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## ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

Moral judgement is not a luxury, not a perverse indulgence of the self-righteous. It is a necessity. . . . Morally as well as physically, there is only one world, and we all have to live in it.

—Mary Midgley<sup>1</sup>

What is most important is that management realize that it must consider the impact of every business policy and business action upon society. It has to consider whether the action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength, and harmony.

—Peter Drucker<sup>2</sup>

### LEARNING OBJECTIVES

Upon completion of this chapter, you should be able to:

- 3.1 Assimilate the basic practical frameworks for ethical deliberation and the DRJ formula for ethical reasoning.
- 3.2 Discuss the concept of corporate social responsibility.

In the last chapter, we presented the three basic responsibilities of the modern corporation and its managers: *to create wealth through the efficient allocation of resources*; *to follow all relevant and just laws*; and *to observe ethical principles or standards of conduct*. We also discussed the need for ethical reasoning in order to accommodate legal and policy vacuums. But what exactly is ethics? Many people have a vague notion about the meaning of ethics and often reduce ethical standards to social conventions or cultural norms. So before we discuss ethical principles such as justice, we must come to terms with this more fundamental question.

According to Aristotle, ethics is an applied science. It is a science because it entails knowledge, and it is an applied science because of its concern with the application of abstract normative principles to concrete situations. Thus, the object of ethics is both knowledge and action. The person who wants to be moral must know what is morally right and do it. Similarly, the violinist or pianist must know her music and translate that knowledge into a good performance. She aims to be a competent musician who is good at what she does. Morality is different from other areas of knowledge and action (such as music) because the aim is to be a good person, someone who knows the right choices and acts in the right way.<sup>3</sup>

Ethics is a practical discipline because it inspires us to evaluate our conduct by making prescriptive judgments about what ought to be done. Ethics of this type, often called **normative ethics**, is distinct from the discipline of metaethics, which is merely the study of moral discourse, the meaning of ethical terminology, and the logic underlying ethical judgments. Normative ethical inquiry, on the other hand, is a quest for the practical truth of how one's choices and actions can be good and worthwhile. Thus, the goal of normative ethics is not an appreciation of the structure of moral language but the acquisition and application of knowledge of right and wrong.

Although ethics is a science, it cannot always be as precise as mathematics or the empirical sciences. According to Aristotle, we find “that degree of precision in each kind of study which the nature of the subject at hand admits.”<sup>4</sup> Ethical judgments usually do not conform to the standard of mathematical precision. But the fact that most specific ethical judgments do not have the same level of objectivity as scientific ones should not mean that ethics itself is purely subjective or merely a matter of convention and taste. Aristotle would certainly reject such an idea. He and other philosophers make a strong case that ethics is a rational and intelligible discipline. Specific moral judgments can and should be based on objective, defensible principles (such as “it is wrong to intentionally inflict harm on another person” or “there is an obligation in some circumstances to intervene in order to prevent serious harm to another”). Ethics can also be taught—its principles and the conclusions based on those principles can be understood, communicated, debated, and integrated with other nonmoral principles. We can objectively assess moral judgments in terms of whether they respect basic human rights, remain open to human fulfillment, and so forth.<sup>5</sup>

Some managers and professionals may want to rely exclusively on emotional sentiment and intuition when making tough moral choices. Others will say that convention and custom are the test of right and wrong, and hence their moral convictions will be guided solely by societal consensus. But can we always make reliable moral decisions in such an arbitrary fashion? Our moral intuitions and sentiments are sometimes unstable, while social conventions frequently represent cultural bias. Immoral customs are common, and

persons can easily lose sight of what is morally reasonable with rationalizations perpetuated in language, educational institutions, and the law. What if a certain society lived by a moral code that approved bonded child labor or other forms of child abuse? In the United States, for example, slavery was once considered to be legally and socially acceptable, while racism was once codified in the laws of South Africa and Nazi Germany.<sup>6</sup>

Therefore, we cannot approach the vexing moral dilemmas that arise in business without some fixed principles, a set of transcultural standards of right and wrong. At the root of morality, we find two primary and self-evident precepts:

- One should not do harm to another human person
- One should love one's neighbor as oneself

According to Aquinas, these simple, practical rules capture the very meaning of morality, which demands that each person look beyond his or her own selfish interests.<sup>7</sup> The moral person is one who considers and assesses positively the desires, interests, needs, and concerns of others. Moreover, mutual cooperation and fellowship, essential for human flourishing, are impossible unless one turns away from narrow self-interest to a wider interest in others. However, these two primary principles proposed by Aquinas are general and need further specification. We must refer to normative ethical theory, which can supply such specification and also offer an opportunity for further reflection on the sources of moral norms.<sup>8</sup>

In this chapter, we will consider the most prominent normative theories that can equip us with the tools necessary for addressing the ethical conundrums that frequently arise in commercial society. A review of these key theories begins with virtue ethics, inspired by Aristotle. To avoid eclecticism, we will propose and defend a rights/duty-based ethical approach as the optimal avenue for deliberating about moral issues. Finally, the chapter assesses the scope of a corporation's obligations. Is there also a duty to go beyond observance of ethical principles and to help resolve society's problems through corporate charity?

## PLATO, ARISTOTLE, AND VIRTUE ETHICS

While our principal focus is on modern philosophical frameworks, it is instructive to concentrate briefly on the antecedents of those theories in the works of Plato and Aristotle. The insights of these thinkers have become an indispensable part of the ethical heritage of Western culture.

Plato sought to rescue Greek society from the morass of moral nihilism by insisting upon the independent reality of the Good. To achieve what is good for me, I need to understand what is intrinsically good. In his passionate dialogue, the *Gorgias*, Plato deftly demonstrates that we possess a rational inclination toward those goods that fulfill and perfect us. In addition, we cannot neglect the role of practical knowledge in any comprehensive account of the human good. In that dialogue, we find Callicles arguing that the good life is all about pleasure and self-gratification: "A man who is going to live a full life must . . . gratify every fleeting desire as it comes into his heart."<sup>9</sup> But Socrates reminds

him that some pleasures (such as overeating) can be harmful and dangerous. Moreover, if we follow Callicles's reasoning to its logical conclusion, sadistic pleasures would be classified as morally permissible. Therefore, we need knowledge to distinguish good from bad pleasures. Also, "the pleasant and the good are not the same," and therefore pleasure must be subordinate to goods such as life, health, and friendship.<sup>10</sup> The good life for Socrates is one of order and harmony, where practical reason with the help of the virtues directs us to those and other authentic human goods, worth pursuing for their own sake. Virtue is its own reward precisely because it helps to promote human flourishing.

