



## ethical dilemmas unit 9

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### *Social responsibility as an ethical dilemma*

THE idea that companies should strive to be socially responsible has generated huge debate, yet with very little movement from entrenched positions. When approached from the point of view of the study of ethical dilemmas, it is not difficult to see why. We are, at one and the same time, ethical beings and players in the business arena. There is no logical reason why the duties and responsibilities of a citizen, spouse, parent, or friend should always be consistent with the duties and responsibilities of a director, manager, board member or employee. While most of the time in our day-to-day activities we may not experience any conflict between these different roles – indeed one hopes there would not be a clash otherwise the simplest decisions would become impossible – in a complex, imperfect world such conflict is inevitable and unavoidable.

We saw back in unit 2 how, faced with the challenge of ethical dilemmas, there is a strong temptation to believe that every ethical question must, in principle, have a definitive answer, even if we do not yet know what that answer is. Convinced that all we need to find the answer is the right *tools*, we are then tempted to think along the following lines. Since the solution to our problem has eluded us despite our best efforts, what that shows is that we need a better, more effective ethical *theory*, one which will yield a reliable method or recipe for resolving any ethical question, and thus lead us to the answer which we seek. – The more one learns about the sheer variety and complexity of ethical dilemmas, the less plausible that line of thought appears.

The alternative view, which we have consistently argued for here, is that there is no single 'right' answer to an ethical dilemma. Undoubtedly, some people are better at grappling with ethical dilemmas than others, but this is a talent, native or acquired – one aspect of what we term 'wisdom'. To say, however, that there is no definitive resolution of an ethical dilemma is not to say that any decision that we reach is merely subjective, or that we do not have a responsibility to make the best choice that we can, given the circumstances. The reasons which motivate our final decision are reasons which we could present to others, if asked to do so, and if necessary defend with arguments; even though by the nature of the case such arguments will be less than conclusive. There is generally a time limit on ethical deliberation; when the time limit runs out, you have to make your judgement call, and act.

Let us now see how the question of social responsibility first appears from the point of view of the business arena. When you are making decisions that involve other people's money – people who have invested in your company and entrusted you with the stewardship of their funds – the decision to use that money for anything other than generating a profit, with the aim of gaining the maxim return on investment, is tantamount to theft. Unless you can present an effective *business case* for doing what your conscience or your feelings tell you is the right thing to do, such action is ethically prohibited. You would be no better than Robin Hood stealing from one group of persons to give to another.

But now let us look at the other side of the argument. If you have good reason to believe that the activities of your company have resulted or will result in serious damage to the environment, or unjust treatment of employees, or the destruction of local communities, or long term health hazards to consumers then regardless of the risk of negative impact on profit, as an ethical individual you have to do the right thing. You cannot allow the bad situation to continue unchecked, so long as you are in a position to do something about it.

An argument such as the one we have presented to the effect that you *cannot* do XYZ, and yet you *must* do XYZ has all the hallmarks of a classic ethical dilemma. To merely state that observation is not of course to solve the problem. What it does do, is help to clarify the debate. You can't do

justice to an ethical dilemma if you adopt the blinkered policy of always choosing one side of the argument, regardless of the particular circumstances. That is what the defenders of entrenched positions over social responsibility effectively do. On the contrary, the circumstances *always* matter. There is no easy let-off from engaging in the nitty-gritty of ethical debate, and making an ethical decision which inevitably will not please everyone but which you and your company are prepared to stand up for. That is what ethics demands. Business ethics – if indeed it deserves the name – cannot require anything less.

### *Business case for social responsibility*

Is there a business case for social responsibility? Increasingly many companies believe that there is, and have acted on that belief. There is now a burgeoning literature on the business case for social responsibility. Many case studies have proved beyond doubt that social responsibility can and does pay. Then why doesn't everyone do it? Is it ignorance? or does a socially responsible company policy work for some, but not others? – From the point of view of logic, one cannot *assume* that an effective business case can always be made for socially responsible action. The empirical evidence that social responsibility pays – for example, increasing ethical awareness of consumers who prefer goods from socially responsible companies, favourable publicity and the generation of good will – does not and cannot show that social responsibility *always* pays, regardless of the particular circumstances.

The debate, indeed, is no different from the question first raised by Socrates and Plato two and a half thousand years ago over the connection between virtue and happiness. Suppose that what Socrates and Plato believed is empirically true: when you study human behaviour you find that, by and large, and for the most part, those who are ethically virtuous lead better, happier lives. Despite this evidence, we all know that sometimes, inevitably, doing the right thing entails a degree of sacrifice: there will be occasions when you are required to pursue an outcome which is less favourable to yourself for the sake of the greater good.

