



# Ethical Perspectives and Corporate Social Responsibility

# ETHICAL PERSPECTIVES

- UTILITARIANISM
- MORAL RIGHTS
  - KANT
  - RAWLS

# CORPORATE SOCIAL RESPONSIBILITY

- FRIEDMAN'S VIEW
- BUSINESS ROUNDTABLE'S VIEW
- NOVAK --"BUSINESS AS A CALLING"

# ETHICAL PERSPECTIVES

- Ethics can provide guidance for addressing non-market issues, such as product safety, environmental regulation & employment practices
- Ethics and corporate social responsibility can be alternative to and/or preempt government intervention & regulation
- Ethics concerned with moral standards & normative issues (i.e., how businesses & managers *ought to behave*)
- There are different ethical perspectives

# 1. UTILITARIANISM

- Strongest influence on our way of thinking, e.g., *social efficiency criteria*
- Weighing economic costs & benefits of actions
- *Criticisms:*
  - does not consider distribution effects
  - ignores intrinsic rights
  - does not consider values other than economic

## 2. MORAL RIGHTS (KANT)

- Includes, civil liberties (free speech), political rights (right to vote, political equality)
- Emphasis on freedom and individual & moral rights
- Embedded in U.S. constitution & legislation

# RULES USED TO DERIVE MORAL RIGHTS

- **Universibility**- “*would I like everyone to behave in that manner?*”
- **Reversibility**- “*would I want that rule applied to me?*”

# CRITICISMS OF KANTIAN MORAL RIGHTS PERSPECTIVE

- How does one weigh conflicting rights?
- For example:
  - “*right to life*” vs. “*right to choice*”
  - *equal opportunity* vs. *affirmative action*
  - *right to smoke* vs. *right to breathe clean air*



### 3. THEORY OF JUSTICE (JOHN RAWLS)

- Similar to Kant's moral rights perspective, but adds comparative dimension
- Concerned with relative standing of individuals
- Behind “veil of ignorance” we would choose an egalitarian society (Rawls argues)

# CRITICISMS OF THEORY OF JUSTICE:

- Ignores the role of differential rewards in furthering the general welfare in a capitalist economy
- Income “leveling” might reduce incentives to work and innovate and be detrimental to long term economic growth and societal well-being

# Cases of Applied Ethics

- Affirmative Action: based mainly on moral rights and equality principles
  - correcting for past wrongs;
  - however, does correcting past wrong create new ones (“reverse discrimination”)?
- Affirmative action might also be justified by utilitarian perspective --as a way to diversify workforce and gain market insights-e.g., Levi Strauss Corp. example

# Cases of Applied Ethics

- **Microsoft Anti-trust case** -- did the company act in violation of moral rights and/or utilitarian values and objectives?
- **Access to the Internet** --public policy insights from applying all three ethical perspectives

# CORPORATE SOCIAL RESPONSIBILITY

- (1) Two Different Perspectives of CSR
  - Milton Friedman
  - The Business Roundtable
- (2) Novak --"Business as a Calling"
- (3) Ben & Jerry's Case --Group 1
- (4) CSR --can it serve utilitarian ends?
- (5) PCConnection --Matt Cookson, Director of Public Affairs

# FRIEDMAN (CHICAGO SCHOOL)

## View of Corporate Social Responsibility

- Managers/corporations should **maximize profits** while conforming to the basic rules of society
- Shareholders are the **principals**, managers are their **agents** in the pursuit of profit max. and max. shareholder wealth
- **Profits represent the net contribution that the firm makes to the social good**
- Managers representing shareholders and profit maximizing also act in **best interest of society**
- Managers using corporate resources to promote social objectives in fact would be **undemocratic**

# BUSINESS ROUNDTABLE

## View of Corp Social Responsibility

- It is a corporation's responsibility to serve the public interest, as well as private profit
- Corporate stakeholders include not only shareholders, but also: employees, communities, and society at large
- Corporation is a legal entity, creation of the state, and therefore it should not be viewed as the sole owner of "its" assets

# NOVAK --BUSINESS AS A CALLING

- Private firms add to society's well-being
- Private corporations create wealth beyond the wealth that existed before it came into being (similar to Friedman's view)
- (Even) the pope argues: *“when a firm makes a profit, this means that productive factors of the earth are used to satisfy human needs and are at the service of the whole society”*



# NOVAK'S VIEW OF MANAGERIAL ETHICS

- Business corporations generate an important form of human community
- Managers therefore have responsibility for creating moral community at workplace (more in line with business roundtable)
- Firms and managers responsibilities include:
  - facilitating rewards for hard work (consistent with our merit-based society)
  - promoting upward mobility

# Managerial Ethics: What are managers responsible for?

- Adherence to the letter & intent of the law
- Honesty and integrity
- Contributions to the development of employees and communities
- Capability of withstanding full disclosure of activities, a willingness to reveal to family/community/general public any action

# Ben & Jerry's Case

- Group 1 case leadership

# Functionality of CSR: Does it (Can It) Contribute to Profitability?

(+’s)

- Good public relations, can improve public image
- Can be used as “tool” to reach common goals
  - can guide employee behavior
  - can lead to shared values and cooperative effort
  - “larger” purpose for corporation and employees e.g., could be used for recruitment
- Can help avoid costly errors that may result from too narrow a focus on short term profits (e.g., Exxon Valdez)
- In general, can help firms better anticipate nonmarket pressures, that can affect profitability

# CSR (-'s)

- Can take away from the focus of the corporation
- Expensive, according to Friedman, by definition corporate social responsibility reduces profits
- Corporations and managers are best at maximizing net worth, that is ultimate responsibility of business.
- **Managers are trained in business, not social policy and/or ethics**
- Dangerous, corporate activity outside the market in social responsibility arena can give managers discretion over use of corporate funds to promote their personal political and social beliefs- csr can be “undemocratic”

# CONCLUSION:

## Ethics & Corporate Social Responsibility

- “Power” of the **private market as a regulator of not only economic behavior (most efficient use of resources by firms) but also corporate social practices**
- As consumers (employees) become more concerned with social, environmental and product safety issues and are provided with more info they are positioned to regulate corporate behavior and ethics through their purchases (decisions where to work)
- Corporate social responsibility and ethical considerations influence purchase decisions of consumers, employee decisions of where to work, and investor decisions and thereby can contribute to profitability and net equity/worth

# Corp Social Responsibility in action in New Hampshire

- PCConnection (Matt Cookson)