Aristotle devoted a whole treatise to ethics known as the *Nicomachean Ethics*. In that work, Aristotle emphasized that every individual seeks the ultimate human good of happiness or fulfillment (*eudaimonia*), and he defined happiness as an activity of the soul in accordance with virtue (or excellence) "in a complete life." *Eudaimonia*, therefore, consists of virtuous activities of the soul. According to Aristotle, there are intellectual virtues, such as practical reasoning and wisdom, that pertain to the reasoning part of the soul, and moral virtues that pertain to its appetitive (or desiring) part. Aquinas also followed Aristotle's main doctrine on virtue. For both philosophers, the moral and intellectual virtues are interdependent. A person who is imprudent and lacks intellectual virtue cannot possess moral virtue. Similarly, there cannot be intellectual virtue without moral virtues such as moderation that make the passions docile for the guidance of reason.<sup>11</sup>

The art of living well greatly depends on moral virtue or excellence. Moral virtue is defined by Aristotle as the disposition or acquired habit of choosing the mean between the polar vices of excess and deficiency. The courageous individual, for example, "hits the mark" and possesses the right amount of fear to avoid the vices of rashness and cowardice. The mean is discerned by practical wisdom (*phronesis*), which tells us how we should act in a given situation. Intellectual virtues require time and experience, while the moral virtues are formed by habits. Moral virtues are not innate, but everyone has the capability to develop them, "and habit brings this ability to completion and fulfillment."<sup>12</sup> These virtuous habits are acquired by actions, and so actions shape character and determine future acts. It is through deliberate, courageous acts that one becomes a person of courage. Other virtues highlighted by Aristotle include temperance, generosity, self-respect, and justice. Justice prompts us to consider the needs of others in the distribution of goods.

Aristotle's virtue ethics, sometimes referred to as the classical approach, underscores practical wisdom, moral and intellectual virtue, and human flourishing. Virtue cannot be put to bad use, since the principle from which virtuous action springs is oriented to a good end discerned by reason.<sup>13</sup> The heart of ethics is to become better than we are and to achieve the final end of human flourishing through intelligent and prudent choices. Aristotle's ethics is grounded in the teleology of human nature ordered to its own final end or perfection. The ultimate goal is to live well as a human person, taking into account our natural tendencies, capacities, and unique features (such as rationality and freedom).<sup>14</sup>

Virtue ethics has enjoyed renewed interest in recent years, but these new interpretations are markedly different from Aristotelian ethics. In contrast to the classical approach, contemporary virtue ethics is not grounded in any teleology of human nature. It puts more emphasis on the moral agent along with his or her motives and intentions. Virtue ethicists like Martha Nussbaum emphasize the character of the inner moral life, its "settled patterns" of motive, emotion, and reasoning. Nussbaum further argues that "we should rely less on reason and more on non-rational sources of guidance, such as emotion

and desire (if we should construe them as non-rational), and habit, and tradition.”<sup>15</sup> Thus, in contrast to Plato, she seems to downplay the role of reason and the need for universality in ethics. We don’t want to become preoccupied with isolated acts of choice but instead consider how moral choices fit into the whole course of a moral agent’s life.

In summary, contemporary virtue ethics emphasizes virtues and moral character instead of duties, rights, or consequences. If someone is in need of being helped, the utilitarian will justify coming to the person’s aid because it maximizes well-being. Others will claim they must act because it is their duty to follow moral rules such as “love your neighbor as yourself.” But the virtue ethicist will encourage helping someone in need not because it optimizes consequences or it is a person’s duty, but because it is generally consistent with the virtues of charity and benevolence.<sup>16</sup>

To some degree, virtue ethics can make a distinctive contribution to business ethics. Since virtuous acts are noble and exemplary, we can identify virtuous leaders within the corporation as role models for others. These individuals can make ethical behavior look more intelligible and attractive in a corporate setting. Also, since past actions mold character, the virtue ethicist considers not just whether a particular act is right or wrong but how it has been shaped or influenced by past decisions. Virtue ethics concentrates on patterns of past and present behavior so it can appreciate why a manager may have made wrong choices. GlaxoSmithKline’s managers in China paid bribes to doctors and hospital officials in order to sell their pharmaceutical products, but what patterns of behavior or features of the GSK environment allowed them to feel justified about making these illegal payments?<sup>17</sup> Classical virtue ethics also underscores the importance of confirming good habits in the workplace by sound corporate policies so that managers can be prudent decision makers.

Despite its merits, however, virtue ethics offers insufficient direction about deciding how to act in complex circumstances where virtuous persons can disagree. Virtue ethics simply does not provide adequate guidance for prudent moral action. Should euthanasia in extreme cases be morally justified simply because it appears to be consistent with the virtue of compassion? Aren’t there many other factors involved in reaching a morally reasonable judgment? In addition, there is a lack of consensus over which habits (or dispositions) are suitable virtues and which are vices. Thus, virtue ethics seems open to a challenge of subjectivism or relativism. However, insights about virtue and character can certainly inform discussion about business ethics and what it means to act well as a businessperson.

## CONSEQUENCES AND UTILITARIANISM

Following Aristotle, medieval philosophers, such as Thomas Aquinas, continued to stress the importance of teleology and human nature ordered to a final end of perfection or fulfillment. His theory of natural law is centered on a common human nature and the fundamental human goods that contribute to that nature’s fulfillment. But modern theories of ethics take a sharp turn away from any sort of teleological or natural-law reasoning. The most popular modern frameworks represent a distinct dichotomy between consequences and duty. The former theory of utilitarianism confines itself to the consideration of consequences, while the latter believes that moral rightness is independent of

consequences. Ethical reasoning among some business leaders has tended to follow the utilitarian model, which links pragmatic rationality with goodness. Hence this theory requires careful consideration.

