Ethics





Classes 9 and 10: Business Ethics and Corporate Social Responsibility.



A form of 'applied ethics'

Moral standards – applied to businesses and individuals working in businesses

Fairly recent sub-discipline



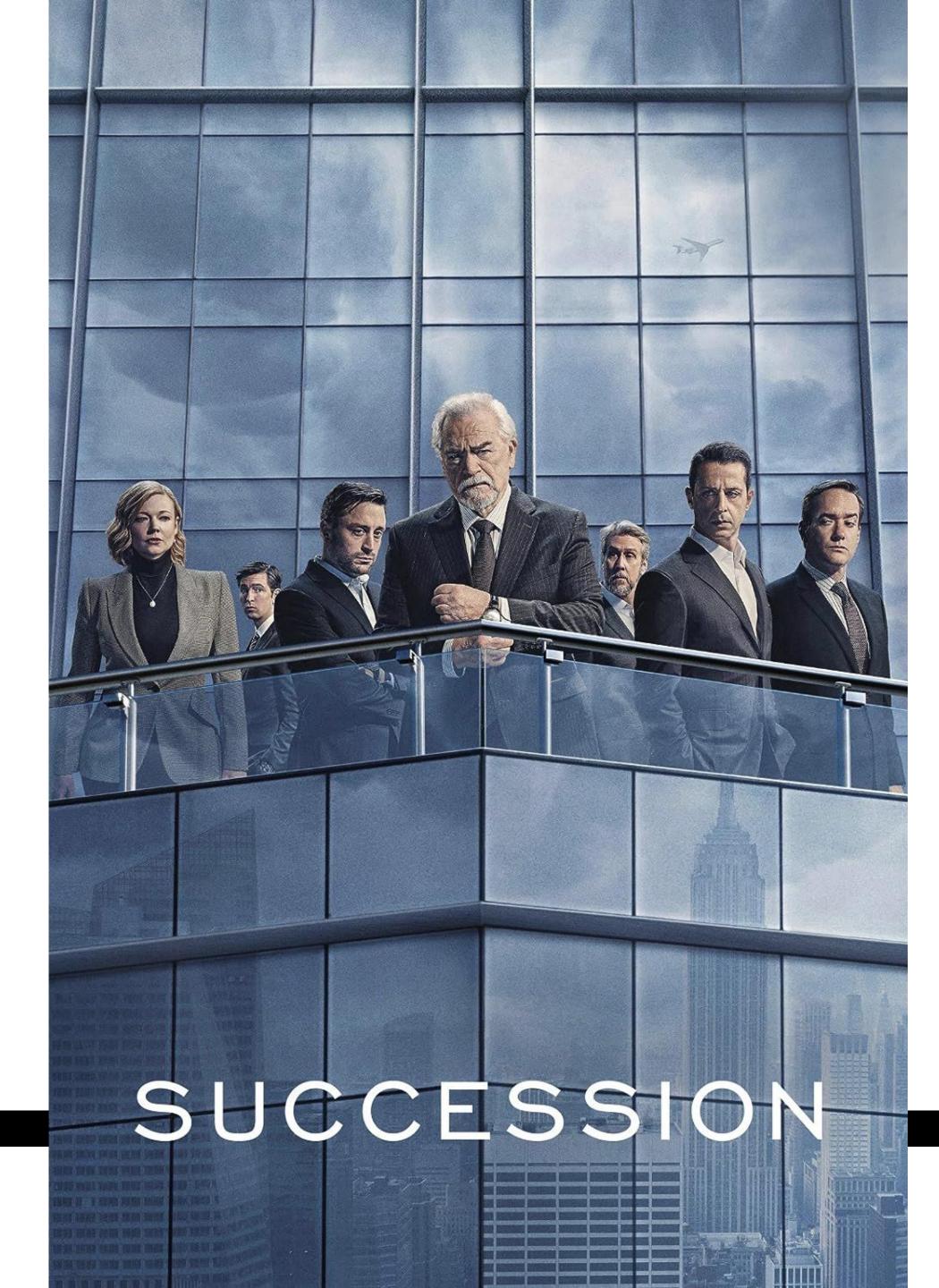


We could say there is a lot of **scepticism** around business ethics...

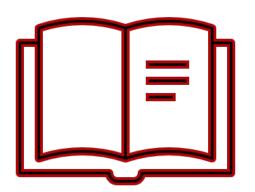
Can companies be ethical? Should companies act in an ethical manner? Are companies acting in a responsible manner?

