and Kramer do not develop a systematic concept of this link between business and society. It is, rather, merely a pragmatic means to rescue the capitalist system, which is currently under fire.

Hypothesis I: The idea of “Creating Shared Value”, namely to emphasize the relation between companies and society, is gratifying! But: Porter and Kramer are supporting this idea for pragmatic reasons only². They do not develop this idea systematically (firms as societal projects).

Porter and Kramer begin with a (moral) appeal to the actors of global capitalism. Companies “*should try*” (Porter and Kramer 2011: 75) to combine economic value and societal value:

“Every firm *should* look at decisions and opportunities through the lens of shared value.” (Porter and Kramer 2011: 65)

¹ See, on this, the illustration on the growth of economics in the last 3000 years in Clark (2007: 2)

² They came up with this idea in order to get out of the current situation in which “the capitalist system is under siege”, so that “businesses can earn the respect of society again.” (Porter and Kramer 2011: 64;77)

They should do this for a pragmatic reason only: namely to fix the prevailing negative image of capitalism as well as to rescue the capitalist model, which is – I agree, despite all the problems – “an unparalleled vehicle for meeting human needs, improving efficiency, creating jobs, and building wealth.” (Porter and Kramer 2011: 64)

Now, this is the initial shortcoming of the “Creating Shared Value” concept: The link between companies and society is seen as a merely pragmatic one. But in my opinion, we have to systematically emphasize the fact that companies *are* agents of *societal* value creation. The very existence of companies is legitimized only by their contribution to the common good. Corporate profits are solely the incentive for companies to perform this societal task in an efficient way.³

6.1.2 The “Presumption” – A Sleight of Hand

The core of all the strenuous efforts of Business Ethics was, is, and will always be the tough and ongoing challenge of bringing economy and ethics into a closer alignment (Paine 2000: 325f). Remarkably enough, Porter and Kramer are presenting an elegant avoidance of this “messy” business. They simply “*presume*” or “*assume*” the compliance of business with moral standards. They are treating this challenge as a “*prerequisite*” to their concept of “Creating Shared Value”:

“Creating shared value *presumes* compliance with the law and ethical standards, as well as mitigating any harm caused by the business, but goes far beyond that.” (Porter and Kramer 2011: 75) “[C]ompliance with laws and ethical standards and reducing harm from corporate activities are *assumed*.” (Porter and Kramer 2011: 76) “We actually say that legal compliance and a narrow sense of social responsibility are *prerequisites* to creating shared value, but the concept of shared value takes company behavior much further.” (Porter and Kramer 2011: 150)

But this “presumed” harmony between economy and ethics is not a given – not at all. It is a hard and ongoing task, and simply to “presume” such compliance is little more than the refusal to face the real problems.

“The so-called ‘prerequisites’ are where Porter and Kramer are hiding all the tough challenges. It is a [...] trick of assuming away all the messy stuff that is difficult to deal with. But it is exactly in these ‘prerequisite’ legal and ethical obligations that the complex ‘trade-offs’ between economic and social value need to be faced. These are the ones that keep managers awake at night.” (Crane et al. 2014b: 152)

It is precisely the absence of a (complete) harmony between economy and ethics that is the key challenge for Business Ethics and for companies. It is simply not

³Conceptually lucid for example Homann (2015: 47): „Unternehmen sind Agenten gesellschaftlicher Wertschöpfung, nicht privater. Die Legitimation unternehmerischen Handelns kann nur in ihrem Beitrag zum Gemeinwohl bestehen. Die Aussicht auf private Gewinne ist lediglich der Anreiz, diese gesellschaftliche Aufgabe effizient zu erfüllen.“

adequate to “presume” a “clean” reality while the real-world business is actually “messy”. The integrity of creating value is a *challenge*, and in fact a *tough* one.

Hypothesis II: The conceptual strategy of Porter and Kramer to declare that “compliance with laws and ethical standards” is understood as a prerequisite to the concept of “Creating Shared Value” and can therefore be seen as a given, is nothing more than a sleight of hand.

It is a sleight of hand we are very familiar with. No lesser than Milton Friedman presented this “prerequisites” trick decades ago, namely in his New York Times article with the famous title “The Social Responsibility of Business Is to Increase Its Profits”. As this title already indicates, Friedman tried to show, that there is only one responsibility for a company: “to make as much money as possible”. He writes:

“In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be *to make as much money as possible*” (Friedman 1970/2007: 173)

But the last sentence does not end here. Despite his assertion that there is “one and only one social responsibility of business”⁴, Friedman continues the quotation above by naming a second kind of responsibility:

“[...]to make as much money as possible while *conforming to the basic rules of the society*, both those embodied in law and those *embodied in ethical custom*.”⁵

So, in the second half of the sentence, Friedman smuggles in this concept of “ethical custom” – without making clear what he means, precisely, by “ethical custom”. But the entire field of Business Ethics consists of this question, and we are faced with that very question because actual business transactions are not just economic operations, but *multidimensional* processes, including the moral dimension.

The “*prerequisites*” of Porter and Kramer is more or less a repetition of Friedman’s “*while conforming*”. But there is a difference between Friedman and Porter and Kramer. According to Michael Porter the difference is this:

“Milton Friedman [...] famously argued that the social responsibility of business was to maximize its profits, and this simple act of profit maximization *was good in absolute itself*. That was enough, that was sufficient. [...] What was good for business was sort of *axiomatically good for society*.” (Porter 2011a, b)

⁴See Friedman (1962/1982: 133) “The view has been gaining widespread acceptance that corporate officials and labor leaders have a ‘social responsibility’ that goes beyond serving the interest of their stockholders or their members. This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”.

⁵Friedman (1970/2007: 173f). Similarly he continues the quotation from the previous footnote: “[...]to increase its profits *so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud*.” (Friedman 1962/1982: 133).

Within the framework of Porter and Kramer’s “Creating Shared Value” profit maximization is *not* “good in itself”, it is *not* “axiomatically good for society”.⁶ “Creating Shared Value” is a *challenge*, it is a *task* to figure out how business can create economic by creating societal value. But Porter and Kramer are simply *concealing* this *task* in their “presumed” “prerequisites”. And this trick of hiding the difficult tasks is a sort of presuming away of the “messiness” of real-world business: the polydimensional world of business in which there is no “presumed” harmony between economy and ethics. So, the Porter and Kramer’s conceptual strategy consists of two steps: As a first step, their concept “presumes compliance with the law and ethical standards” (Porter and Kramer 2011: 75). And as the second step, they present their concept of “Creating Shared Value” *itself* as “pure unadulterated capitalism”, which is then – pretty much like in Friedman’s view – nothing but “making money”:

“The basic idea which we call ‘Creating Shared Value’ is about actually applying the capitalist model to addressing issues in society.” “‘Creating Shared Value’ is *pure unadulterated capitalism*. It’s about *making money*. So the idea here is actually to get capitalism working not against the interests of society [...] but actually integral to addressing the problems of society [...]. Then you have the *magic of capitalism* at work.” (Porter 2012)

So, as a result, this “trick” to declare “compliance with the law and ethical standards” as a prerequisite, as a given, is nearly the same “sleight of hand” as in Friedman’s *New York Times* article. On their front door are slogans like “Nothing but Profit!” or “the Magic of Capitalism” are written – that is, however, possible only by smuggling in compliance with laws and ethical standards through the back door. This enables them to present a clean “reality” of a capitalistic “magic” while elegantly avoiding the “messy” and challenging stuff of an ethical integrity of everyday business.

6.2 The Perspective: “Business Metaphysics”

The research program which I have headlined with the term “Business Metaphysics” deals with the question “how the business world really works (in general)”. One of the reasons for this research question is the well-known accusation that economists – and pretty much the same could be said about ethicists – are dealing only with the fanciful world of their theories which have little to do with the actual world of business:

“A surprising problem is that many economists do not distinguish between economic model and reality.” (Greenspan 1984 cited in Andrews 2005: 13)

My hypothesis is that there are deeper reasons for this problem, namely *meta-physical* reasons. So, the specific “lens” through which I want to view the concept

⁶“There’s example after example of where actually it’s much more complicated than that” (Porter 2011a, b).

of “Creating Shared Value” from now on is the perspective of “Business Metaphysics” (as I called it) (Schramm 2014a, b, c, 2015a, b, 2016). In order to do that (see Sect. 6.3), I have to briefly clarify the terms “Metaphysics” and “Business Metaphysics”.

6.2.1 *Metaphysics*

Of course there are some philosophers who are in favour of “post-metaphysical thinking” or a “post-metaphysical culture” (cf. Rorty 1995; Habermas 1992, 1994⁷), but they are using the term “metaphysics” in a different way than I do. In contrast to these philosophers I understand the term “metaphysics” in a strictly *epistemological* sense. Precisely in this sense, Alan Greenspan, former Chairman of the Federal Reserve of the United States from 1987 to 2006, used the term “*ideology*” for a mental framework that is meant to solve certain problems in the area of modern economy (or financial markets respectively):

“Well, remember that what an ideology is. It’s a conceptual framework with the way people deal with reality. Everyone has one. [...] To exist, you need an ideology. The question is whether it is accurate or not. And what I’m saying to you is, yes, I’ve found a flaw [...] in the model that I perceived is the critical functioning structure that defines how the world works, so to speak.”⁸

If we replace Greenspan’s ambiguous term “ideology” with the term “metaphysics”,

- We can firstly say that “metaphysics” focuses on the conceptual frameworks with which we *generally* deal with reality. “Metaphysics” sheds light on the question of how the world works *in general* – whereas the various fields of science deal with the question of how the world works *in detail*.
- Secondly, we are faced with the fact that metaphysics is *inevitable* (“everyone has one”).
- And thirdly, we always have to ask if the metaphysical worldview in question is reasonable or “*accurate*“, i.e. if it is really problem-solving or not (Table 6.1).⁹

Now, for further clarification of the concept of “metaphysics” I will draw on the philosophy of science which was presented by Karl R. Popper. He distinguished between three types of theory:

⁷For them, “metaphysics” is a pre-modern and idealistic matrix for one’s thinking, a tendentially totalitarian and therefore outdated world view, into which everybody and everything has to fit.

⁸See for example http://www.pbs.org/newshour/bb/business-july-dec08-crisishearing_10-23/ (accessed 18.02.2016).

⁹Metaphysics is *inevitable*, but there is a serious danger to any “metaphysics” (or “ideology”): “The defect of a metaphysical system is the very fact that it is a neat little system of thought, which thereby over-simplifies its expression of the world.” (Whitehead 1926/2007: 79) And Alan Greenspan actually “found a flaw [...] in the model that I perceived is the critical functioning structure that defines how the world works“.