Unlike virtue ethics, which is focused on character, **utilitarianism** is strictly centered on the effects our actions will produce. Classic utilitarianism was developed by two British philosophers, Jeremy Bentham (1748–1832) and John Stuart Mill (1806–1873). At the time, utilitarianism was regarded as a radical philosophy opposed to more traditional moral reasoning based on natural law and natural rights. For Bentham, however, the idea of natural rights was just “nonsense on stilts.” This theory has been referred to as **consequentialism** by Elizabeth Anscombe, who saw this ethical paradigm as a “shallow philosophy” because its exclusive focus on consequences was far too narrow.<sup>18</sup>

According to utilitarian reasoning, the right course of action is to promote happiness or the general good. The general good can be described in terms of “utility,” and this principle of utility is the foundation of morality and the decisive criterion of right and wrong. Bentham argued that the highest demand of morality was to maximize happiness, which amounts to the overall balance of pleasure over pain. The right action, therefore, will maximize utility, and, for Bentham, utility is equivalent to whatever produces pleasure and reduces pain. Modern versions define *utility* in terms of net benefits and argue that an action is the right one when its consequences consist of a maximum of nonmoral goods or a minimum of nonmoral evils for all parties affected by that action. There is always a weighing of goods that underlies utilitarian reasoning. Moreover, the moral rightness of action is measured in terms of ends (or outcomes) and not by intentions or the means used to achieve those ends.<sup>19</sup>

Utilitarianism in all its various forms must be distinguished from ethical egoism. The egoist cares only about his or her own good. However, utilitarianism cannot be reduced to such a myopic self-centered perspective, since it considers the goods of everyone affected by a particular action or moral choice. Utilitarianism goes beyond a self-interest model of business ethics where the overriding moral calculus for corporate executives is based on corporate profits or return on investment. The conscientious executive weighs the consequences for each stakeholder group affected by a decision, not just the results for herself and her company.

With all this in mind, we can formulate the moral principle of utilitarianism as follows: *every moral agent is obliged to perform that action by which he or she can maximize net expectable utility, that is, the greatest net benefits or the lowest net costs, for all parties affected by that action.*

The consequentialist assumes that one action with better consequences is preferable to another action whose consequences are not as good. The moral value of an action, therefore, depends on the value of the causal outcome of that action. As G. E. Moore explains, “To ask what kind of action we ought to perform, or what kind of action is right, is to ask what effects such action and conduct will produce.”<sup>20</sup>

How does consequentialism work in practice? The moral agent engages in a moral calculus or cost/benefit analysis to determine which option would optimize the consequences or yield the best possible outcome for all concerned. For example, let’s assume that a senior vice president of operations who oversees the production of smartphones must consider whether to outsource jobs to a supplier in an emerging economy or continue the current policy or insourcing. Offshore outsourcing has the potential to reduce the phone’s cost structure by 30%, but it will also result in high social costs, since domestic plants will be closed, workers laid off, and local communities distressed. The first



option will include a high proportion of nonmoral goods: more substantial profits, better returns for shareholders, additional funds to invest in research and development (R&D), and a greater ability to attract capital. The second option will avoid the psychological and social costs associated with the layoffs that accompany outsourcing, but the company's high cost structure will make it more difficult to compete efficiently with aggressive Asian competitors who operate with low labor costs. The upright but presumptively disinterested manager must account for the concerns of all these stakeholders in her deliberations. She must weigh all of these dispersed costs and benefits and somehow choose the alternative that optimizes consequences and thereby promotes the general social welfare for those affected by this decision.

The difficulty of putting aside self-serving assumptions and personal biases to make these decisions underscores the practical problems with consequentialism. How can subjectivism be avoided in the evaluation of consequences? Are managers capable of overcoming partiality and bias when they engage in utilitarian reasoning? There are also difficulties in achieving adequate knowledge about future causal outcomes. Can a manager be sure that an action will yield the maximum possible benefits? To what extent should consequences be investigated, and how do remote consequences relate to more immediate ones? These and other questions have vexed proponents of consequentialism for a long time, and yet no satisfactory answers have been forthcoming. As Lynn Sharp Paine concludes, "For all its aura of objectivity and precision, cost-benefit analysis is highly vulnerable to distortions and biases that cloud the moral issues."<sup>21</sup>

While we cannot underestimate the practical difficulties associated with utilitarian reasoning, the biggest problem involves its theoretical shortcomings. Is it possible to translate these premoral goods into a single currency of value without losing something in the process? Often, cost/benefit analysis falls short because it attempts to translate costs and benefits into monetary terms, which is not always possible.<sup>22</sup> In addition, this pragmatic ethical paradigm represents a form of soft relativism. Utilitarian logic fails to protect the dignity of persons through the recognition and acceptance of inviolable rights. Moral agents who follow this logic are easily tempted to suspend certain rights in light of the positive consequences for doing so. It is permissible, for example, to torture a prisoner if it is evident that this act would yield the most positive results (such as the location of a group planning a terrorist attack). Or, as Michael Slote explains, "If killing an innocent person is necessary in order to avoid a large-scale catastrophe, then one may and even should perform the killing."<sup>23</sup>

Although utilitarianism cannot deliver the final word about an ethical solution, the general idea that "consequences matter" warrants our attention. As part of an ethical diagnosis, managers should dispassionately assess the impact of their decisions and policies on different stakeholder groups, such as their customers and employees. A pharmaceutical company, for example, must surely take into account the effects of a substantial product price increase on its customer base as well as its investors. Such an impact analysis is a sensible and reasonable starting point for ethical deliberation.

## ETHICS AS DUTY

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A plausible alternative to consequentialism that does not suffer from its practical difficulties or theoretical flaws is moral reasoning informed by respect for moral duties. Duties

are distinct markers that help to establish the borders of acceptable behavior. Prudent leaders and executives acknowledge that there are certain moral duties essential for the proper conduct of business. Michael Sandel describes three categories of duties:

1. Particular voluntary obligations
2. Particular obligations of solidarity
3. Universal natural duties<sup>24</sup>

The first category, voluntary obligations, arises from our consent and includes promises and contractual agreements. If a manager signs a contract to deliver supplies to a factory by a certain date, he has an obligation to do so. Similarly, if a person voluntarily promises to repay a loan within six months, he or she is obliged to live up to this self-imposed obligation.

The second category, obligations of solidarity, constitute those duties that arise because of one's membership in particular communities such as the family, the corporation, the local town where one resides, and the country where one is a citizen. Family members, for example, have definite duties of care and loyalty to one another. Similarly, nations have certain responsibilities to care for the welfare of their citizens. While every nation has a universal duty to respect the rights of all persons, the obligation of solidarity carries more moral weight and implies special responsibilities to care for its own people. At the same time, a country's citizens are also bound by ties of loyalty.<sup>25</sup>

Finally, there are natural duties that are owed to others by virtue of their humanity or rational personhood. This type of universal duty is best exemplified in the moral philosophy of Immanuel Kant (1724–1804). Kant wrote two critical works on ethics: *Fundamental Principles of the Metaphysics of Morals* and *The Critique of Practical Reason*. In the first work, he underscores that moral philosophy must be predicated on the “common idea of duty.” Our sense of duty sets us above the order of nature that governs other creatures. Duty is paramount, and the consequences of one's action are immaterial for assessing an action's moral worth. Duty, on the other hand, subjects us to certain demands that supersede countervailing considerations, and duty alone is the proper motivation for ethical choices. A daughter who takes care of her sick father is acting morally only if she is undertaking this action for the sake of duty. If she is taking care of him simply because she is naturally inclined to do so by love or sentiment, the action has no moral worth in Kant's eyes. She is doing the right thing but for the wrong reason, since she is not motivated by duty. This dichotomy between natural inclination and duty shadows Kant's austere moral system.<sup>26</sup>

But what exactly is the moral duty of rational creatures, and how is it derived? In Kant's systematic philosophy, a person's duty is simple: follow the moral law. According to Kant, “Duty is the necessity to act out of reverence for the law.”<sup>27</sup> That moral law is determined by practical reason that discerns the law's universality and necessity by means of the categorical imperative. According to that imperative, we are obliged to “act so that the maxim of [our] will could always hold at the same time as a principle of universal law-giving.”<sup>28</sup> Can the maxim or implied rule that expresses a specific action become a valid universal moral law? If not, that action is contradictory in some way and cannot be universalized. As a result, it is not morally valid.