Even so, the debate is by no means done with, for the supporters of the business case will argue that if you take a *sufficiently long view*, the benefits of socially responsible action will always outweigh the costs. However, one is justified in asking, what is the hard evidence for that belief? Such a claim appears to be held as a mere article of faith. It looks like either propaganda or wishful thinking. If the propaganda succeeds, then it might indeed prove to be an example of a self-fulfilling prophecy. Suppose it were true that all businesses would benefit if they acted in unison and universally embraced the ideal of social responsibility, just as the human race would be better off if we all behaved ethically. In the face of scepticism, that is as weak an argument for corporate social responsibility in *this world* as it is an argument for ethics. Those individuals and companies who succeed in resisting the propaganda and continue recklessly to break the rules, profit from the secure knowledge that the majority can always be relied upon to toe the line.

A variation on this theme is the idea that companies whose *primary aim* is profit do less well than companies who aim to do worthy things – build a better mousetrap, cater to their customers' needs, develop a good management-employee relationship – things which, or so we are led to believe, naturally lead to increased profitability and success in the marketplace, just as human happiness is best achieved not by pursuing it consciously but rather by engaging in activities which increase the quality of a person's life and consequently lead to happiness. The analogy fails, if only for the reason that there is a wealth of knowledge about precise and actionable ways of increasing company profit, if that is really all one cares about, whereas human happiness is, as it has always been, elusive and difficult to predict or quantify.

Another variation on the theme is the increasingly talked about notion of *sustainability*, which manages to embrace ideas of long-term company survival and profitability, protection of the sources of raw materials, care for the environment, social responsibility and much more. The sheer breadth of the term raises a question about its utility, not to mention the risk of equivocation. From the point of view of generating profit in the long term, it could indeed be argued that it is not always a good thing to keep a company or a brand going indefinitely. Companies, like people,

have a natural lifespan. There is nothing more unseemly than a company on a life support machine, kept alive by taxpayers' money. In a thriving economy, the most important factor is not longevity of existing companies but the number of new companies entering the marketplace. The desire to see your company flag flying in fifty years time is sentimentality, not sound business sense.

Anyone arguing for social responsibility who relies on the business case is therefore doing their cause a disservice. They are sacrificing facts for the sake of ideology. Or, in plain terms, they are peddling lies. Any company with a clear vision of why it is there in the marketplace knows this. Business people will be only too willing to embrace the hard-headed conclusion that so long as responsible action, whether towards the environment, local communities, ones customers or employees, pays, it is worth pursuing, but not otherwise. When responsibility ceases to pay – especially when a perceived short term advantage is so great as to outweigh any possible long term considerations – it is irrational to continue to insist on the socially responsible option.

#### *Ethical case for social responsibility*

What about the ethical case? 'Self-sacrifice' is an emotive term, and it is not difficult to see why philosophies which denigrate the very idea of altruism or self-sacrifice have become popular in the business world. Ayn Rand's *Virtue of Selfishness* has always retained a devoted hard core of followers. Back in unit 1, when we discussed the 19th century moral philosopher Henry Sidgwick's pessimistic view of the clash between morality and self-interest, we concluded that any sensible approach to ethics must allow for a component of healthy self-interest: 'we have to recognize there is such a thing as *ethical judgement*, which takes considerations of altruism and self-interest, together with the minimum required standards of behaviour, and makes a balanced decision.' To say that it is legitimate to *factor in* considerations of self-interest is clearly different from claiming that ethics can be reduced to self-interest, and different again from the exhortation to abandon traditional ethics altogether and make a 'virtue' out of selfishness.

Putting aside such radical views, it should be clear that the ethical case for social responsibility does not, in fact, need to be made. To be socially responsible *is* the ethical thing to do, full stop. You either care about ethics or you don't. To ask for an *ethical* reason for being ethical – given the insufficiency of self-interested reasons – is to embark on a vicious regress. What does need to be argued for, however, is the *relevance* of ethical argument in the context of the business arena. Why should we go beyond questions of profitability and survival and get ourselves entangled in the thickets of ethics, when following the path of self-interest is so much easier and clearer?

The rules for behaviour within the business arena are not the rules for behaviour outside the business arena: that is a point which we have repeated time and again. However, a point we have also emphasized is that when you enter the business arena you do not *leave the world*. You are, at one and the same time an ethical being and a player in the business arena; every decision you make has to reckon with that fact. You may not acknowledge the fact, but you *are* ethically responsible all the same. The rules may be different in the business arena, but they do not grant immunity from ethical challenge as and when it arises.

If there is an 'ethical case' to answer, it can therefore only be a case for *how much* concern, how much of one's time, energy and financial resources are channelled into pursuing socially responsible policies where these outstrip – or at least are not known to coincide with – the demands of self-interest. In plain terms, in every company there is an imperative for *ethical debate*. The business imperative, to survive and make a profit, has to be balanced with the ethical imperative to behave responsibly and take account of the effects of one's actions and decisions on society at large. How exactly one adjusts that balance is something that each individual, each company has to decide for themselves, or itself.