Table 6.1 Popper’s three types of theory

Types of theory	Examples	Refutability
Logical and mathematical theories	if $2 + 2 = 4$ then $2 + 2 = 5$ is refuted (q.e.d.)	Logical
Scientific (empirical) theories	“All swans are white!” Refutation: one single black swan	Empirical
Metaphysical (philosophical) theories	“There is a real world out there!” (= metaphysical realism) Refutation: impossible “The constants of nature are constant!” Refutation: not yet possible	None

“First, logical and mathematical theories.

Second, empirical and scientific theories.

Third, philosophical or metaphysical theories.” (Popper 1963/1985: 197).

It is the empirical falsifiability which distinguishes scientific theories (natural sciences) from metaphysical theories:

“According to this view [...] a system is to be considered as scientific only if it makes assertions which may clash with observations.” (Popper 1963/1985: 256)

While the theories of the sciences are therefore empirically falsifiable, it is the characteristic of metaphysical theories that they are not falsifiable empirically:

“[N]on-testable theories [...] may be described as metaphysical.” (Popper 1963/1985: 257)
 “[P]hilosophical theories or metaphysical theories will be *irrefutable by definition*.” (Popper 1963/1985: 197)

But that does not mean that they are senseless or useless. Quite contrary to any positivistic rejection of metaphysical statements, Popper considers them as very important:

“But metaphysical hypotheses are important for science in at least two ways. First of all, in order to have a general picture of the world we need metaphysical hypotheses. Secondly, in the actual preparation of our research we are guided by what I have called ‘metaphysical research programmes’.” (Popper in Popper/Eccles 1977/2003: 442¹⁰)

¹⁰Popper regarded even Darwinism not as a testable scientific theory, but as a metaphysical research program: “And yet, the theory is invaluable. I do not see how, without it, our knowledge could have grown as it has done since Darwin. In trying to explain experiments with bacteria which become adapted to, say, penicillin, it is quite clear that we are greatly helped by the theory of natural selection. Although it is metaphysical, it sheds much light upon very concrete and very practical researches. It allows us to study adaptation to a new environment (such as a penicillin-infested environment) in a rational way: it suggests the existence of a mechanism of adaptation, and it allows us even to study in detail the mechanism at work.” (Popper 1976: 171 f).

6.2.2 *Three Types of Metaphysics*

Over the last millennia mankind invented several metaphysical conceptions. A rough division distinguishes between three types of metaphysics:

- the classical metaphysics of “*substance*” (roughly 500 BC to 1500 AD; e.g. Aristotle or Thomas Aquinas),
- then with the beginning of modern times a mechanistic metaphysics of “*machine*” (just about 1500 AD to the 20th century; e.g. René Descartes, Isaac Newton, Daniel Dennett, Richard Dawkins),
- and at least since the 20th century various metaphysics of evolutionary “processes”.

All these metaphysical concepts had an elementary impact on all areas of knowledge, for example on natural sciences and on economic theory.

After the traditional metaphysics of “*substance*”¹¹ had widely lost its plausibility, the early modern age invented a new type of metaphysics: the metaphysics of the “*machine*”. The development of this new type of metaphysics originates from physical cosmology. As an early example of this mechanical worldview in a letter, Johannes Kepler wrote in 1605:

“My aim in this is to show that the celestial machine is to be likened not to a divine organism but rather to a clockwork [...]. Moreover I show how this physical conception is to be presented through calculation and geometry.”¹²

In a second step, this model of a “celestial machine” provided the basis for the idea that *all* matter is mechanistic in its nature. René Descartes consequently extended the machine idea into the realm of biology, so that all biological bodies turned into machines. According to his machine theory of life, he wrote in 1637,

¹¹Aristotle distinguished two types of “substance” or “essence” (Greek: ουσία): the “first substance” or “first nature” (πρώτη ουσία) and the “second substance” or “second nature” (δευτέρα ουσία). Let’s illustrate his distinctions with the following sentence: “This ear of wheat is ready for harvesting.” The word “this” labels the “first substance” (πρώτη ουσία), namely the single, real thing that you can see in front of you: *this* ear of wheat. But this “this” has a certain “essence”, in our case it is an ear of wheat. The “essence” or the “nature” of “this” thing actually is wheat – and this “nature” Aristotle called the “second nature” (δευτέρα ουσία) or “the underlying thing” (Latin: “sub-iectum” or “sub-stantia”). This invisible “second substance” (δευτέρα ουσία) determines the particular “form” (μορφή) of our ear of wheat, namely by shaping the undetermined “matter” (ὄλη). In addition, it is the underlying “substance” that is breathing life into our ear of wheat. The invisible “substance” (ὄλοκείμενον) is the stimulating *soul* of a living thing, of a plant, an animal or a human being – while the visible features of a plant or a human are only externally added “accidents” (Latin: adcadere). For example: this ear of wheat is “ready for harvesting”. Aristotle regarded this condition as a visible, but only additional property (“accident”; συμβεβηκός). – Perhaps the most critical problem of this substance metaphysics is that nobody has ever seen such a “substance”; the “second nature” (Greek: δευτέρα ουσία; Latin: “sub-iectum” or “sub-stantia”) always remained merely a theoretical postulate. Therefore it’s not surprising that with the arrival of the Early Modern Era, the metaphysical assertion of such “substances” (or “souls”) became more and more suspect.

¹²Letter to Herwart von Hohenburg (February 10, 1605), cited in: Holton (1973/1988: 56).

“those who know how wide a range of different automata or moving machines [...] will consider this body [of *animals or human beings*] as a machine [...], having been made by the hand of God”.¹³

The triumph of machine metaphysics continued when Sir Isaac Newton published his “*Principia Mathematica*” in 1687, a book which laid the foundation for classical mechanics. As early as in the very first sentence of the preface to his “*Principia*” he referred to all those thinkers who

“considered *mechanics* to be of the greatest importance in the investigation of nature and science”¹⁴.

In Newton’s worldview it was still God who was the creator and sustainer of the world machine – a cause of the universe which has to be “very well skilled in mechanics”¹⁵ but during the 19th century God was finally dissolved out of the scientific worldview and only the inanimate world machine was left.

6.2.3 *Economic Slaves of Defunct Metaphysicians*

Later, the early economists began to (re-) construct the economic system according to the pattern of physical mechanics and the underlying machine metaphysics. For example, Léon Walras and William Stanley Jevons thus adopted the metaphysical paradigm of mechanics in economics:

¹³Descartes (1637/2006: 46). To be sure, Descartes still used the word “substance” and called the realm of physical entities “corporeal substance” or “res extensa”. In his dualistic worldview (metaphysics) there exists another “substance”: the non-physical and non-mechanical, but *mental* substance which he calls “res cogitans”. (Alongside he believed in a third substance: God.) The dualism of two realms confronted him with the problem of the interaction of corporeal and mental substances because the mind or soul of man seemed like an immaterial ghost in the mechanical machinery of the human body (Sheldrake 2012: 34). Descartes himself “solved” this problem by assuming that the body is interacting with the mind at the pineal gland, which allegedly is the seat of the soul. But apart from man’s mind, the whole world of physical things (including the human body) was, according to Descartes, merely a mechanistic machinery.

¹⁴Newton (1687/1999: 381) Newton assumed that matter consists of “solid, massy, hard, impenetrable, moveable Particles” (Newton 1730: 375 Book III) whose movements he described with his famous three universal laws of motion. However, with Newton’s gravitation a non-mechanical force had actually found its way into classical mechanics. Newton left open the question as to whether there is a hidden “mechanical” explanation of gravitation or if gravitation is an “occult” power metaphysically: “I have not as yet been able to deduce from phenomena the reason for these properties of gravity, and I do not feign hypotheses. [...] [A]nd hypotheses, whether metaphysical or physical, or based on occult qualities, or mechanical, have no place in experimental philosophy. In this experimental philosophy, propositions are deduced from the phenomena and are made general by induction. The impenetrability, mobility, and impetus of bodies, and the laws of motion and the law of gravity have been found by this method. And it is enough that gravity really exists and acts according to the laws that we have set forth and is sufficient to explain all the motions of the heavenly bodies and of our sea.” (Newton 1687/1999: 943).

¹⁵Newton (2004: 96 Letter “To the Reverend Dr Richard Bentley”, December 10, 1692).

„The Theory of Economy thus treated presents a close analogy to the science of Statical Mechanics“. (Jevons 1871/1965: vii)

Interestingly, the self-interest of “man” – later “homo economicus” – is understood as the equivalent to Newton’s gravitational force:

“Utility only exists when there is on the one side the person wanting and on the other the thing wanted. [...] Just as the gravitating force [...] utility is an attraction” (Jevons 1981: 80)¹⁶.

The self-interest is modelled as a force of *attraction* in a mechanical system in order to make the overall system predictable:

„[T]he theory here given may be described as *the mechanics of utility and self-interest*.“ (Jevons 1871/1965: 21)

And so the machine metaphysics actually survived in economic textbooks up to this day. The development of economic theories does not happen independently of current metaphysical ideas – on the contrary. Rephrasing the famous passage from Keynes’ “General Theory”¹⁷, one could say:

Hypothesis III: Metaphysical ideas are more powerful than commonly understood. Indeed the world is run by little else. Economists and (some) Business Ethicists, who believe themselves to be quite exempt from any ideological influences, are usually the slaves of some defunct metaphysician.

And here is the problem: “The age of the machine” (Davies/Gribbin 1992: 11) was a success story (especially with regard to the countless innovations of engineering), but the underlying metaphysics of this age, the mechanistic paradigm, has simply turned out to be *wrong*. Evidently, the universe is *not* a machine, but radically *evolutionary* and *processual*:

- A machine does not evolve or grow. But since Charles Darwin’s theory of “natural selection” we do know that the biological world *is* evolving and constantly producing something new.¹⁸ And since the findings of Georges Lemaitre, Edwin Hubble, Arno Penzias and Robert Wilson the “Big Bang” theory is the orthodox model for the universe and its cosmological evolution. We *are* faced with a grow-ing and evolving universe. This universe does not look like a machine at all. It is

¹⁶And the price is the equivalent to the centrifugal force.

¹⁷See Keynes (1936/1953: 306): “The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is run by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences are usually the slaves of some defunct economist. [...] It is ideas, not vested interests, which are dangerous for good or evil.”