For example, if a businessperson breaks a contract whenever it is in her best interest to do so, she acts according to the private maxim that contract breaking is an acceptable behavior. But can this maxim be transformed into a universal moral law? As a universal law, this particular maxim would be expressed as follows: “It is permissible for everyone to break a contract when it is in their best interests to do so.” Such a law, however, is invalid, since it entails both a pragmatic and a logical contradiction. There is a pragmatic (or practical) contradiction, because the maxim is self-defeating if it is universalized. If everyone broke contracts, no one would be trusted when they entered into a contractual arrangement, and hence contracts would be abolished. And if anyone acts on a principle that would be impossible for everyone else to follow, that individual’s action is wrong.<sup>29</sup> According to Korsgaard, “Your action would become ineffectual for the achievement of your purpose if everyone [tried to] use it for that purpose.”<sup>30</sup>

Universal contract breaking also implies a logical contradiction or impossibility (like a square circle). For Kant, if a maxim (such as “contract breaking is morally acceptable”) cannot even be conceived as a universal law, it is contrary to our strict or perfect duty. A universalized broken contract is certainly a conceptual absurdity, because there would be no such thing as a binding contract in a world where such a maxim had been universalized. Therefore, a world of universal contract breaking is logically inconceivable. Thus, in view of the contradictions involved in universalizing contract breaking, we have a perfect duty to abide by the contracts we make. Kant differentiates between perfect and imperfect duties. If a maxim can be conceived as a universal law but cannot be willed without contradiction, it is an imperfect duty.<sup>31</sup>

Kant’s categorical imperative is the ultimate criterion for distinguishing right actions from wrong ones. The categorical imperative functions as a guide, a “moral compass” that gives us a reliable way of determining a correct and consistent course of action. It can be conceived as a principle of justice or fair play. The essence of fairness is avoiding partiality and not making an exception for oneself. In Kant’s words, the transgression of duty implies that we make such an exception because “we do not actually will that our maxim should become a universal law.”<sup>32</sup> The categorical imperative inspires us to answer a simple question: “What if everybody did what you did?”

Kant also offers a second version of his categorical imperative: “Act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only.”<sup>33</sup> Each person must be respected as an end, affirmed for his or her own sake, and never used only as an instrumental means for something else. This obligation flows from the person’s rationality and autonomy. This is why human persons, whose rational capacities enable them to project their own ends along with the means to achieve those ends, should never be coerced or deceived. Rational nature is the unconditional value which bestows on each person his or her dignity. Kant’s categorical imperative stipulates that since persons have the dignity of reason and autonomy, they are ends in themselves, and this moral status sets them apart from nonpersonal being. According to Kant, “Concerning man (and thus every rational being in the world) as a moral being one cannot ask further, for what end does he exist? His existence has the highest purpose in itself.”<sup>34</sup>

Kant’s moral system deserves praise for its anticipation of philosophies like personalism that vindicate personal freedom and draw attention to the immeasurable dignity of the human person. However, Kantian morality is riddled with conceptual difficulties. Perhaps the most serious problem with Kant’s moral philosophy is its rigidity: the

absolute norms derived from the categorical imperative allow for no exceptions. There may be occasions when it is necessary to break a contract or a promise, yet I am still forbidden to do so since the maxim cannot be validly universalized. Consider a scenario where my neighbor gives me his gun for safekeeping with the promise that I give it back to him when he returns from a long trip. Should I keep that promise even if he comes to me looking for his gun and tells me that he wants it in order to shoot his boss?

In addition, philosophers as far back as Hegel have also criticized Kant's formalism for separating the moral obligation from its object and for its "emptiness" or lack of content. Morality is reduced to the formula of the categorical imperative, and there is nothing else, such as an account of the good. But there *is* a content to Kantian moral philosophy that is implicit in the categorical imperative. The second formulation of that imperative, "Act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only," commands us to treat our fellow human beings with respect because of their dignity as free, rational beings. Thus, the dignity of the other as an end is the unconditioned principle and the real "content" of Kantian morality.

How might we sum up the practical implications of this duty-based view of morality? All three forms of duty or moral obligation arise in a business context, and some are formalized in the laws that govern corporations and other associations. Table 3.1 contains a summary of general moral obligations that entail more specific duties especially relevant to managers and executives.<sup>35</sup>

<b>General Obligations</b>	<b>Specific Moral/Legal Duties</b>
<b>Fiduciary Requirements</b>	Loyalty of executives to the corporation and its shareholders; sustain company's economic welfare and allocate corporate resources prudently; proper risk management; disclose all conflicts of interest
<b>Acknowledge Dignity of All Persons</b>	Safeguard health and safety of all employees; ensure that products are safe and reliable and do not endanger customer health; avoid deprivation of basic human rights and protect rights from being deprived; refrain from coercion and deception that undermine a person's autonomy
<b>Respect for Property Rights</b>	Honor valid property claims of stakeholders and others, including intellectual property; deploy company property conscientiously; safeguard company assets; do not acquire proprietary information of competitors through dishonest means
<b>Transparency and Honesty</b>	Be accurate, truthful, and open; disclose relevant information to consumers, including product risks; avoid fraud, deception, misrepresentation, and unnecessary opaqueness
<b>Fairness and Fair Play</b>	Compete on merit and avoid all forms of devious or subversive competition; treat suppliers and partners equitably; offer just and reasonable compensation to managers and employees; protect against discrimination or arbitrary treatment of employees and other stakeholders
<b>Civic and Social Responsibilities</b>	Cooperate with public authorities in dealing with public health or safety issues; obey laws and regulations such as environmental and tax laws; correct and compensate for damage to environment or community; avoid forms of free riding that impair social welfare