There is no need to make invidious judgements or comparisons. A company which idealistically puts its priority on promoting social benefits is no better or worse, in itself, than a company which benefits society by concentrating its energy on creating wealth and providing employment through the pursuit of profitable activities. It suffices that the ethical imperative is acknowledged, that there is genuine ethical debate within

the company. In a similar way you can be an ethical person and pursue a life of service to the community, or be an ethical person and devote yourself to self-improvement and self-fulfilment, and pursuing your own personal goals and projects.

### *Defending the term 'CSR'*

It is a standard move in philosophical debate to challenge the use of a term, to claim that it is incoherent or embodies conflicting beliefs or theories. In recent times, the term 'corporate social responsibility' – first coined in the 1930's by two Harvard professors – has fared particularly badly in this respect. 'We uphold the principles of *corporate* responsibility; we don't understand what is meant by *corporate social* responsibility,' is a typical claim one hears from company spokespersons and public relations departments.

In reality, with the word 'social' removed, the term 'corporate responsibility' can denote anything you like. All ethics is concerned with responsibility. To assert, as a company or an individual business person that you are 'responsible' conveys no information over and above the statement that you observe the minimum ethical standards required of a player in the business arena. But we have already seen that that is not enough. It is not enough to play by the rules, to keep your promises and not lie or cheat. Of course, every player is responsible for their behaviour in this sense. The question at issue, however, concerns the good or bad *consequences* of decisions that you make, decisions which in themselves may be fully within the strict 'rules of the game'. To assert that you are responsible for your actions, but not responsible for any of the consequences of your actions is double-talk.

What the term 'social' denotes is that the responsibility in question is for the consequences of one's actions, the impact of decisions made, on *society at large*. In making this bold claim, we are not arguing for the ethical theory of consequentialism, according to which the right action is one which weights up *all* the consequences of one's actions, selecting the one which leads to the 'greatest happiness for the greatest number', or

'maximization of desire satisfaction' or whatever your favourite flavour of utilitarian ethics. As we saw in unit 4, when we looked at Bernard Williams' critique of utilitarianism, what utilitarians fail to acknowledge is the importance of the individual perspective: to quote Williams' phrase, human beings are not just 'self-sacrificing cogs in the utility machine'. Self-interest, personal integrity, loyalties, principles are all factors to take into account alongside consideration of the consequences of one's actions. The result may indeed be complex and messy, involving difficult decisions and compromise. But that, as we have argued, is the nature of ethics and equally business ethics.

Most importantly, from our perspective, the term 'social' denotes our recognition of the artificial, but very real boundary line between the business arena and the wider society in which that arena exists. We ourselves constructed that arena; it exists with our continued support and blessing. Indeed, it is hardly possible to conceive of life without it. The business arena is not an autonomous entity cut off from the rest of the world. Whatever happens within the business arena, so far as it affects those outside, has to be considered from that wider perspective. That is the true meaning of *social* responsibility within a business context.

### *Importance of praxis*

It might seem that we have achieved a lot. We have carved out a logical space within which there can be meaningful ethical discussion around the responsibilities of companies and individual business people in relation to society at large, resisting the temptation to adopt extreme positions and putting the case for patience and compromise, a willingness to consider each question on its merit, to always take into account the particular circumstances of the case. To assert, however, that there is no way to avoid the hard work of 'getting down into the nitty-gritty of ethical debate' in itself accomplishes little. It sounds like just another abstract formula. The formula still doesn't give any guidance over *what to do* when we actually face a real-life ethical decision.

In defence of this approach, one could argue that our concern is only to pursue a philosophical investigation into the *foundations* of business ethics. It is not our job to produce an ethical training manual for company directors and business executives. But that is too easy a let out. A critic could point out that there is no reason to believe, on the basis of what has been said so far, that the kinds of ethical judgement called for are within the capacities of ordinary mortals, that is to say, decisions no doubt requiring a modicum of experience and wisdom, but not the judgement of Solomon. Given that pursuing a policy of social responsibility entails grappling with difficult ethical dilemmas, what has not yet been shown is that these dilemmas do not outstrip the capacities of ordinary people for making rational choices. In forming ethical judgements we are not shooting in the dark. We can take honest, practical decisions on questions of ethics and social responsibility, and, most importantly, gain support from others for those decisions.

It is true that, in a sense, we do not need to learn the skills of ethical judgement afresh when we enter the business arena. We brought those skills with us. An ability to make ethical judgements is something we all have, at least those who have been brought up in human society. Maybe, somewhere in the galaxy, there exist alien beings who lack the capacity to understand what ethics is about; maybe there are human beings brought up by bears or wolves who have never learned to be 'human', but these extreme cases apart, we *do* know what to do when faced with an ethical dilemma. We may not always do it very well, we may feel on occasions in need of guidance from someone wiser and more experienced, but even then we grant ourselves the ability to *judge* that the advice proffered is sound and worth following. You need a basic understanding of ethics in order to benefit from ethical advice.