¹⁸To be sure, Darwin’s theory of “natural selection” doesn’t imply that there is a kind of goal for the whole universe or for the evolutionary process of life on earth. What Darwin discovered was a mechanism of effects. If you do, however, apply the principle of evolution to the entire cosmos, the result is a universe that doesn’t look like a machine at all.

much more like an evolving and growing organism.¹⁹ So, a “Philosophy of Organism”, like the cosmology of philosopher Alfred North Whitehead, is a much more adequate metaphysical concept than the old machine thinking.²⁰

- No (traditional) machine is able to change its form. But Albert Einstein’s “Theory of Relativity” showed “that space and time are not independent and absolute, as Newton had thought, but are enmeshed and relative” (Greene 2004/2005: 9). Newton’s unchangeable “absolute space” and “absolute time” are changing all the time, “space and time [...] can warp and curve in response to the presence of matter or energy.” (Greene 1999/2006: 6) Science fiction became science.²¹
- A machine is made of solid mechanical components and has a structure which is stable and invariable. But quantum physics showed that, in fact, not only does the old “machine” of the universe evolve, but its smallest “components” are actually quantized *events (processes)* of fluent energy. So, again a philosophy of *events*, a “*Process Philosophy*”, like Whitehead’s is needed.²²

If on the one hand everybody has a “metaphysics” and if on the other hand we always have to ask whether the metaphysical worldview in question is “accurate” or not²³, then philosopher Charles Sanders Peirce is right:

Hypothesis IV: „Every man of us has a metaphysics, and has to have one; and it will influence his life greatly. Far better, then, that that metaphysics should be criticized and not be allowed to run loose.“ (Peirce 1960: ch.1,129)

6.2.4 *Process Metaphysics & Business Metaphysics*

Machine Metaphysics has outlived its usefulness because it is very likely that it is simply wrong. According to modern physics our universe is not a machine:

„[M]aterialism is dead. [...] [T]here is no machine.“ (Davies and Gribbin 1992: 13,309)

¹⁹In the words of Sheldrake (2012: 53): “The machine metaphor has long outlived its usefulness [...]. Our growing, evolving universe is much more like an organism, and so is the earth, and so are oak trees, and so are dogs, and so are you.”

²⁰Whitehead explicitly called his metaphysical concept the “Philosophy of *Organism*” (e.g. Whitehead 1929/1978:xi. 7,18ff.).

²¹“The eighteenth century opened with the quiet confidence that at last nonsense had been got rid of. Today we are at the opposite pole of thought. Heaven knows what seeming nonsense may not tomorrow be demonstrated truth.” (Whitehead 1925/1967:114).

²²Whitehead’s major work is called “*Process and Reality*” (Whitehead 1929/1978) and is best known as “*Process Philosophy*” which is a philosophy of *events* (also termed “actual occasions”).

²³As quoted above: “[A]n ideology is [...] a conceptual framework with the way people deal with reality. Everyone has one. [...] To exist, you need an ideology. The question is whether it is accurate or not.” (Alan Greenspan in 2008; http://www.pbs.org/newshour/bb/business-july-dec08-crisishearing_10-23/ (accessed 18.02.2016).

Instead, the nature of reality is radically *evolutionary*. So, a new and more adequate metaphysical cosmology is needed. In my view, such a metaphysics actually exists: the cosmology of the mathematician, physicist and philosopher Alfred North Whitehead (as already mentioned).

In this part of the paper, I proceed in two steps: (a) Whitehead's "*Process Metaphysics*" forms the *philosophical* point of departure for (b) the development of the *moral-economic* concept of "*Business Metaphysics*".²⁴ Within this paper, I can neither give a comprehensive description of Whitehead's cosmological "Process Metaphysics" nor a detailed portrayal of the research program "Business Metaphysics". Therefore, I will concentrate on a few features which are useful for a critique of the concept of Porter and Kramer's "Creating Shared Value". To make my analysis easier to follow, my arguments are structured via the following table:

6.2.4.1 Process Metaphysics

It was chiefly his main work "*Process and Reality*" in which Alfred North Whitehead presented a cosmological metaphysics that he himself mostly called a "Philosophy of Organism" but which has now become better known as "Process Philosophy".

1. "*Creativity*". As Quantum Physics views *energy* as the raw *material* of the universe and elementary particles as concrete embodiments of this energy, so Whitehead's *metaphysics* describes the universal basic *character* of the world with the term "*creativity*"²⁵ (which was presumably coined by himself!). With this term, Whitehead aims at expressing the fact that we live in a universe of *activity* and precisely not in a universe of dead and passive matter:

"'Creativity' is [...] divested of the notion of passive receptivity [...]; it is the pure notion of the activity [...]. It is that ultimate notion of the highest generality at the base of actuality." (Whitehead 1929/1978: 31)

Due to this creative basic character of reality/ies, things are made fluid and become dynamic in an *evolutionary* way: everything is in flow (cf. Heraklitos πάντα ῥεῖ = "everything flows"). New things are "born", grow and decay.

2. "*Events*". With reference to Quantum Physics, Whitehead initially assumes micro-analytically the existence of many realities which are linked in processual relativity, and energetic process-droplets that he calls "*events*"; "*actual entities*"; or "*actual occasions*":

²⁴A similar approach is the process-based theory of organization of Tor Hernes and others. Cf. Hernes 2008; Helin et al. 2014; 2015.

²⁵The completely elementary and foundational meaning of the term "creativity" in Whitehead's metaphysics can already be seen by the fact that he calls "creativity" "the ultimate" (Whitehead 1929/1978: 20), the "universal of universals characterizing ultimate matter of fact" (Whitehead 1929/1978: 21), the "ultimate principle" (Whitehead 1929/1978: 21) or "that ultimate notion of the highest generality at the base of actuality" (Whitehead 1929/1978: 31).

“This epoch is characterized by electronic and protonic actual entities, and by yet more ultimate actual entities which can be dimly discerned in the quanta of energy.” (Whitehead 1929/1978: 91)

In terms of *metaphysics*, it is important at this point that the universe is made up of entities which have the character of *process droplets* which are *genetically relative* and exist in a *minute temporal period* (maybe on billionth of a second).

“‘Actual entities’ – also termed ‘actual occasions’ – are the final real things of which the world is made up.” (Whitehead 1929/1978: 18)

These “events” or “occasions” are also the basic units of the, thus, micro-analytical conception of Whitehead’s “*Process Philosophy*”²⁶.

3. “*Societies*”. At the *micro* level the universe consists, according to Whitehead, of such *process droplets* (“events”, “occasions”) while all bigger formations – such as atoms, water drops, ants, stones, trees, people or plants – are more lasting things. These things consist of “actual occasions” which, in a manner of speaking, “*cooperate*” more closely and, in this, achieve a certain *stability of structure*. Whitehead calls these more complex and more lasting things of this world at the *macro-cosmic* level “*societies*”:

“The real actual things that endure are all societies. They are not actual occasions.” (Whitehead 1933/1967: 204)

“Societies” are, accordingly, *complex* structures. As (contingently) separate complexes of “events”, they depend on a shared characteristic which then defines them as a “society” belonging to each other and which differentiates them from other “societies”. Whitehead calls this element of identity, which is common to all elements of a “society”, a “*defining characteristic*”:

“A society has an essential character, whereby it is the society that it is.” (Whitehead 1933/1967: 204). “The common form is the ‘defining characteristic’ of the society.” (Whitehead 1929/1978: 34) “The self-identity of a society is founded upon the self-identity of its defining characteristic, and upon the mutual immanence of its occasions.” (Whitehead 1933/1967: 204)

Whitehead’s “societies” are, in any case, “organic” forms which (have to) reproduce their “defining characteristic” every day in an evolutionary “life”-process.

I do not want to expand on the system of “societies” at this point but I do want to point out, in advance, that *organizations* – such as *business enterprises* – can be imagined, metaphysically, as “societies”. (The German word for stock corporation – “*Aktiengesellschaft*” = “*society* of shareholders”, is telling.)

4. “*Organisms*”. In Whitehead’s cosmology all things – the “actual occasions” at the micro level, the “societies” on the meso level and finally the universe on the macro level – are seen as dynamic “organisms”:

²⁶“How an actual entity *becomes* constitutes *what* that actual entity *is* [...]. Its ‘being’ is constituted by its ‘becoming’. This is the ‘principle of process.’ ” (Whitehead 1929/1978: 23).



Fig. 6.1 Ludwig Wittgenstein’s “thread” and “fibres”

“Science is [...] becoming the study of organisms. Biology is the study of the larger organisms; whereas physics is the study of the smaller organisms.” (Whitehead 1925/1967: 103)

The “final real things of which the world is made up” are not “particles”, not dead billiard balls, but “waves”. Nothing in nature is like a static machine. Even the whole universe is “growing”. And all things within the universe are growing, changing their form, ageing, dying ... So, consequently, Whitehead explicitly called his metaphysical concept the “Philosophy of Organism” (Whitehead 1929/1978: xi 7,18ff.). Actuality is an “organic” fabric or network of myriads of events. The philosopher Ludwig Wittgenstein suggested – in a completely different context – a metaphor that expresses this organic “spinning” of the truth quite well:

“... as in spinning a thread we twist fibre on fibre. And the strength of the thread resides not in the fact that someone fibre runs through its whole length, but in the overlapping of many fibres.” (Wittgenstein 1953/2009: 36, §67)

So, just like the “thread” develops from the “spinning” and the “overlapping of many fibres” in an evolutionary way, the thread of a human life is also spun from a vast number of individual events. The thread of life has to *reproduce* itself day by day. The continuing, ongoing spinning process represents, in this, the distinctive *identity* of this person from their conception to their death, in which, however, nothing remains the same “sub-stantially” but where this human being – this human “society” of “actual occasions” – continually changes over the course of his life, gains experiences, starts turning grey, and at some point this human “society” dissolves. All things in the universe have the same “organic” character – from the atom to the business enterprise, and also a galaxy (Fig. 6.1).

5. *Creating “Value”*. Whitehead’s “Process Metaphysics” is actually a (cosmological) philosophy of “Creating Shared Value”. But, in contrast to Porter and Kramer there is no pretence here that this value creation is an easy thing.

The term “value” takes a central place in Whitehead’s philosophy. In contrast to a world of machine metaphysics, where there is pragmatic functioning only but no “value” (economic value; societal value and so on) not to mention moral “values”, the world of the “Metaphysics of Organism” is inherently a world of value(s).