## NATURAL RIGHTS

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Another avenue of ethical reasoning is based on a consideration of natural rights. Rights too are distinctive markers that set boundaries of permissible conduct. Natural rights are not subjective, and they are not derived from some sort of social contract between individuals and their respective governments. Rather, natural rights are what people possess by virtue of their humanity or personhood. These rights are universal and exist independently of any recognition in local custom or of the legal systems of particular countries. They may have no effect unless they become codified in law, but they do not depend on legalization for their validity. Rights of this sort are moral guarantees of liberties, benefits, and protections that ensure a person's dignity.<sup>36</sup>

A rights-based orientation to ethics is disfavored by some who see rights as atomistic and individual. Those who assert their individual rights, critics claim, look past the common good or the needs of the community. Such a viewpoint, however, is easily refuted. Rights are intricately tied to the promotion of solidarity and community. The right to free speech, for example, encourages truthful and open communication and ensures that people can freely speak to one another. This valuable right, therefore, has an unmistakable social character. Similarly, the right to nondiscrimination guarantees that the government will not exclude minority groups or subordinate their interests, but rather promote their integration into the whole community. These and other rights, therefore, are not antisocial but help cultivate communal harmony.<sup>37</sup>

Legal philosopher Ronald Dworkin described rights as “political trumps held by individuals.” Rights have a certain “threshold weight against collective goals in general.”<sup>38</sup> What Dworkin had in mind is that rights *generally* prevail when they compete with other concerns, such as maximizing profits or administrative expediency. Dworkin's language captures the idea that rights are powerful normative considerations in moral deliberations with at least a presumptive priority. A stronger thesis claims that while all natural rights are inviolable, there are some rights that are absolute. Absolute rights must *always* prevail against countervailing considerations.<sup>39</sup>

The notion of natural rights has a strong pedigree in the philosophical tradition. We find a doctrine of natural rights in both the liberal tradition of John Locke and the natural-law tradition of St. Thomas Aquinas. For Locke, the foundation of basic natural rights such as property is self-ownership: “by being master of himself and proprietor of his own person,” a human person possesses natural rights.<sup>40</sup> According to Locke, “A law of nature . . . obliges everyone [that] no one ought to harm another in his life, health, liberty or possessions.”<sup>41</sup> These rights to life, liberty, and property occupy a central place in Locke's political philosophy. Similarly, Thomas Aquinas intimates the concept of rights in his treatment of natural law. Persons have certain natural rights by virtue of the natural law, and those rights give normative recognition to our equality. Justice is achieved by respecting the rights of human persons, who are entitled to equal treatment.<sup>42</sup>

Each right, when properly specified, trumps all other competing factors, with the possible exception of a conflicting right that deserves priority. Contrary to a utilitarian viewpoint, natural rights cannot be set aside merely for the sake of the collective welfare. Most rights are not absolute, but the infringement of a right cannot be justified in consequentialist terms. An individual cannot be harmed by the deprivation of a right merely for the sake of the collective good. For example, when the right to a safe workplace is put

aside because it supposedly burdens the corporation's economic welfare, there is every likelihood that some workers will be physically injured. Infringement is warranted only when rights conflict with each other, and this happens only in exceptional circumstances. Rights, therefore, have a moral force that is incompatible with utilitarianism.<sup>43</sup>

To understand this framework more fully, we must first consider the definition of a right. A right is an entitlement, a moral power to *do* or *have* something. More precisely, rights are *justified claims* that a person or group of persons can make upon other individuals or upon society. A claim right or a right in the strict sense differs from a liberty such as the liberty to smoke a cigarette under certain conditions. But a claim right is always a right not to be interfered with or treated in a certain way *or* a right to be given something or to be assisted in some manner. Rights provide a way of conceiving justice from the viewpoint of the "other" to whom something is owed and who would be injured in some way if he or she were denied that something.<sup>44</sup>

These claim rights, therefore, always imply *correlative duties* on the part of other individuals. Rights are the other side of many of those duties presented in the previous section. If a person possesses a right, that person is in a position to determine what others should or should not do. If someone has a right to property, others have a duty not to interfere with that right by stealing or destroying that property. Thus, rights are normative structures that usually require legal enforcement to make them effective. However, such enforcement is not essential to a right.<sup>45</sup>

A suitable natural-rights theory requires a secure foundation that consists of those goods that fulfill the human person. More fundamental than rights or duties are the basic goods of human nature, which allow us to rationally determine what rights people have. Morality is always ultimately concerned with what is good or bad for human beings. Every person seeks what is good and tries to avoid what is bad in order to live well and flourish. Certain goods are choice-worthy, not as a means to other ends but as ends in themselves. These intrinsic goods constitute the fundamental aspects of human flourishing and provide intelligible reasons for our choices and actions. Life, of course, is one such good, and this category includes health, safety, and bodily integrity. Knowledge is another good worth pursuing for its own sake, while ignorance is to be avoided. And since the person is also a social being who naturally seeks the companionship of others, living in friendship or community is an aspect of human flourishing. We can also add to this list other substantive goods, such as skilled performance at work (and play), along with marriage, aesthetic experience, and self-integration (the integration of one's feelings and practical intelligence). Finally, there are also instrumental goods, such as privacy and freedom, which make it possible to participate in some of the intrinsic goods that are so important for our fulfillment. This set of intrinsic and instrumental goods represents the ultimate ground of morality and expresses the moral force behind each natural right.<sup>46</sup>

Now that we understand the foundation for rights, we must articulate a set of rights that can guide all moral agents, including corporations. How can we determine which specific rights should be included in such a list? James Nickel suggests several criteria that legal and moral rights must satisfy. He argues that a right can be justified only if it protects something of great importance. The second condition is that there must be a "substantial and recurrent threat" to this claim for a right. Without the threat criterion, there would be too many potential rights. While racial discrimination can undermine someone's participation in one or more of the basic human goods, there would be no need for

such a claim right in a society where there was no trace of discriminatory behavior. There must be a low threshold, so that even if a society experienced very little discrimination, it would still be worthwhile to recognize a moral and legal right against discrimination to handle the few cases that occurred. Thus, a “very important interest” must be secured by a specific right in order to protect it against some recurrent threat, even if that threat has a low intensity.<sup>47</sup>

The third and final condition stipulates that the obligations or burdens imposed by the right are affordable in relation to available resources, other obligations, and a fair distribution of burdens. Sometimes rights must be qualified or limited on the grounds of costs. When resources are scarce, the fact that a particular right is expensive to effectively implement may mean that such implementation is impossible. This condition pertains primarily to positive rights that call upon others to provide goods and services, such as education or health care.<sup>48</sup>