Multiple corporate scandals... Enron, Volkswagen, FTX









Reading exercise
The Social Responsibility of Business Is to Increase Its Profits

The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack of rigor. What does it mean to say that "business" has responsibilities? <mark>Only people can have responsibilities</mark>. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

In each of these cases, the corporate executive would be spending someone else's money for a general social **interest.** Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money

(Milton Friedman, 1970, republished in 2007)



Corporations don't commit crimes. People do!





However, individuals can take on responsibility on behalf of an institution, although the institution itself only bears indirect responsibility. This may explain why some ethicists in business ethics and elsewhere have come to believe that institutions and corporations can become subjects of responsibility in the strictest sense of the term (Werhane 1992).

However, the concept of responsibility in the strict moral philosophical sense includes both prospective and retrospective components, i.e. it refers to the anticipatory feeling of responsibility at the time of the action, as well as being responsible and being called to answer for the consequences afterwards. The problem is that although an institution can be allocated a responsibility in terms of legal liability, a company cannot feel responsible.

(Zimmerli and Assländer 'Business Ethics' in Corporate Ethics and Corporate Governance, 2007: 44)



This week we are focusing on **two distinct aspects** of business ethics

- Corporate issues in business ethics
- Individual issues in business ethics \rightarrow circle back to Week 1



Levels of ethics in business ethics

MOLAR

MACRO

The rules for **fair exchange** between two individuals

MICRO

The role of **corporation**in society, and of the **individual** in the
corporation

Justice, legitimacy and the nature of society



Let's consider the role of individuals (first!)

What makes them act responsible?

"We have then an important contrast between two different ways in which good business behavior could make economic sense. One way is improvement of the society in which one lives as a reward in itself; this works directly.

The other is to use ultimately a business criterion for improvement, but to take note of the extent to which good business behavior could in its turn lead to favorable business performance; this enlightened self-interest involves an indirect reasoning"

(Sen, 1994: 52-53)



Extrinsic Motives

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Intrinsic Motives

"The intrinsic motivation arises from the inside and occurs when engaging in a behavior or an activity because it is personally rewarding and for its own sake rather than for an external reward." (Hamza & Jarboui, 2022: 128).



It makes sense to say that individuals within companies are motivated by both

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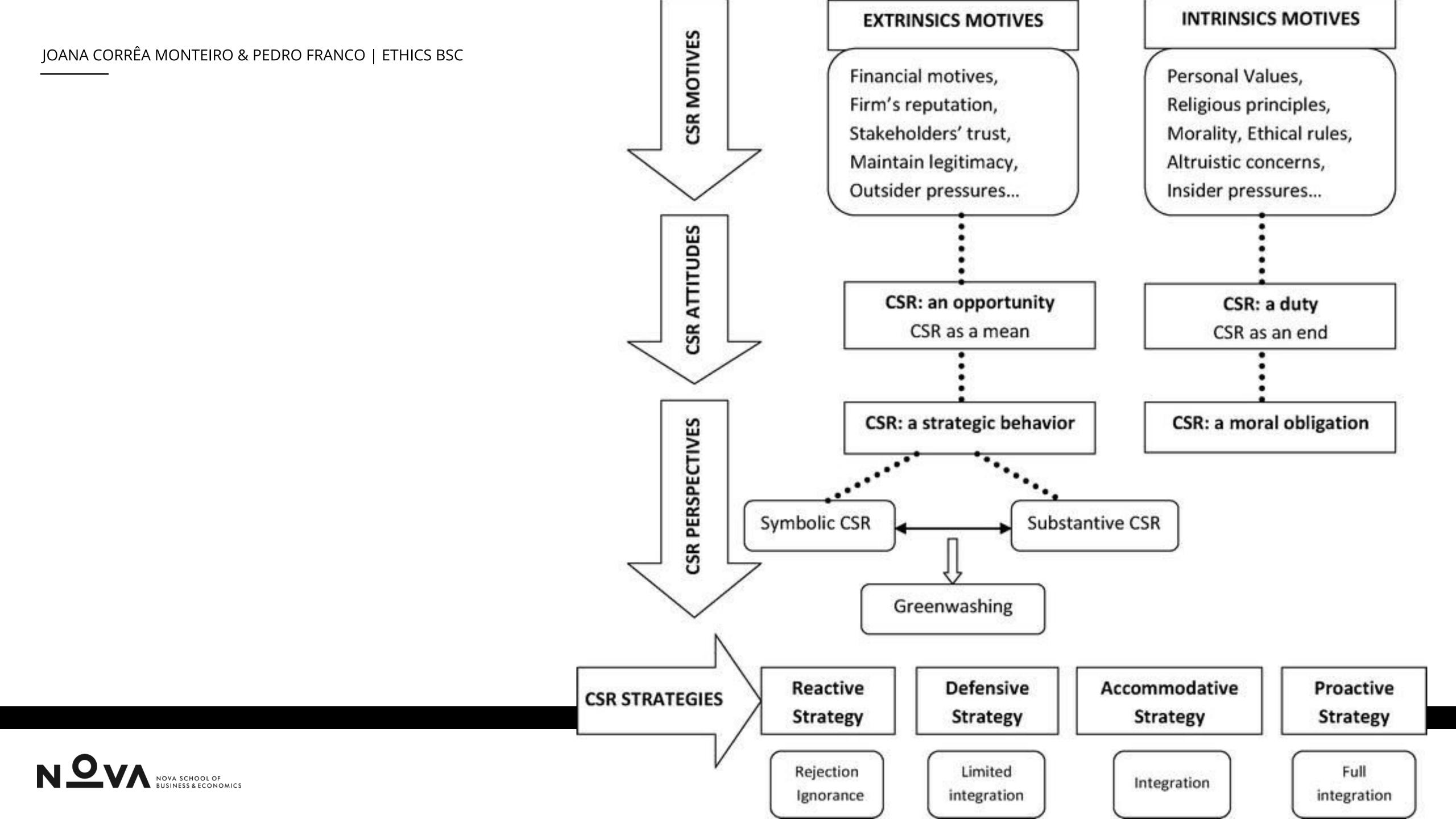
Throwback to Week 1:

Two ways in which individuals can influence a company's action: whistleblowing and leadership.

What are the motives of an individual to blow the whistle?

And what are the motives of different kinds of leaders (charismatic; situationist; transforming and serving)?





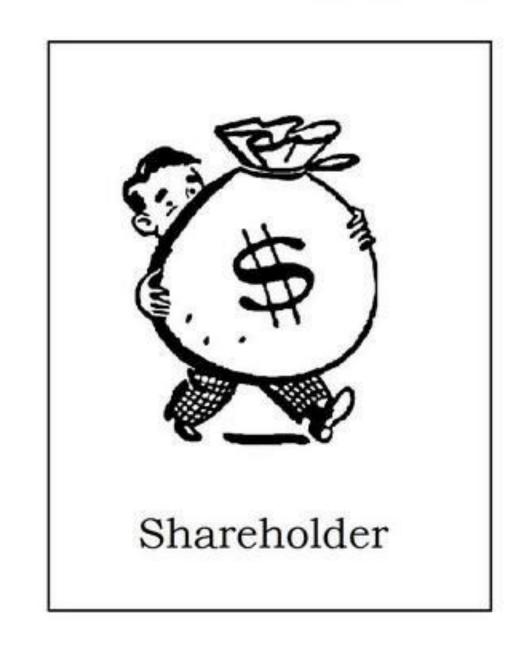


Which one is your business aiming to do?



Shareholder theory vs **Stakeholder** theory

There is a Difference







Shareholders:

people/organisations who partly **own** the corporations and have a direct interest in their **profitability**