Whitehead develops this from everyday experience. For normal human beings it is not a matter of indifference about what will happen to them in the future. Rather, they experience “the value of an individual for itself” (Whitehead 1926/2007: 59), they experience themselves, accordingly, as “self-value” (Whitehead 1926/2007: 101). This experience is taken to a cosmological level by Whitehead. “Value” does thus not just signify, in his system, any objects in an ideal world of value(s), but is a feature of our finite *actuality* itself (and all the different “events” on earth or in the whole universe):

“The emergence of some actual value depends on limitation [...]. Thus an event is a matter of fact which by reason of its limitation is a value for itself” (Whitehead 1925/1967: 194). “Value is inherent in actuality itself. To be an actual entity is to have a self-interest. This self-interest is a feeling of self-valuation [...]. This self-interest [...] is the *ultimate enjoyment of being actual*.” (Whitehead 1926/2007: 100) In short: “The actuality is the value”. (Whitehead 1925/1967: 105)

The process of the universe is a vast production place of creating actual value.

But the production of value is – in modern terms – a “*network* production”. The individual “entity” or “society” creates itself, and creates with that, its own “self-value”. This creation process does not occur from the scratch, but always in relation to other “entities” or “societies” only:

“Each actual entity is *an arrangement of the whole universe*, actual and ideal, whereby there is constituted that *self-value* which is the entity itself.”²⁷

Metaphysically fundamental is, here, the relatedness of everything (Whitehead’s “principle of relativity”²⁸). The origination of individual values is interconnected with all other things.

At this point it is crucial to not look at the universe through rose-tinted spectacles. Our universe of value production is shaped by countless *conflicts*. For example, Whitehead stressed that life, by definition, and inevitably, happens at the expense of

²⁷Whitehead 1926/2007: 101 (emphasis mine). In his last ever talk – a talk with the title “Immortality” in 1941 – Whitehead again extensively addresses the subject of “values”. He does, however, undertake a shift in meaning that it is vital to pay attention to. While, in his earlier writing, he has always used the term “value” in the sense of an “*actualised* value”, in this talk he now uses the term “value” in the sense of “*possibilities* of value” (Whitehead 1941/1948: 64) When he talks about a “the World of Value” (Whitehead 1941/1948: 62) he does *not* mean the “world” of *actualised* value, but the “world” of the possibilities of value! Whitehead differentiates, in “Immortality”, between two “worlds” which combine to form the total of the world: On the one hand there is of course our real world (the cosmos of galaxies, solar systems including our earth and everything that happens on it). Whitehead talks about the “world of activity”, the “world of origination”, the “creative world”, the “world of action”, the “world of fact” or the “world of change”. And on the other hand the universe contains the “world” of *possibilities* of value. For this, Whitehead uses the phrases “the world of mere possibility” and then nearly consistently, precisely “the world of [*possible*] value”. “Thus the two sides of the Universe are the World of Origination and the World of [*possible*] Value.” (Whitehead 1941/1948: 63) The two worlds are a package deal: “The Two Worlds [...] require each other, and together constitute the concrete Universe. Either World considered by itself is an abstraction.” (Whitehead 1941/1948: 63).

²⁸“It belongs to the nature of a ‘being’ that it is a potential for every ‘becoming.’ This is the ,principle of relativity.’“ (Whitehead 1929/1978: 22).

other life: “[L]ife is robbery.” (Whitehead 1929/1978: 105) The creation of an individual value means the destruction of other values, even if a positive net balance of value is created. To put it in the terms of Porter and Kramer: The world is a place of creation of “shared value” as well as creation of value at the cost of other values.

Whitehead advocates “the concept of the world as a realm of adjusted *values*, *mutually intensifying* or *mutually destructive*.” (Whitehead 1929/2007: 59)

Let us take, for example, us humans and how we create economic value. To feed ourselves and to create economic values (products etc.), we have to destroy other values: we consume plants and animals as food and also use them up within the context of our economic production. Whitehead says:

“[L]ife is robbery. It is at this point that with life morals become acute. The robber requires justification.” (Whitehead 1929/1978: 105)

The production or the creating of value cannot happen without conflict in this finite world. It is impossible to live without “getting one’s hands dirty”. Our universe as a factual given is recognizably not in a state of cosmic peace. Only the myth of paradise “dreams” of a cosmic peace, of the Garden of Eden (cf. Gen 2). Nowadays, we all, however, live “East of Eden”. And this is precisely where the conflicts start. In the “world of origination” there is no creation of new value without the eliminating use of existing values:

“[T]here is a struggle for existence. It is folly to look at the universe through rose-tinted spectacles. We must admit the struggle. The question is, who is to be eliminated.” (Whitehead 1925/1967: 205)

It is of course often possible to achieve “win-win” situations for some of the actors or creatures concerned, and thus to create universal “shared value” as well as to increase the value intensity in total. But it is by no means rare for *the way in which value* is brought forth to be “messy”, and therefore to pose a difficult ethical problem.

6.2.4.2 “Business Metaphysics”

“Metaphysics” is concerned with the question of how the world works *in general* whereas the natural sciences are dealing with the question of how the world works *in detail*. When we transfer this approach to human society and especially to economy, it is possible to say the following. “*Business Metaphysics*” is concerned with the question of “how the *business* world works *in general*” whereas economics is dealing with the question of “how the business world works *in detail*”.

By way of introduction, I would like to illustrate the field of the research program “Business Metaphysics” with an example. Let us focus on the well-known debate on the possibility of a “Corporate Social Responsibility” in the context of the “Theory of the Firm”. For all his life Milton Friedman for example took the view that only “people” as individuals can have moral responsibility, in contrast to companies, as a company is nothing but an “artificial legal structure”²⁹. Lynn Sharp Paine noted, on this (with an ironic undertone):

²⁹ „Only people can have responsibilities.“ (Friedman 1970). With companies, according to him, this is not possible due to their nature: „Can a building have moral opinions? Can a building have social responsibility? If a building can’t have social responsibility, what does it mean to say that a

“According to this line of reasoning, advocates of corporate social responsibility are guilty of a grave mistake of metaphysics.” (Paine 2003: 87)

And it actually is a question of “Business *Metaphysics*”.³⁰ In this case it is about the “*essence*” resp. the “*nature* of the firm“. And regarding this question, the classics of the “Theory of the Firm“ also used the argument of Friedman. By the way of example, we are told the following by Michael C. Jensen and William H. Meckling:

“[O]rganizations are simply *legal fictions*” (Jensen and Meckling 1976: 310). To be sure, there is “individual behavior in organizations, including behavior of managers” (Jensen/Meckling 1976: 308), but: “*The firm is not an individual. It is a legal fiction*” (Jensen and Meckling 1976: 311).

Due to this “nature” or “essence of the firm”, the organizational “legal fiction” only serves instrumentally as a locus to bring the conflicting interests of the concerned individuals into (the neo-classical) balance:

“The firm [...] is a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals [...] are brought into equilibrium within a framework of contractual relations.” (Jensen and Meckling 1976: 311)

“[A] corporation which hitherto had only a *legal existence* in the state of its incorporation, because it was an *invisible legal entity existing only in contemplation of law*, now became an economic *going concern existing in its transactions*“ (Commons 1934/2009: 53)³¹

It is easy to see that this question about organizations as “corporate actors” is precisely about the problem that I just categorized as “a question of metaphysics”: the question about the “*nature*” or the “*essence* of the firm” (Jensen and Meckling 1976: 310). When Commons explains, that a corporation, after the transition that has been diagnosed by him, was *no* longer only an invisible legal entity, which is ontologically present only in the *abstract* way of existing of a legal game rule (“existing only in contemplation of law”), but is now also seen in its *concrete* way of existing as a company, which reproduces itself in its *actual* transactions (“an economic going concern existing in its transactions“), then this is a very fundamental *setting of a course* for the question of how the *business* world works *in general*. The above described problem with Jensen and Meckling on the one side and Commons on the other side ways has the character of a *metaphysical* problem. It is a question of “*Business Metaphysics*”.

In the same way that I already used Alfred North Whitehead as an example to affix the idea of an appropriate “Metaphysics”, it is also possible, in my opinion, to

corporation can? A corporation is simply a artificial legal structure. But the people, who are engaged in it – whether the stockholders, whether the executives in it, whether the employees – they all have moral responsibilities.“ (Friedman 2003).

³⁰Paine has, *admittedly*, made this remark with an ironic undertone and, directly following this, belittled the problem by claiming that it had dissolved in so far as, nowadays, factually all sides demanded CSR, so that the argument was settled “pragmatically” already, but, in my opinion, she underestimates the (indeed) *metaphysical* problem.

³¹The historical background with Commons is a reform of the historical way companies were valued in the eyes of the (tax) law in 1893 in Indiana, which is, however, not particularly relevant for our context.

Table 6.2 Process metaphysics and business metaphysics

	Process metaphysics	Business metaphysics
No. 1	“Creativity”	“Activity”
No. 2	“Events” , “actual occasions”	“Transactions” (“correlates law, economics and ethics”)
No. 3	“Societies” (with “defining characteristics”)	“Going concerns” (with “working rules”)
No. 4	“Events”, “societies” and the whole universe as “organisms” (“Philosophy of Organism”)	“Transactions”, “going concerns” and the whole economy as organisms
No. 5	“Origination” of “value” (“the world as a realm of [...] values, mutually intensifying or mutually destructive”)	Integrity of creating value as a tough challenge

use John R. Commons as an example for an appropriate “*Business Metaphysics*”. Overall, I propose the thesis in this part of the paper, that a “*Business Metaphysics*” in the tradition of Whitehead and Commons presents, *analytically*, an “accurate conceptual framework” which *conceptionally* has a high problem solving potential. Therefore it is *pragmatically* useful for the development of expedient and multidimensional tools for *solving* problems – for example concerning the ethics of management. Referring to Table 6.2 (see above), I would like to sketch the following characteristics:

1. “*Activity*”. At the core of Common’s conception is the question about “the ultimate unit of *activity*” (Commons 1934/2009: 58). As, with Whitehead, the universal fundamental character of the *world* is described by the term “*creativity*“, so Commons calls – metaphorically speaking – the fundamental “stuff” of which the business world is made up “*activity*”. What *really* happens in business are forms of this (business) *activity*.
2. “*Transactions*”. Just like Whitehead metaphysically sees “actual occasions” (“events”, “actual entities”) as concrete occurrences of “creativity”, so the “*transactions*” function, with Commons, as micro-analytical concrete occurrences of “activity”:

“Thus the *ultimate unit of activity* [...] is a *Transaction*. A transaction [...] is the smallest unit of institutional economics.” (Commons 1934/2009: 58)

In this, he makes explicit references to the metaphysics of Whitehead:

“These [...] transactions are to economics what Whitehead’s [...] ,event[s]‘ are to physics.” (Commons 1934/2009: 58)³²

³²That Commons takes a *metaphysical* strategic decision with using this micro-analytical foundation of his economic of institutes can be seen in the numerous parallels he draws in his economics to physics, chemistry, biology and astronomy: “This falls in with an analogy to the recent correlation of the separate sciences of physics, chemistry, and astronomy, by the discovery of a *unit of*

Commons' "transactions" function, accordingly, like Whitehead's "actual occasions". Because of this, it is possible to also describe Commons' position by paraphrasing a Whitehead quote: '*Transactions*' are the final real things of which the *world of economy* is made up.³³ What is metaphysically meaningful in this is that, in the world of economics, it is only these transactions that are *real*. Economic actors exist *economically* in their transactions only, regardless of whether they are individual (manager, consumers) or corporate economic actors (companies). In the same way, economic "laws" or "game rules" only *concretely* exists in corresponding transactions which give life to these "laws". This is because these "laws" or "game rules" remain *abstract* precisely until they reproduce in *concrete transactions*, "become incarnate", *become concrete*.