With the assistance of Nickel’s suggestive framework, we can derive a reasonable set of rights that should be honored by all moral agents. To demonstrate that a specific right protects something of great importance, we can refer to those fundamental goods that promote human flourishing. As we have argued, general rights protect both intrinsic and instrumental goods that are basic to human well-being. Participation in these basic goods has certainly been threatened at many different times and in many different countries, and so they also deserve to be secured by rights. Also, the rights we propose satisfy the third condition, since, for the most part, they are negative rights rather than positive ones that often require a substantial amount of society’s resources. Negative rights prevent someone or some community from acting in a certain way.<sup>49</sup>

Given the conditions articulated by Nickel, we present a list of 14 basic rights. All of these rights are under some threat, and all of them have the prospect of full ratification within a mature legal system. The list is fairly short because we try to avoid the assertion of rights that are not feasible to implement. All these rights are included in one form or another in the Universal Declaration of Human Rights, and many are found in other key documents such as the Bill of Rights in the U.S. Constitution. This list is not necessarily exhaustive, but the rights enumerated here express the most fundamental requirements of justice:

- Right to freedom or political liberty
- Right to be free from slavery or servitude
- Right to ownership of property
- Right to freedom from torture
- Right not to be subject to arbitrary arrest and to a fair trial (due process)
- Right not to be knowingly condemned on false charges
- Right to nondiscriminatory treatment
- Right to life, health, bodily integrity, and security of person
- Right to freedom of speech and association

- Right to political participation
- Right to minimal education
- Right to subsistence (a standard of living adequate for health and well-being)
- Right to privacy
- Right to freedom of thought, conscience, and religion<sup>50</sup>

These rights, of course, must all be precisely specified and limited by other rights and by certain aspects of the common good. Rights are inviolable, but they are not limitless: they may be *infringed* under certain conditions but not *violated*. Someone infringes on another's right when he interferes with the exercise of that person's right, and he violates that right only if he does so unjustly. Not every infringement constitutes a violation, but every violation is an infringement. The violation (or deprivation) of a right strikes at the heart of the particular good that right is supposed to safeguard. But there are sometimes conflicts. It may be necessary, for example, to trespass on someone's property without their consent to get access to water that will save one's life. According to Oderberg, rights can be infringed in these limited, well-defined circumstances where the more urgent right prevails because it is closer to the core of one's dignity and well-being. Life and health are more important than property, but one is still bound to respect the value of property and should only violate that right in the most unobtrusive manner that avoids a direct attack on the property owner's well-being.<sup>51</sup>

Only a select group of rights are absolute and subject to no exceptions. Given the great importance of the fundamental good of human life, a strong case can certainly be put forth for the absolute right of an innocent person not to have his or her life taken directly either as a means or as an end. Similarly, the right not to be tortured should be subject to no exception, since intentional damage to bodily integrity or health is intrinsically wrong. Even the right not to be knowingly condemned on false charges qualifies as absolute.<sup>52</sup>

As we noted earlier, duties are correlative to rights, and, according to Henry Shue, there are three categories of duties for every basic right. Of course, the most basic duty is not to wrongfully violate someone's rights, and Shue speaks about rights violations in terms of deprivation. In his estimation, all three of these duties must be performed if the right is to be fully honored. These generic duties include (1) duties to avoid depriving, (2) duties to protect from deprivation, and (3) duties to aid the deprived. For example, with respect to the right of physical security, there is a duty not to directly invade the good of personal security (by assault or rape), a duty to protect people against deprivation of security by other people, and a duty to provide security for those unable to provide their own. These three duties do not necessarily apply to all moral agents. For example, in most cases we cannot expect individuals or organizations to provide security for others. That task falls primarily on nation-states and their law-enforcement agencies.<sup>53</sup>

Corporations and their managers must assume at least the first two duties. Arguably, corporations are not required to assist those deprived of rights and correct rights abuses, since they are unsuited for this task, which may sometimes require them to educate the young and care for the sick. Thus, the corporation as moral agent should *avoid depriving* people of their rights and avoid cooperation in such deprivation by another party. In many cases, especially where corporate activities are directly involved, corporations must



also help *protect* rights from being deprived. A corporation that outsources production to an overseas contractor with unsafe working conditions is not directly depriving these employees of their rights. But this corporation is obliged to protect this right to safety from being deprived by exercising its leverage over the employment practices of the contractor to demand that the work environment be safe.<sup>54</sup>

Unlike utilitarianism, a rights-based ethic anchors morality in the intrinsic worth of the human person. Every person's fundamental dignity and capacity for human flourishing is protected by these basic human rights. Rights properly justified express the norms of justice and what is owed to everyone alike. This framework inspires us to think about social life not just in terms of my rights but also in terms of solidarity and my duty to others. At the same time, those rights are firmly grounded in basic human goods, which are at the root of all moral norms.

Table 3.2 summarizes the four ethical frameworks discussed in relation to ethics and their application to the business world.

## SYNTHESIS AND APPLICATION

While it is probably not possible to synthesize all these diverse theories into a coherent whole, we can recommend a holistic approach to moral reasoning that is labeled **DRJ (duties-rights-justice)**. It encourages managers to first identify their particular or universal moral obligations in a given situation. Within corporations, fiduciary duties along with duties such as transparency, fairness, and respect for property play a prominent role in the proper conduct of business. This simple framework also requires a precise consideration of what is owed to others in justice in terms of natural rights. Rights are correlative

**TABLE 3.2 ■ Summary of Ethical Frameworks**

Theory	Key Focus	Practical Question
<b>Virtue Ethics</b>	Moral agency; character	Is my action in line with morally commendable traits and virtues?
<b>Utilitarianism</b>	Outcomes or results	What are the negative and positive effects of this action on stakeholder groups?
<b>Morality as Duty</b>	Natural and voluntary obligations along with obligations of solidarity	Is this action consistent with universal moral law; is it consistent with voluntary obligations incurred by consent or those arising from solidarity and co-responsibility?
<b>Natural Rights</b>	Protection of human goods and preservation of normative equality	Do these actions deprive anyone of his or her rights, or do they fail to protect rights from being deprived?

to natural duties. As we have discussed, both rights and duties constitute distinct markers, the unambiguous boundaries of permissible moral behavior.