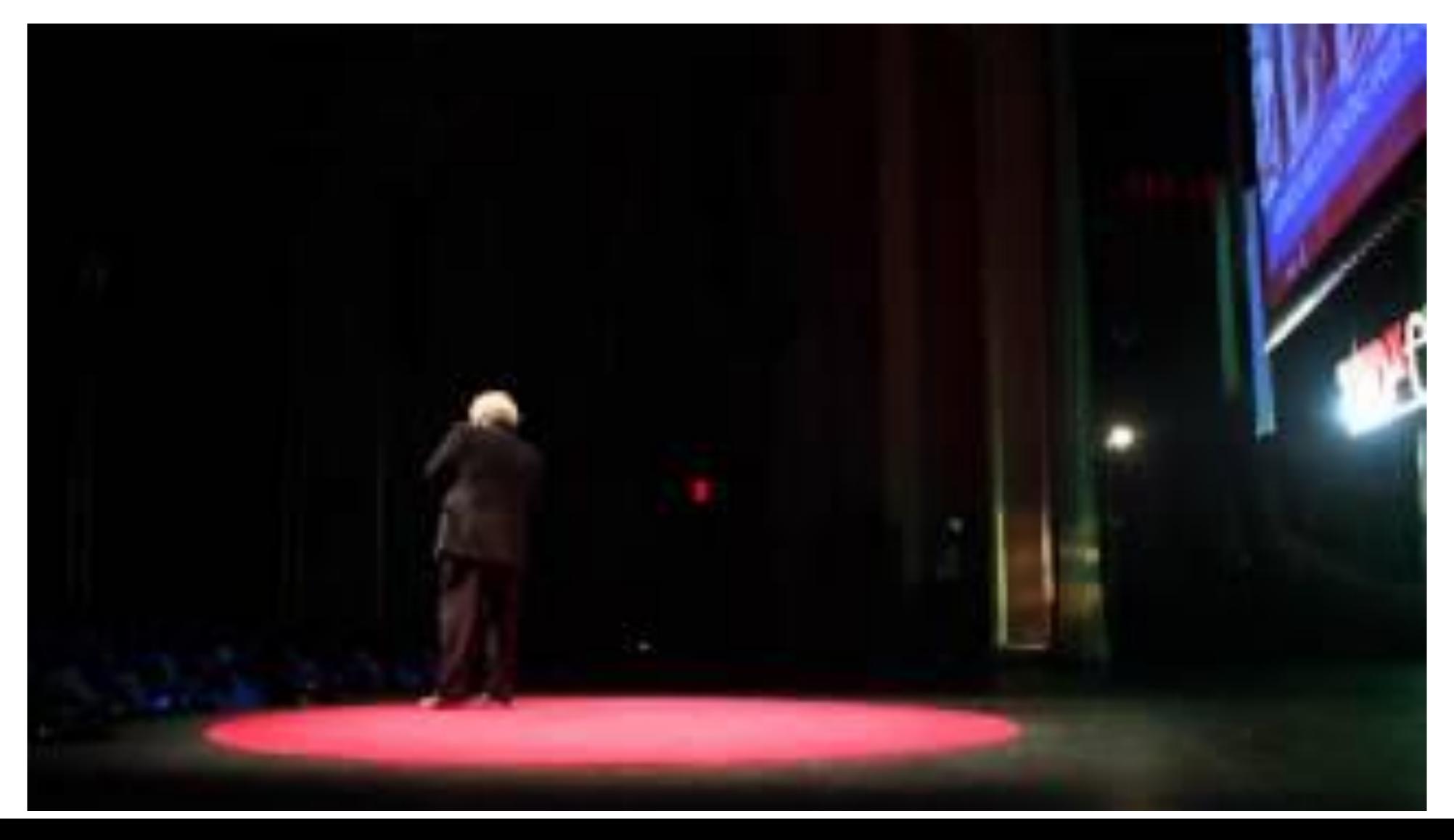
(shareholders/stockholders)

Stakeholders:

people/organisations/communities who have a stake on the corporation's activities

E.g.: suppliers, business partners, investors, customers, employees, local communities, and society at large (also shareholders, in a sense)









Business And Society | ESG Is Under Attack. How Should Your Company Respond?

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ESG Is Under Attack. How Should Your Company Respond?

by Andrew Winston

December 22, 2023, Updated December 22, 2023



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Environmental, Social, Governmental

How does it connect to CSR and SRI?

What is the difference with sustainability?

Are there ESG metrics?

What are the criticisms pointed to ESG?



SUSTAINABLE GEALS





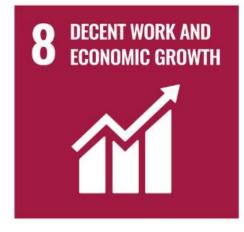




































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Four types of critics of ESG:

- Vested traditionalists(ESG focus, in bad faith)
- Social conservatives (sustainability focus, in good faith)
- Authentic critics(ESG focus, in good faith)
- Political exploiters (sustainability focus, in bad faith)

(Andrew Witson, HBR, 2023)



For **reflection**...

"This is how we misunderstand business: we adopt a too **narrow vision of what business is**, e.g. the pursuit of profits, and then derive unethical or amoral conclusions.

It is this inexcusably limited focus on the 'rights of the stockholders', for example, that has been used to defend some of the very destructive and certainly unproductive 'hostile takeovers' of major corporations in the last few years."

(Solomon, "Business ethics" in A Companion to Ethics, 1991: 357)





Business ethics is a form of applied ethics

One important question is: **to whom does business ethics applies to**? Individuals, Corporations or both?

Individuals within corporations and corporations can be motivated by **intrinsic and extrinsic motives**. These lead to different **CSR attitudes, behaviors, and strategies** and to different positions on **ESG**.

Two ways in which individuals impact ethical actions of corporations: The impact of **leadership**: its decisions; because they act as role models The case of **whistleblowers** (the example of Theranos) \rightarrow See Week 1



CHECK POINTREFIECTION

What have I learned in this module on corporate social responsibility and throughout the course?