A further point in reference to Commons' "transactions" is of fundamental importance. "Economic transactions" are, with Commons, no purely economic occurrences. He rather discerns in the *concrete reality* of one individual transaction (at least) *three dimensions*:

"Thus the ultimate unit of activity which *correlates law, economics and ethics* [...] is a transaction." (Commons 1932/1996: 454)

It was exactly this correlation of different dimensions that was the problem from which the classic essay of 1932 departed as its title indicates: "*The Problem of Correlating Law, Economics, and Ethics*". The inherently abstract world of the code of the economic system (\pm pay, or "to pay or not to pay") exclusively shows the economic dimension only, and thus has a *mono-dimensional* character. This abstract *mono-dimensionality* is precisely *not* applicable for *concrete transactions*, however. To illustrate this line of argument by, let us take the simple example of purchasing something at the supermarket till. A straightforward analysis of such a payment process³⁴ already shows, at a minimum, the following dimensions:

- Key word "Economics": The concrete transaction of this payment at the supermarket till is an economic process (in the narrower sense of the word) as its medium is money, and the concrete action of payment actualises the code of the economic system (\pm pay, or "to pay or not to pay")³⁵.
- Key word "Law": The concrete transaction of this payment at the supermarket till also has a legal dimension. This is because there is a legal duty to pay at the

activity common to all of them. Roughly speaking, the former units in physics had been molecules, the units in chemistry had been atoms, the units in astronomy had been planets and stars. And the 'energies' which made these units go were heat, electricity, chemical affinity, gravity. But *nowadays* the *unit common to all of them* is a *unit of activity*, the interaction of corpuscular wavelengths" (Commons 1934/2009: 55). Because we live precisely in *one* and *only* in one real universe, Commons is able to word his basis for a *metaphysical* conceptualization, "how the *economic* world works (in general)", in analogy to Whitehead's cosmological concept of metaphysics, "how *the* world works (in general)".

³³ See Whitehead (1929/1978: 18).

³⁴ The "metaphysical complexity" of such a simple event is described by Searle (1995/1996: 3f)

³⁵ „Zahlen oder Nichtzahlen – das ist [...] die Seinsfrage der Wirtschaft.“ (Luhmann 1990: 104)

super market till if you wish to take home a yoghurt. If someone refused to believe this they would soon be told by the owner of the super market and informed of the unhappy perspective of having the police called in case of non-payment.

- Key word “Ethics“: Lastly our banal supermarket situation also has an ethical dimension. This is because if I were about to try to conceal the yoghurt from the grocery clerk in a bid to escape notice another customer watching this would take moral umbrage to this indecent act.

The concrete “transactions” are precisely “events“in which (at least) three mono-dimensional dimensionswhich are abstract themselvescome together and become concrete (“actual”) only then

3. “*Going Concerns*”. As Whitehead differentiates between “events” (“actual occasions”) on the one hand and “societies” (as “cooperations” or “cooperations” of “events”) on the other, so John R. Commons’ concept of has on the one hand the “transaction” and on the other hand what he calls a “going concern”. Here as well, he explicitly follows Whitehead:

“These going concerns and transactions are to economics what Whitehead’s ‘organic mechanism’ [later called: “society” or “organism”; *M.S.*] and ‘event’ are to physics.“ (Commons 1934/2009: 96) “[T]ransactions [...] are functionally interdependent, and their interdependence constitutes the whole which, following American usage, we name a going concern. [...] This going concern is itself a larger unit, and is analogous to that which in biology is an ‘organism,’ or in physics a ‘mechanism.’ But its components are not living cells, nor electrons, nor atoms – they are transactions.” (Commons 1932/1996: 454)

Metaphysically decisive is here the theory’s strategy to construct “going concern” in a way that only its actual (real) transaction has concrete existence:

“[W]e must perceive that the true unit of economic theory is not an individual but a going concern composed of individuals in their many transactions”. (Commons 1932/1996: 335) It is “*an economic going concern existing in its transactions*”. (Commons 1934/2009: 53)

A further point that is conceptionally important is that the transactions that build up to a “going concern” need a shared characteristic that turns them into transactions of *this* “going concern”. And like Whitehead’s “societies” are marked by a “defining characteristic”, so the “going concern” is, with Commons, *structured* by what he calls “*working rules*”:

“A *going concern* is a *joint expectation* of beneficial bargaining, managerial and rationing transactions, kept together by ‘*working rules*.’ When the expectations cease, then the concern quits going.” (Commons 1932/1996: 454)

4. “*Organisms*”. Commons sees, like Whitehead, all “things” as “events” or dynamic “organisms”:

“Whitehead has observed that the Eighteenth Century method of science had no notion of the *organic unity* of the whole in a changing relation of the parts to the whole. [...] But the mechanism [*of an ‘organic unity’ or an ‘going concern’*] itself is ‘*organic*’ in that it is a kind of prolonged *interweaving* of changing events [*or ‘transactions’*], having, as Whitehead says, a past, a present realization, and a future life in its present events.” (Commons 1934/2009: 619)

This “organic” character shapes all sorts of things on earth. In the same way that human beings are born, grow, age and die, so companies – Commons’ “going concerns” –, too, can be “born” (emerge), they can grow, they can shrink or “die”. Organizations are *not* “*simply legal fictions*” (Jensen and Meckling 1976: 310), they are *not* invisible legal entities existing only in contemplation of law, but “*economic going concern[s] existing in its transactions*” (Commons 1934/2009: 53). Viewed as actualities, organizations are – we remember Wittgenstein’s metaphor cited above – “threads” existing in the ongoing “spinning” of “fibres” (“transactions”).

5. *Creating “Value”*. Just like Whitehead’s “Process Metaphysics” had already shown a *cosmological* concept of “Creating Shared Value”, it can also be said, now, for “Business Metaphysics”: The concept of “Business Metaphysics” *is* a philosophy of “Creating Shared Value”, too. In contrast, however, to Porter and Kramer, it does not pretend that just by labeling the concept with the slogan “Creating Shared Value”. The all-deciding question of *how exactly* this origination of *shared* value in the context of the numerous *tensions* between economic and social value creation in everyday business can be achieved concretely, has been answered already.³⁶ Porter and Kramer simply *conceal* this *tough task* in their “presumed” “prerequisites”. Such kind of assuming away the “messiness” of real-world business is simply not adequate to reality, namely to the poly-dimensional world of business in which there is no “presumed” harmony between economy and ethics on the level of operative management. As Lynn Sharp Paine has rightly argued:

“The supposed alliance between ethics and economy is highly contingent. It depends both on how ethical behavior is defined and on the surrounding social and institutional context. [...] It is naïve to think that ethics pays any time and any place.” (Paine 2000: 325f)

Undoubtedly, it is always desirable to seek “win-win” opportunities and to create “*shared* value”. But there is simply no evidence that there is always a “business case” for “Creating Shared Value”. As David Vogel writes on the question as to whether there is a business case for virtue in the following:

“Unfortunately, a review of the evidence, including academic studies of the relationship between profitability and responsibility [...], finds little support for the claim that more responsible firms are more profitable.” (Vogel 2005/2006: 45)

³⁶“Porter and Kramer claim to ‘move beyond’ any such trade-offs, largely by (it would seem) ignoring them. While seeking win-win opportunities is clearly important, this does not provide guidance for the many situations where social and economic outcomes will not be aligned for all stakeholders.” (Crane et al. 2014a: 136).

To be sure, this does not mean that there is no business case for virtue at all. Thus, Lynn Sharp Paine continues her just-quoted thoughts on “contingency”, the “alliance between ethics and economy“, as follows:

“It is naïve to think that ethics pays any time and any place. It is also naïve to suppose that the two cannot be brought into a closer alignment.” (Paine 2000: 325f.)

And David Vogel adds:

“[T]his does not mean that there is no business case for virtue.” (Vogel 2005/2006: 45)
 “CSR [...] makes business sense for some firms in some areas under some circumstances.”
 (Vogel 2005/2006: 3)

The contingency in the relation of creating economic value and creating societal value is precisely the point at which Business Ethics comes into the equation. There simply is no clean “reality” of a capitalistic “magic”. Every problem-oriented and useful theory has to face the “messy” and *challenging* stuff of an ethical integrity of everyday business. A “Business Metaphysics” which takes its point of departure from Whitehead’s “Process Metaphysics”, does *not* look at the universe or the economy through rose-tinted spectacles.

6.3 Business Metaphysics on “Creating Shared Value”. Three Observations

With the metaphysical equipment of Sect. 6.2, I would like to continue the critique of the concept of Porter and Kramer with three further observations.