In any situation where a moral duty arises, managers must comply with this obligation, even if noncompliance would yield better overall effects or consequences. Whatever the state of affairs a manager's actions may bring about, priority must be given to moral duty. A moral obligation directs itself to each manager's conscience as a necessary and universal demand inasmuch as it would be directed to any moral agent in the same situation. The only exception is whether a specific moral duty is superseded in a given context by a higher and more compelling duty. Similarly, in a conflict of rights, the more urgent right should always prevail.<sup>55</sup>

Thus, sometimes it is necessary to breach these clearly defined moral rules and thereby cause harm to others. But how do we discern when causing harm is reasonable and just? The notion of moral impartiality can be useful in resolving conflicts that involve a collision of rights or determining when exceptions to duties are valid. Justice demands rational impartiality to the type of actions or policies that are allowable in such circumstances. It is unjust and unfair for someone to choose a certain action or policy she would not allow others to choose. Consider a financially troubled company that decides to sell unsafe and potentially harmful electric heaters to remain in business. This action implies a general policy that permits the sale of unsafe merchandise that can harm people. But a rational person would not endorse such a policy, since it would allow others to do the same, and so that person would put herself and her family at an unacceptable level of risk.<sup>56</sup>

According to Bernard Gert, this blindfold of justice removes all knowledge of who will benefit and who will be harmed by one's choices. The central question for Gert is the following: would this violation of a moral rule be publicly allowed; that is, what would happen if everyone knew about this policy of selling unsafe products and chose to do it? Clearly, the consequences of allowing such a general policy would be unacceptable, since the risks of injury would be too high. This same veil of impartiality can be useful in reconciling rights conflicts. Karen, for example, has the right to exclude people from her personal property. But suppose that Mary must rush her extremely sick child to the local hospital and the quickest way is to drive through Karen's property? Mary infringes on Karen's property right in order to save her child's life. Any rational, impartial person (including Karen) would accept a policy that stipulates a need to temporarily breach the duty to respect a property right in order to save a person's life. Thus, others could also follow this rule that expresses a minor exception to a property right, and this exception could be publicly advocated. While some judgments about exceptions to moral rules will be agreed to by all rational, impartial people, in some cases there will be room for debate and disagreement.<sup>57</sup>

As we discussed in the previous chapter, corporate purpose is tied to the common good of all those who participate in the business. Since that common good includes fairness to these cooperating stakeholders, managers must create value and pursue their economic goals within legal and ethical boundaries that prescribe how that fairness can be achieved. We now appreciate that those ethical boundaries are determined by **duties**, including voluntary and natural obligations along with obligations of solidarity. They are also set by **rights**, which are the other side of natural duties and are owed to individuals by virtue of their rational personhood. Exceptions to moral rules that express duties or rights are sometimes possible, but not for egoistic or utilitarian reasons. In these cases,

**justice** requires that these exceptions pass the impartiality test. We capture this approach with the acronym DRJ.

Figure 3.1 shows where this approach plays a role in the three obligations of corporations.

## SCOPE OF CORPORATE SOCIAL RESPONSIBILITY

Many ethicists and social activists have argued with some insistence that corporations have obligations that exceed respect for fundamental rights and rational moral principles such as “Do no harm.” There is more to **corporate social responsibility (CSR)** than the creation of wealth, obeying the law, and observing ethical principles. The modern corporation must also be committed to a broad social agenda that includes philanthropic activities and contributions to the resolution of severe social problems. According to this view, corporations are not just bound to avoid depriving people of their rights while also protecting rights from being deprived; they must also assist those who are deprived of their rights, even if this means working for certain elusive but worthy objectives such as distributive justice.<sup>58</sup>

Although there is sometimes an overlap between these ethical and social obligations, it is useful to keep them distinct. As we have seen, ethical obligations primarily involve adherence to duties and respect for those basic human rights that protect fundamental goods. But social obligations are more philanthropic and proactive in nature and aim to address society’s weaknesses and inequities. Corporate social responsibility in this thick sense adds corporate charity to the other three obligations. Corporations that embrace this thick version of CSR want to create wealth within the law and the bounds of ethical probity, but they also aim for social progress and the correction of social injustice.

There are many examples of altruistic companies that have adopted a generous social mission. Several major Indian firms like Tata are quite active in providing vital services, such as education and health care, for impoverished Indian communities.<sup>59</sup> Goldman Sachs has invested in a Utah preschool program that is designed to help “at risk” kindergarten students avoid special education classes.<sup>60</sup> The Dow Chemical Foundation contributes generously to Habitat for Humanity. And ExxonMobil has invested \$125 million toward training teachers in science, technology, and engineering who will teach the skilled workers of the future. Sometimes these social investments are not purely altruistic. By committing funds to education, companies like ExxonMobil hope to indirectly benefit themselves in the long run through a better-educated workforce.

This type of pragmatic, win-win opportunity has been referred to as “shared value” by Porter and Kramer, who claim that companies can enhance their profits and address social problems at the same time. According to this theory, there are many ways in which corporations can create economic and social value simultaneously and thereby “reshape capitalism.” They define shared value as “policies and operating practices that enhance competitiveness of a company while simultaneously advancing economic and social conditions in the communities in which it operates.”<sup>61</sup> The authors point to Coca-Cola’s commitment to better resource utilization, which will help the environment but also

### FIGURE 3.1 ■ Review of Corporate Obligations

- Pursue economic mission and create value
- Follow relevant laws and regulations
- Observe ethical principles according to the DRJ formula

reduce costs. The soft-drink company is making progress toward the goal of reducing its water consumption by 20%. The prime advantage of the shared-value approach is the close integration of social and strategic goals. A greater commitment to shared value will redefine corporate purpose and encourage companies to expand their narrow view of value creation.

Of course, not everyone concurs that corporations should have such a broad social agenda, even if it seems to be in their enlightened self-interest. Critics of the shared-value approach are skeptical that business and social objectives can be so easily aligned except in atypical cases. How can ExxonMobil be so certain that its large investment in education will really pay future dividends toward its corporate performance? And if there is an abundance of these “shared value” opportunities, why haven’t they been uncovered by other companies?<sup>62</sup>

The principal flaw of the shared-value model is a failure to acknowledge the inevitable tensions between social and economic goals. Some studies show the extreme difficulty of sustaining both of these objectives within the same organizational structure. In the face of these difficulties, there is a tendency to drift away from one of the two missions. In addition, while seeking win-win situations is constructive, there is little guidance in the Porter-Kramer model for how to proceed when social and economic outcomes diverge and cannot be aligned for all corporate stakeholders.<sup>63</sup>

Resistance to a social agenda for corporations has a long history in writings on corporate social responsibility. Milton Friedman and those who endorse the doctrine of shareholder primacy have steadfastly opposed the idea that a corporation is obliged to resolve social problems or contribute resources for such solutions. The priority of shareholder value is supported in the American legal system by cases such as *Dodge Brothers v. Ford Motor Company*, which directed companies like Ford to operate in the interests of shareholders and maximize profits. Corporations cannot pledge to “a general purpose and plan to benefit mankind at the expense of shareholders.”<sup>64</sup> Friedman’s view, confirmed by this ruling, is consistent with the property model of the corporation presented in the previous chapter.