Training manuals can be useful, in a context where a large number of people need to be inducted into the 'company philosophy'. I would argue that, far more importantly, what every company needs to do is create a forum for *ethical debate*. Even with all the talk of philosophies and codes of conduct, this is not something that one sees that often. Ethics should be on the agenda, at every level from the boardroom down to the shop floor. A company should be prepared to defend its ethical policy, not just in the

boardroom or at AGMs, but in regular question and answer sessions, staff magazines, perhaps even the setting of a friendly debate where motions are argued for and against, and voted on. All these things can contribute to creating an atmosphere which fosters good ethical decision making and a healthy corporate culture.

It is a tried and tested wisdom that a company needs to remind itself, again and again, what it stands for. Human memory is a fragile thing. We all-too easily get distracted from the main issue: remembering *why we are here*. This is the polar opposite of social responsibility as a PR exercise, where nicely worded mission statements, grandiose ethical claims and impressive lists of socially responsible projects are loudly trumpeted to the press and the outside world. All too often, such claims are seen for what they are: a mere fig-leaf.

### *Fighting the system*

But there is something else we need to consider. This is perhaps the real core of resistance to the idea of social responsibility in the business world. We have been talking as if the only thing that counts are the deliberations of individuals or groups of individuals, who are free to make any decision their conscience dictates. The reality is that an organization or a business is a human creation which, once put in motion, gains a powerful life of its own. All the more is this true of the business arena itself. It may not be true to say that human beings are mere 'slaves to their own creation', but neither are we its lord and master. We exert influence where we can, resigning ourselves to the inevitable consequences when our interventions prove ineffective.

The system may be difficult to change. But then again, one wouldn't want it to be too easy. We rely on the massive inertia of the system to keep things running smoothly. If you want to make changes, you have to plan ahead. Just as when steering a super-tanker, you know that it will take a mile or two of water before the ship responds to a touch on the tiller.

What exactly is 'the system'? The system is not just companies and what they do. It is as much we ourselves, the consumers, whose loves and hates,

passions, enthusiasms and appetites are the ultimate fuel for the market economy. In 'Ethics and Advertising', I concluded,

**The stark truth is that manufacturers and advertisers are as much controlled by the fickle consumer as in control. Rules can be set down concerning what is factually truthful, decent and fair. It is not the advertiser's job to make people better than they are, or want better things than they want.**

**Geoffrey Klempner 'Ethics and Advertising'  
*Philosophy for Business* Issue 9, 13th June 2004  
[www.isfp.co.uk/businesspathways/issue9.html](http://www.isfp.co.uk/businesspathways/issue9.html)**

That said, we may not all be aware of the full spectrum of possibilities of a meaningful human existence, but we are not just helpless victims of consumerist brainwashing either. We have the power to bring about change, if only we were prepared to use it.

As a moral philosopher, of course one would indeed like to make people 'want better things than they want'. You have to believe that every effort counts for something. If people want cheap trainers, then someone has to manufacture them at a low enough price. If more and more people want to drive their own car, then someone has to drill the oil and refine the petrol. It would be the height of hypocrisy to expect better ethical standards from companies than consumers themselves are willing to exhibit. On the other hand, as noted previously, there is strong evidence of increasing consumer awareness of ethical issues, to the extent that companies are now actively marketing for this preference.

That is one aspect of the equation. Another, equally important side is the role of investors. As is well known, a large proportion of the shareholders of the large public companies consist of insurance companies whose primary obligation is to the thousands of individual holders of life insurance policies who are looking to be provided for in their retirement. The ethics of the companies in which they invest come in a poor second. In time, investors will become ethically more aware. In that case, once again, the pressure for change will come from below rather than above.

It is true that as individuals, much of the time, we don't have a clear enough view of what is possible. We only know what we want, or the latest thing that happens to prick our consciences. But even when we do get a clear enough view, one faces the perennial problem of politics itself: getting individuals and organizations to co-ordinate their actions, on the assumption that everyone is willing to play their part in the effort.

The impossibility of co-ordinating human actions in a scenario where no-one can be 100 per cent certain that the other person will not take advantage of their trust was the basis for Hobbes' argument, in *Leviathan*, that the problem of politics can only be solved by having a sovereign with absolute power to impose laws and make decisions: a single captain for the ship. Until a captain comes along, business ethics will remain vitally important not only as a guide to the actions of business people and companies, but also because in this age of globalization the political process is no longer just in the hands of politicians. National governments have a duty to show leadership, but so indeed do company boards and CEOs.