6.3.1 “Creating Shared Value” and the “Fallacy of Misplaced Concreteness”

In my hypothesis II (Sect. 6.1) I argued that the conceptual strategy of Porter and Kramer to declare “compliance with laws and ethical standards” as a “prerequisite” to their concept to be nothing more than a sleight of hand. I continue this by arguing for the thesis that the deeper root of this sleight of hand is in a metaphysical fallacy that Alfred North Whitehead calls the “Fallacy of Misplaced Concreteness”:

“There is an error; [...] it is [...] the [...] error of mistaking the abstract for the concrete. It is an example of what I will call the ‘Fallacy of Misplaced Concreteness.’” (Whitehead 1925/1967: 51)

Whitehead himself addressed this fallacy in the context of the physical mechanics of the Early Modern Era.³⁷ I myself would like to illustrate the fallacy with a

³⁷This is about how “matter” can be imagined. As already quoted above, Newton assumed that matter consists of “solid, massy, hard, impenetrable, moveable Particles” (Newton 1730: 375

further simple example: the traffic rule “stop at a red traffic light!” which is as such still *abstract*. It only gains *concrete reality* when people actually stick to it in their concrete behavior, when they really suspend their action of driving³⁸. This is because what happens *concretely* at the *actual* red traffic light is significantly more “colourful” (poly-dimensional) than the “clean” *abstract* world of mechanic, and thus perfect, rule following: Some drivers stop indeed; others do not notice the red traffic light as they are daydreaming; others ignore it intentionally because their individual interest to get from A to B quickly takes precedence in this situation. If, however, you only focus on the *abstract game rules*, i.e. here on the *abstract* model of a traffic regulation system, all these possibilities of the concrete and “messy” reality will remain invisible. As Whitehead recognized:

“The disadvantage of exclusive attention to a group of abstractions [...] is that [...] you have abstracted from the remainder of things. In so far as the excluded things are important [...], your modes of [*abstract*] thought are not fitted to deal with them.” (Whitehead 1925/1967: 59)

Whitehead proposed while facing the “Fallacy of Misplaced Concreteness” the thesis that it is precisely here where the important job of *philosophy* or, respectively, of *metaphysics* begins:

“You cannot think without abstractions; accordingly, it is of the utmost importance to be vigilant in critically revising your modes of abstraction. It is here that philosophy finds its niche as essential to the healthy progress of society. It is the critic of abstractions.” (Whitehead 1925/1967: 59) So, considering “the ‘fallacy of misplaced concreteness’ [...] [i]t is the office of metaphysics to determine the limits of the applicability of such abstract notions.” (Whitehead 1929/1978: 93)

[Book III]). Accordingly, he imagined these “particles” as “billiard balls”, which are only affected in terms of their location: As a “billiard ball” a “particle” or an atom can mechanically be pushed around in space – in Newton’s words: it’s “moveable” – and therefore changes its location, but in itself the “particle” isn’t affected by anything else – it’s “solid, massy, hard, impenetrable”. Whitehead calls this notion the fallacy of “*simple location*” (e.g. Whitehead 1925/1967: 49). By that, he means that it’s *simply* the *location* that constitutes a relation to other things, but in itself the “billiard ball” doesn’t change its nature. With a physical *mechanics* that is conceptualized like this, physicians – and, by extension, technicians – were able to work very well: “This is the famous mechanistic theory of nature, which has reigned supreme ever since the seventeenth century. It is the orthodox creed of physical science. Furthermore, the creed justified itself by the pragmatic test. It worked. Physicists took no more interest in philosophy.” (Whitehead 1925/1967:50) It worked for certain purposes, but it turned out that scientifically it was wrong. There are no immutable “billiard balls”, but fluent energetic events. The “mechanistic theory of nature” turned out to be an *abstraction* of the real and *concrete world* which we now know through quantum mechanics. This concept of “particles” and the “mechanistic theory of nature” is therefore “an example of what I will call the ‘Fallacy of Misplaced Concreteness.’”

³⁸“Habit” is an important term in Whitehead’s philosophy. Like Charles Sanders Peirce, who spoke of “the laws or habitudes of nature” (Peirce 1893-1913/1998: 53), and William James, who saw “the laws of nature” as “habits” (James 1909/2008: 79), Whitehead gave his “occasions” metaphysical priority and regarded the natural laws as consequent “habits of nature”: “People make the mistake of talking about ‘natural laws.’ There are no natural laws. There are only temporary habits of nature.” (Whitehead in: Price 1954/2001: 363). So, the so-called “laws” of nature are not completely fixed but in fact “widespread habits of nature” (Whitehead 1936/1968: 154).

Bearing in mind, too, the pertinent conceptualization of economics, it is fundamentally important to avoid the “Fallacy of Misplaced Concreteness”, that is to understand that *concrete reality* is only granted to *actual moves in the game*, or respectively *transactions*. Those which *really* happen are only *concrete moves in the game*. Without these moves, the rules of the game would remain *abstract*. The abstract *rules* of the game only attain empirical reality in the “habits” of the players (moves in the game). Methodologically controlled *abstractions* are useful and unavoidable in the scenes, but it is important to always consider additionally that they are abstractions and *not concrete* reality itself. It is of course necessary to analyse scientifically the rules of the modern economic system, but these rules are as such *abstract* ones, only the real transactions are *concrete*. And without doubt it is useful to see a corporation through the lens of law in its legal existence, but – again – this is an abstraction because what is concrete is “an economic *going concern existing in its transactions*“ (Commons 1934/2009: 53)³⁹

If we now look at the concept of “Creating Shared Value” by Porter and Kramer through the lens of the “Fallacy of Misplaced Concreteness”, hypothesis V emerges:

Hypothesis V: The strategy of Porter and Kramer to “presume compliance with the law and ethical standards” *wants* to get into the “comfortable” position to present a purely economic (*one-dimensional*) “solution” to all the “messy” problems of the manager’s daily business. This *intentional* ignorance towards the concrete and *poly-dimensional* (“messy”) actuality of the real economy is exactly the “Fallacy of Misplaced Concreteness”.

In contrast to this, Business Ethicists have been pondering, with reference to the term “*Corporate Social Responsibility*”, the question about *how exactly* it would be possible to solve all these “messy” problems of the manager’s daily business, *how*,

³⁹In addition it should be said, however, that there is, besides the “*Fallacy of Misplaced Concreteness*” also the opposite fallacy: the “*Fallacy of Disregarded Abstractness*”. In how far? On the side of the *abstract* (the ideals, the concepts) is, firstly, the *abstract idea* of a market system (invented by Adam Smith or whoever else), on the other side is the concreteness of the *real* events, the *concrete* transactions from the simple act of shopping at the supermarket till up to introducing the *Apple iPhone* to the market in 2007. *Concrete reality* is only gained by the abstract concept of the market system when real people in their economic transactions actually go by these *abstract ideas* and make it their habit to play by its rules. Nevertheless, the invention of the abstract market system is a societal achievement of the first order. This is because humankind’s ability to leave the narrow frame of the antique idea of “household management” (οἰκονομία) and to put their trust into an (in itself) *abstract* market mechanism, and so allow themselves to be led in their *actual* moves or transactions by the rules of the game of this (in itself) *abstract* economic system (market competition) at least partially – an economic system that has, as a “discovery procedure” (Friedrich August von Hayek) brought forth an enormous economic growth. This is where the “*Fallacy of Disregarded Abstractness*” comes into play: here, the concrete reality is not ignored (as with the “*Fallacy of Misplaced Concreteness*”), but it is not seen, for example, that the enormous, hunger-overcoming processes of growth of Western capitalism are productive effects of the (in itself) *abstract market system*. In parallel to Whitehead’s definition of the “*Fallacy of Misplaced Concreteness*” the “*Fallacy of Disregarded Abstractness*” can be defined as follows: *There is the error of ignoring the abstract. This error can be called “the fallacy of disregarded abstractness”* (These phrases are my staff member Christoph Wagner’s.).

Table 6.3 Type of situations and concepts

Type of situations	Concept
Win-Win Situations (“Shared Value” Situations)	“Creating Shared Value”
“ Dilemma Situations”	“Corporate Social Responsibility”
“ Contingency Situations”	“Corporate Social Responsibility”

then, profitability and responsibility could be brought “into a closer alignment” (Paine 2000: 325f.). In simply “*presuming*” or “*assuming*” the compliance of business with moral standards, Porter and Kramer are indeed doing a “kind of cherry-picking” (Crane et al. 2014b: 152): they concentrate only on the desirable “win-win” situations (“shared value” situations) and they disregard the “messy stuff” of all the difficult moral-economic “*dilemma* situations” – situations in which ethics costs – or “*contingency* situations” – situations in which it is contingent if ethics will pay or cost. Hence they leave the imperfect situations to the old-fashioned guys of “Corporate Social Responsibility” – the Business Ethicists, as Porter says, out of “the CSR bucket”⁴⁰. So, it seems that Table 6.3 shows this intended division of labor:

The crucial point is that the *actual* reality of daily business consists of all *three* types of situations, so not only of the enjoyable “win-win” or “*shared value* situations”, but also of difficult and “messy” “*dilemma*” and “*contingency* situations”. To only cherry-pick the “win-win situations”, is an abstraction of *actual* reality and thus falls in the category of the “Fallacy of Misplaced Concreteness”. To avoid the “Fallacy of Misplaced Concreteness”, both economists and ethicists will have to learn to live with “messy” realities:

“As I see it, the economics profession went astray because economists, as a group, mistook beauty, clad in impressive-looking mathematics, for truth. [...] [E]conomists will have to learn to live with messiness.” (Krugman 2009)

“What is important is that practical problems, unlike the idealized thought experiments of the philosophers, are typically ‘messy’. They do not have clear-cut solutions.” (Putnam 2004/2005: 28ff.)

6.3.2 “Creating Shared Value” and the Ontology of the Moral Dimension

My main criticism of Porter and Kramer’s concept comes out of the fact that they simply presuppose the “compliance with ethical standards”, and thus presuppose the moral integrity as a prerequisite for their approach. While doing so, they

⁴⁰Porter (2012), 00:07:37 min. This term in itself shows that Porter and Kramer work with a caricature of “Corporate Social Responsibility” which they only build up as a “straw man” (Beschoner 2013: 109).

externalise the *moral-economic* challenge. This externalisation naturally leads to a *subjectivisation* of moral demands: Porter and Kramer are leaving the moral-economic problems to the individual *subjects*, mainly the managers. This strategy of *subjectivising* morals rests, from the point of view of my “Business Metaphysics” on a metaphysical error regarding the ontological status of the logic of modern ethics, the ethical *logic of impartiality*, which, in my opinion, is *not* “ontologically *subjective*”, but “ontologically *objective*”.

The differentiation between “ontologically *subjective*” and “ontologically *objective*” is of decisive importance for the argument of this paragraph. I adopt this useful term differentiation from the philosopher John Searle (Searle 1995/1996; 2010/2011). Searle developed a concept called “Social Ontology” – which he considers to be a part of “the metaphysics of [...] social relations.” (Searle 1995/1996: 3) In general, ontology deals with the question of what the big categories of existence are, in short: “ontology (what exists)” (Searle 1998/1999: 5). Traditionally, there are three categories: the *physical* (atoms, molecules, stones, bodies, planets, galaxies etc.), the *mental* (minds, thoughts etc.) and the *abstract* (numbers, logic etc.) ones. On the back of this differentiation, Searle adds one more category to these traditional ones: the category of the “*social*”.

“[T]he puzzling character of social ontology is [...] an apparent paradox in our understanding of social reality. We make statements about social facts that are completely objective [...]. And yet, though these are *objective* statements, the facts corresponding to them are all created by human *subjective* attitudes. An initial form of the paradox is to ask, How is it possible that we can have factual *objective* knowledge of a reality that is created by *subjective* opinions?” (Searle 2010/2011: ix)

A typical example of this “Social Ontology” is money: money is something that does not occur naturally, but was created by us humans, i.e. by human *subjects* (out of nothing) – but money is nevertheless an *objective* reality.