According to Friedman, therefore, “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in free and open competition, without deception or fraud.”<sup>65</sup> The only responsibility for corporations is to increase long-term profits within the framework of the law and within certain ethical boundaries that preclude fraud and deception. Friedman also believed that the markets themselves would solve many of the “social” problems that resulted from market failures such as negative externalities. If people don’t want sugary drinks or fatty foods because they are concerned about the health consequences, alert food and beverage firms will respond to these market demands accordingly. The result will be healthier foods and more wholesome drinks. When market failures or urgent social problems are not resolved by market forces, new laws or regulations should be enacted so that resources are directed to their optimal social use. Hence, corporations can count on markets and the laws that regulate those markets as a guide to any pursuit of social aims.

Friedman’s skepticism about the corporation’s social agenda was also based on his strong conviction that managers lacked the proper skills to prioritize and handle social objectives. Managers are not experts in social and political issues, and so the allocation

of corporate resources to address complex societal problems such as obesity or low educational standards is likely to be in vain. Also, will managers be so distracted by achieving altruistic goals that they fail to create maximum value for shareholders and other key stakeholder groups?

However, when corporations push the idea of shareholder primacy too far, it quite often backfires. Consider the story of Valeant, a Canadian pharmaceutical company that reduced R&D investment and raised prices excessively in an effort to boost profits and share prices. Valeant faced a potent backlash and had to retreat from its ill-conceived strategy. When a company is single-mindedly devoted to profit maximization and nothing else, it is unlikely to prosper for very long. After the price hikes, the Valeant policy became a rallying cry against high pharmaceutical prices. As a result, revenues and profits declined and the stock price fell by 85%. While corporations must be wary of overextending themselves, they cannot abandon a commitment to some version of CSR in favor of fundamentalist tactics that will ultimately subvert their economic objectives.<sup>66</sup>

Whether or not prosperous corporations should have a social agenda and pursue “shared value” solutions to social problems is an open question that can spark lively debate. But what is not an open question is the need for corporations to be ethical. Porter and Kramer argue that capitalism has been discredited by a failure to address social problems that lie beyond the corporation’s well-defined boundaries. However, haven’t ethical scandals done far more to erode confidence in capitalism than the failure of corporations to be more altruistic? The shared-value model “presumes compliance with the law and ethical standards” and so pays little heed to ethics.<sup>67</sup> But in the face of so many recurring moral calamities, this is a big presumption. How much does capitalism benefit if a big retailer finds ways to cut costs and protect the environment by reconfiguring how it packages and delivers products but then engages in bribery and corruption in its overseas markets? There seems to be little doubt that ethical scandals such as the LIBOR fraud at Barclays bank, Volkswagen’s Dieseldate, and Wells Fargo’s sales scam foster distrust and suspicion as they lower expectations for fairness. Sometimes corporations that do well forget that it is more important to be right and to make reasonable moral choices that avoid harm and respect the rights of their constituencies.

## CONCLUSION

Companies are organized to create wealth for their owners, but they must do so within the limits of the law and with a commitment to ethical standards. In this chapter, we defined ethics as an applied science because of its dual aim of knowledge and action. We reviewed several principles (virtue, utility, duty, rights) that have been at the center of an entire philosophical ethic. In the process, we considered some of the strengths and limitations of these avenues of moral reasoning. In our estimation, a focus on duties and rights, while not without its own limitations, offers the clearest and most direct approach for addressing ethical issues.

Duties fall in three categories, but the most important are natural duties that flow from our rational personhood. “Duty,” explains Kant, “is the necessity to act out of reverence for the law.”<sup>68</sup> That law is the categorical imperative, a universalization principle forbidding actions that put a manager’s or firm’s interest above that of everyone else.

Moral principles can also be expressed in terms of rights, which capture what is owed to others in justice. Rights offer moral protection to everyone and constitute the backbone of traditional legal systems. These rights are inviolable and in some cases absolute. Further, behind the notion of rights stands the more basic concept of human good. There are many potential rights, but a valid right must protect something of great importance, such as the intrinsic and instrumental goods necessary for human flourishing. The veil of rational impartiality can help conscientious managers determine when rights can be infringed and when exceptions to duties are warranted. While it is not always possible to be precise in these matters, most objective judgments about exceptions will be shared by rational impartial individuals.

We also considered the appropriate scope of a corporation's obligations. Should the corporation have a social agenda? Can it create economic value and achieve social progress at the same time? Wherever one stands on this issue, we can at least insist that corporate integrity is more fundamental than corporate charity. The reconnection of corporate success and social objectives advocated by Porter and Kramer is a positive tendency, especially as public expectations change on issues like pollution or safety. However, many companies, such as Apple, which prides itself on its social commitments, have been slow to resolve severe ethical problems, such as labor abuses and meager salaries in their supply chains.

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## Key Terms

consequentialism 48	DRJ (duties-rights-justice) 57	normative ethics 44
corporate social responsibility (CSR) 59	duties 58	rights 58
	justice 59	utilitarianism 48

## Review Questions

1. Explain how to use the three primary corporate obligations and the DRJ formula in ethical decision-making in corporations.
2. Explain the role the corporation plays in improving the future of the communities it functions in.



## Discussion Questions

1. In an influential essay on legal education, Katharine Bartlett makes the following claim: “The dilemma is that we cannot be value-neutral in our teaching—indeed we should not be; but neither can we teach values—indeed in the most usual sense of the word ‘teaching’ we should not try.” In your view, does her claim also apply to management education? Do you agree that we cannot “teach values” to managers or to aspiring managers? What are the key arguments that support your position?<sup>69</sup>
2. Niccolo Machiavelli (1469–1527) lived during the Italian renaissance and composed *Il Principe* (or *The Prince*) as a guidebook for princes or heads of state. In this extraordinary work, there emerges a far more pragmatic and cynical approach to human morality than we find in the frameworks presented in this chapter. Indeed, one of the greatest challenges for those aspiring to ethical conduct is this sobering admonition of Machiavelli: “A man who wishes to profess goodness at all times must fall to ruin among so many who are not good.” For Machiavelli, the world is such an immoral and corrupt place that one cannot possibly maintain his moral values and be a success. Although Machiavelli is directing his comments at future political leaders, the following remark could easily apply to corporate managers, politicians, and other professionals: “And so, [the modern manager] must have a mind ready to turn herself accordingly as the winds and the fluctuation of things command her, and, as I said above, she must not separate herself from the good, if she is able, but she must know how to take up evil, should it become necessary.” Is this good advice for today’s executives and professional leaders? For example, is it always possible to be a virtuous manager in the “rough and tumble” world of modern capitalism?<sup>70</sup>