“[A] type of phenomenon is money only if we think it is money [...], only if it is accepted as money.” But: “How can there be an objective reality that is what it is only because we think it is what it is?” (Searle 1998/1999: 112f)

Money *objectively* is money because we *subjectively* think it is money. More precisely: Social entities like money are “*ontologically subjective*” (“we think it is money”; “it is accepted as money”) but “*epistemically objective*” (it “is money”).

We do not have to go further into this riddle of “Social Ontology” at this point. Within the framework of this paper only the combination of the terms “*ontologically*” and “*epistemically*” as well as the combination of “*subjective*” and “*objective*” are of interest. In Table 6.4 I apply these combinations of terms to the *economic* and *moral* dimensions of business and examine how these two dimensions are reflected in three different conceptualizations: in Porter and Kramer’s concept of “Creating Shared Value”, in Josef Wieland’s concept of “Governance Ethics” and in my own concept of “Business Metaphysics”.

If we apply these distinctions to the view on the *economic* and *moral* dimension of the operative management (daily business) in three distinct concepts of Business Ethics, we acquire the following table (in my view):

Table 6.4 The ontology of economic and moral dimension of business

	“Creating Shared Value”	“Governance Ethics”	“Business Metaphysics”
<i>Economic dimension</i>			
Ontologically...	Subjective	Subjective	Subjective
Epistemically...	Objective	Objective	Objective
<i>Moral dimension</i>			
Ontologically...	Subjective	Subjective	Objective
Epistemically...	Subjective	Objective	Objective

If we look at first at the *economic* dimension of daily business, we can see that there is a consensus between the three conceptualizations. All three conceptualizations explain the *economic* dimension as

- “*Ontologically subjective*”: the system of modern capitalism (markets; competition; money; firms etc.) is not a natural (“ontologically objective”) thing, but our invention (“we think that ...”), and as
- “*Epistemically objective*”: there *is* market competition, this *is* indeed money, it’s objectively true that this firm *is* a firm and so on.

This consensus however dissolves when we look at the *moral* dimension. Regarding this, the three conceptualizations have different positions.

(a) The problem of the *ontology* of the moral dimension is about the question as to whether this moral dimension is an *invention* of humankind (which would make it “ontologically subjective”) or whether the moral dimension is, at least in some ways, something that we do not simply make up, but that we *discover* as something that is objectively given.

(b) In relation to *epistemology* it is about the question as to whether – first option – the moral dimension is an *objective* part of the situation with which managers are confronted in daily business, and thatv they should therefore, if they are competent, be able to *recognize* this moral dimension which can *objectively* be seen (and can be dealt with, too), or whether – second option – a moral dimension of the situation *does not have to be recognized* because it does *not objectively* belong to the given situation and hence the business of executives can limit itself to creating “value” – “economic value and/or “societal value”) – without having to take into account moral “values”.

1. “*Creating Shared Value*” (Porter and Kramer).

(a) *Ontology*. In relation to the *ontology* of the moral dimension the difficulty is here, that Porter and Kramer are not explicitly dealing with the moral dimension or *moral* values as such (the terms “moral” or “morality” do not appear at all, the term “ethical” only appears twice). Solely the term “*societal* value” (Porter/Kramer 2011:67)⁴¹ is used. Therefore, we can conclude that Porter and Kramer categorize

⁴¹ Porter and Kramer (2011: 67) “Companies can create economic value by creating societal value.”

moral values as “ontologically *subjective*”, as they are *subjective* values or preferences of the members of *society*.

(b) *Epistemology*. As discussed earlier, the concept “*presumes* compliance with the law and ethical standards” (Porter and Kramer 2011: 75). The whole issue of moral values is outsourced into the preliminary stages of the conceptualization so that, *within* the strategy of “Creating Shared Value”, it is only about producing *economic* value and “*societal* value”. Genuine *moral* values do not play a role here anymore – and they do not cause a disturbance either. Rather, the whole task of executives can be reconstructed by using the *economic* premise of *self-interest*:

“Creating shared value [...] is [...] *self-interested* behavior to create economic value by creating societal value.” (Porter and Kramer 2011: 77)

So, *within* the concept of “Creating Shared Value” the moral dimension of the *moral-economic* management problem is ignored because the concept simply leaves this problem to the individual *subjects*, that is to the executives. (Crane et al. 2014b: 152) The moral dimension is epistemically categorized as a purely subjective matter (“epistemically *subjective*”).

2. “Governance Ethics” (Josef Wieland).

(a) *Ontology*. In Wieland’s “Governance Ethics” the moral dimension is conceptualized clearly as “ontologically *subjective*”. Moral values are not discovered but created or invented by human *subjects*:

“From the standpoint of Governance Ethics it is the task of philosophy to create normatively justified values and guiding principles for society, to stockpile them and to feed them into social discourses.” (Wieland 2014: 99) So: “Values are *statements* about what is desirable and are part of the moral culture of a society [...]. They express what is valued in a society”. (Wieland 2014: 162)

Values are a *creation* or an invention of mankind. Moral values are values because people *think* that certain things are ethically desirable. The moral dimension of a management problem is also seen as “ontologically *subjective*”. This is different, however, for the epistemic dimension:

(b) *Epistemology*. According to Wieland, a good executive has to have the ability to recognize or to perceive the moral dimension as an *objective* or inherent feature of the genuine management problem:

“[M]orality [...] should not only be conceived of as [...] generated externally, from outside the economy. It should also be seen as one (and only one) of the elements of decision programmes on resources internal to the economic organization, which, in its allocational effects, must be set in relationship to the other logics, for example the economic or legal logics of the company.” (Wieland 2014: 11)

As a result, an effective management requires the capability of (what Wieland calls) “*polylinguality*”.

“[P]olylinguality is the essence of leadership excellence.” (Wieland 2014: 11)

The moral as well as the economic or legal logics are conceived as “epistemically *objective*” features of the genuine management problem.

3. “*Business Metaphysics*” (my own research program).

(a) *Epistemology*. The concept of “Business Metaphysics” completely agrees with Wieland’s “Governance Ethics” in relation to the “*epistemological objectivity*” but disagrees with regard to the *ontology* of the moral dimension.

(b) *Ontology*. “Business Metaphysics” claims that the logic of *modern* ethics, the ethical logic of impartiality, is *not* “ontologically *subjective*”, but “ontologically *objective*”. This requires a more lengthy explanation, and a philosophical or metaphysical justification.

To anticipate a potential misunderstanding first, I would like to point out in advance that the following is *not* about some *specific* moral demands, which, say, a “God” has arbitrarily commanded to humankind and to which he now demands obedience (for example to sacrifice Isaac, to stone adulteresses, or to crash planes into the World Trade Center). Such contingent demands would be precisely “ontologically *subjective*”, because a *subject* – in this case admittedly a divine subject, but nevertheless a *subject* – is the originator of the arbitrary moral demand. What the following is about, is the logic of modern ethics, that is the *ethical logic of impartiality*. Now, the standard view concerning modern ethics holds that the logic of morality is a human *invention* – “ontologically *subjective*” and *not* an *objective* “part of the fabric of the world” (Mackie 1977/1990: 24). The representatives of the ethical mainstream assume that there is *no objectively* existing ethical logic, and thus *no discovery* of an *objective* moral “truth” either. The philosopher John Leslie Mackie writes concisely:

“There are no objective values.” (Mackie 1977/1990: 15)

Thus, the subtitle of Mackie’s book also speaks of “*Inventing Right and Wrong*”. Equally concisely, the expert on the theory of justice John Rawls informs us:

“[T]here are no moral facts.” (Rawls 1980: 519)

The physicist and Nobel Prize winner (1979) Steven Weinberg accordingly sees things like this:

“*There is a moral order*. It is wrong to torture children. And the reason it is wrong to torture children is *because* I say so. And I don’t mean much more than that. I mean that not only I say so, John says so, probably most of us say so. But it’s *not a moral order out there*. It is something we *impose*.” (Weinberg 1999)

The (double) message of Weinberg’s is, accordingly: The universe “out there” is *objectively without* meaning or moral logic. The only ones who are able to bring a “moral order” into the world are we ourselves (“because *I* say so”; “most of *us* say so”; the “moral order [...] is something *we* impose”).

I would like to defend the thesis now that this position of the authors named above is only half the truth. Granted, Weinberg is completely right when he points out that we – and we alone – are the ones being able to balance the reasons for and against, and that it is also us who then have to formulate moral sentences and who have to agree on moral game rules. But at the same time – and this is the thesis here – there is an *objective logic of the moral discourse*, an *objective logic of impar-*

tiality, because it is *not* up to us to impose any ethical *logic* we want. The logic of modern ethics, the *logic of impartiality is ontologically objective*. To put it more philosophically: I agree with Weinberg's "because I say so" in an *epistemological* sense, but *not* in an *ontological* sense.

Well, what is more I draw here on a – in my view – remarkable book: “*The View from Nowhere*”, written by the philosopher Thomas Nagel (Nagel 1986). This book is about a single, but very comprehensive problem, the problem of “*objectivity*”.⁴² Finally, it is a book on the possibility of scientific *objectivity* and *objective truth* in science and in ethics.

(a) *The “objective” point of view in natural sciences*. To illustrate this point just with a small example, I go back to a problem that was topical at the beginning of the Early Modern Era: whether the sun orbits the earth, or rather the earth orbits the sun. When we watch a sunrise, we get a very clear *subjective* impression: the sun moves while the earth remains completely still. Judging from this *subjective* impression the conclusion is that the sun orbits the earth! When we now try to *transcend* this narrow subjective view and take a broader perspective – for example a point of view at a certain distance to our solar system – then we can establish that our first subjective impression deceived us and that, in truth, the earth orbits the sun. This *broadened* point of view is more “objective” than the first subjective impression.

Objectivity “requires a detachment from particular perspectives and transcendence of one’s time and place.” (Nagel 1986: 186f)

(b) *The “objective” point of view in ethics*. The logic of the ever greater objectivity applies, according to Nagel, also to ethics:

The problem of objectivity “is the most fundamental issue about morality”. (Nagel 1986: 3)

This point of view, to see the ethical problem as a problem of ever greater objectivity, is not new. It stands for the *modern* view of ethics in general. It would be possible, of course, to refer the reader to Immanuel Kant at this point. But as my paper deals with an economic concept, I would like to quote the classic of early economics: the moral philosopher Adam Smith. This is because it is possible to see Smith’s figure of the “impartial spectator” as a conceptual predecessor of Nagel’s “View from Nowhere”. Smith wrote:

“We endeavour to examine our own conduct as we *imagine* any other *fair and impartial spectator* would examine it [...] placing ourselves in his situation” (Smith 1759/1790/2009: 133)

When we construe this theory of the “*impartial sympathetic spectator*” or “ideal observer theory” a bit more formally, it can be described as follows:

⁴²“This book is about a single problem: how to combine the perspective of a particular person inside the world with an objective view of that same world, the person and his viewpoint included. It is a problem that faces every creature with the impulse and the capacity to transcend its particular point of view and to conceive of the world as a whole. Though it is a single problem, it has many aspects.” (Nagel 1986: 3).

“The main idea is that ethical terms should be defined after the pattern of the following example: ‘x is better than y’ means ‘If anyone were, in respect of x and y, fully informed and vividly imaginative, impartial, in a calm frame of mind and otherwise normal, he would prefer x to y’.” (Brandt 1959: 173)

The view of this “impartial sympathetic spectator” is an *objective* one. Of course, in Smith’s theory this “Spectator” is a *fictitious* figure (“as we *imagine*” this spectator), but his ethical *logic* is *objectively* given. Smith puts this a bit more poetically:

“[...] the supposed impartial spectator [...]. If we place ourselves completely in his situation, if we really view ourselves with his eyes [...], his voice will never deceive us. We shall stand in need of no casuistic rules to direct our conduct.” (Smith 1759/1790/2009: 268)

If we really *could* “view ourselves with his eyes”, if we really *could* hear the voice of this fictitious figure, then his voice would “never deceive us”, that is: this voice would speak the *truth* – the *objectively* given *moral truth of impartiality*. We are *not* this person, and we *cannot really* take on his comprehensive point of view, but the *direction* in which our imagination of the ethical logic must lie is *objectively* given.

The view of this “impartial sympathetic spectator” is Thomas Nagel’s “View from Nowhere” (insofar as this view is an ethical one):

“What really happens in the pursuit of objectivity is that a certain element of oneself, *the impersonal or objective self*, which can escape from the specific contingencies of one’s creaturely point of view, is allowed to predominate.” (Nagel 1986: 9)

Nagel’s “impersonal or objective self” has the same function in ethics as Smith’s “impartial spectator”.

“[E]thics [...] requires a detachment from particular perspectives and transcendence of one’s time and place.” (Nagel 1986: 186f)

This so-called “transcendence” is Nagel’s “View from Nowhere” – “from *nowhere*” because for Nagel as a self-declared atheist there is actually no “God” viewing the universe from “*somewhere* above”. And so, the “View from Nowhere” is not a real person, but only the given *logic of ethical objectivity*.⁴³

“Objectivity is the central problem of ethics. Not just in theory, but in life.” (Nagel 1986: 138)

“We begin with a partial and inaccurate view, but by stepping outside of ourselves and constructing and comparing alternatives we can reach [...] a higher level of objectivity.” (Nagel 1986: 140)

⁴³ Although the ethical validity of this theory does not, therefore, depend on the actual existence of a *real* ideal observer – or “*ideal feeler*” (Griffin 2001: 316) –, theistic ethics holds, *ontologically*, the “notion of God, which is simply the ideal observer regarded as actual.” (ibid.: 314 f) So, in a theistic universe, God is the actual representation of the moral ideals.

According to Nagel this logic of impartiality – the logic of the “View from Nowhere” – is *objectively* real.⁴⁴ It is not up to us to impose any ethical logic we want – just like the logic of mathematics:

“[I]t seems that we’re not free to impose any mathematics or any logic we want.” This “isn’t something we can just make up or decide.” (Putnam 1979: 238)

If things are in ethics like they are in mathematics, then, in both cases a non-arbitrary logic is *objectively given* which can be labelled as “*normative realism*”:

“Normative realism is the view [...] that there are reasons for action, that we have to discover them”. (Nagel 1986: 139)

The logic of impartiality is precisely *different* to, say, musical creations: Johann Sebastian Bach created “*Die hohe Messe in h-moll*” and The Beatles created “*Penny Lane*” – but they could just as easily have done otherwise. Maybe mankind invented numbers (I doubt it) – but as soon as some numbers had been invented, the *logic* of numbers was *objectively* given. There were no choices left to make.⁴⁵ This is the case, too, with the ethics of impartiality. It is therefore not surprising that this ethical logic of impartiality is still presupposed by all major contemporary ethical concepts. For example, the “original position” with its “veil of ignorance” (in John Rawls’ “Theory of Justice” or in John Harsanyi’s utilitarianism) is actually an equivalent of this “ideal observer” or the “View from Nowhere”.⁴⁶

Hypothesis VI: The logic of modern ethics – the logic of the “impartial spectator” (Adam Smith) or the “View from Nowhere” (Thomas Nagel) – is ontologically *objective* (“moral realism”; “normative realism”). In other words: This logic of *modern* ethics has the structure of a hypothetical “*God Simulation*”.

Two more remarks on my term “*God Simulation*”:

(a) The term “God” is used here independently of the question as to whether such a God does indeed exist, or whether he does not. In our context, this “God” or “impartial spectator” is used as a *fictitious* figure, which signifies only the *methodology* of the logic of impartiality: precisely Nagel’s “detachment from particular perspectives and transcendence of one’s time and place”. (b) All we can do is a “*God Simulation*”. Theists (like me), too, have no other option than to decide for *themselves* whether a moral norm can be seen to be fair and impartial or *not*. They, too, do not “own” moral truth with certainty (as they are not “God”) and have to posit

⁴⁴In response to John Leslie Mackie’s “argument from queerness”, that “objective values [...] be entities [...] of a very strange sort” (Mackie 1977/1990: 38), Nagel insisted repeatedly “that realism about value is not a metaphysical postulation of extra entities or properties” (Nagel 2012: 105).

⁴⁵This was Karl Popper’s view: “[M]en may have invented the natural numbers [...]. But the existence of prime numbers [...] is something we discover.” (Popper 1974/2002: 216) So, even if numbers are an invention (according to Popper), the “[l]ogical relations [e.g. *between numbers*] [...] are [...] timeless” (ibid: 216). In contrast to Popper, I do think that we not only discover the logical relations between numbers, but we also *discovered* the natural numbers themselves – not as Platonic ideas (as ultimate actualities), to be sure, but as a realm of *possibilities*.

⁴⁶See Rawls (1971: 185ff.) But, in contrast to Rawls, I don’t think that a rational and impartial spectator necessarily leads to utilitarianism.

hypotheses – like everyone else, too – *themselves* on what is morally acceptable and what is *not*.⁴⁷ I am thus not asserting objectivity in an epistemic sense. None of us “owns” moral truth with certainty after all, and so I explicitly agree with Weinberg’s “because I say so” (cited above) in an *epistemological* sense. But I disagree *ontologically*. This is why “Business Ethics” categorises the ontological status of the moral dimension in Table 6.4 as “*objective*”.

6.3.3 “Creating Shared Value” as Supernaturalistic “Theology”

Porter and Kramer are promoting a “magic of capitalism” that is allegedly “Moving Beyond Trade-Offs”.

By “Moving Beyond Trade-Offs” (Porter and Kramer 2011: 74) the “concept of shared value resets the boundaries of capitalism” (Porter and Kramer 2011: 77) and promises a ‘win-win’ world of a “reinvent[ed] capitalism” (Porter and Kramer 2011: 73) that “unleash[es] a wave of innovation and growth” (Porter and Kramer 2011: 73). In short: With “Creating Shared Value” “you have the magic of capitalism at work.” (Porter 2012)

From the point of view of my “Business Metaphysics” this is a “crypto-theological” promise of a salvation “beyond”, of a “supernaturalistic” place where the “magical” capitalism of “Creating Shared Value” could be practiced, if not automatically, then at least unburdened by the “messy” problems of real-world business.

“At its worst, the ‘shared value’ concept becomes a kind of Happy Land in Business dream, in which [...] clever managers can always effect a ‘win-win’ outcome for profit and values. The land of sugar and honey, perhaps, but not the land of real-world business.”⁴⁸

This biblical phrase (e.g. Ex 3,8: the promised land “flowing with milk and honey”; by the way: not “sugar”, but “milk”) reminded me of a theological difference concerning the question of how value creation actually works:

Traditional theism (e.g. Thomas Aquinas) described God as “actus purus” or “summum bonum” and therefore claimed that the transcendent God is the eternal actualisation of all possible value(s).

According to the Process Philosophy of Alfred North Whitehead this concept of traditional theism is mistaken about the way how the actualisation (creation) of value actually works:

“[I]n abstraction from actuality, the eternal activity is divorced from value. For the actuality [our universe] is the [actual] value.” (Whitehead 1925/1967: 105) Apart from the actual world “God” only includes “all *possibilities* of physical value *conceptually*” (Whitehead 1926/2007: 153).

⁴⁷This search for what is ethically right connects them to “all people of good will”.

⁴⁸One of the anonymous reviewers for Crane et al. (2014a); cit. Crane et al. (2014b: 153).

So, Whitehead's metaphysical hypothesis concerning the question of how the world of value creation (actualization) works in general, holds that value is not created in paradise or heaven, but only here on earth (or somewhere else within the universe). And the crucial point – as shown in 2.4.1 (5) – is that our universe is a finite world where generally we have to expect a lot of trade-offs. So, in creating value there is no simple “Moving Beyond Trade-Offs”.

Hypothesis VII: In real-world business there is no simple “Moving Beyond Trade-Offs” of creating value. Porter and Kramer are promoting a kind of crypto-theological promise of a redemptive supernaturalistic “land of milk and honey” “beyond” the messy problems of real-world business.

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Josef Wieland *Editor*

Creating Shared Value – Concepts, Experience, Criticism

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Creating Shared Value – Concepts, Experience, Criticism

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Over the last years, “Creating Shared Value” has become a much discussed concept in business practice as well as in management theory and especially in the context of corporate social responsibility. This book offers a contribution to the current academic discussions on the well-received article of Michael Porter and Marc Kramer in *Harvard Business Review* in 2011. In the light of the increasing references to the shared value concept, it develops a critical discussion on its fundamentals and its implications for the relationship between economy and society. By that, the book seeks to shed light on the understanding of the role and the nature of the firm in a globalized economy. The result is a collection of interdisciplinary academic reviews which offer interdisciplinary reflections on “Creating Shared Value” to illuminate theoretical, conceptual, and practical challenges of the topic. Within the fields of business ethics, theory of the firm, management, and philosophy, researcher, students, and practitioners will be given a deeper insight on how to approach the concept in a conceptual and philosophical way.