



## **Ethics Bites**

*Business Ethics*

### **David Edmonds**

This is *Ethics Bites*, with me David Edmonds

### **Nigel Warburton**

And me Nigel Warburton

### **David**

*Ethics Bites* is a series of interviews on applied ethics, produced in association with The Open University.

### **Nigel**

For more information about Ethics Bites, and about the Open University, go to [open2.net](http://open2.net).

### **David**

“That’ll be a short discussion then”, somebody commented when told we were doing a podcast on business and ethics. In fact, there is a strange shortage of philosophical literature on business ethics. In contrast, there’s a library of books on medical ethics. One puzzle in business ethics is how we should view a business decision – should we blame a bad decision, say, on a particular individual, or set of individuals, or can sense be made, as the philosopher Philip Pettit suggests, of the responsibility being the organisation’s as a whole? And what are we to make of Corporate Social Responsibility – all the vogue now; do businesses really have an obligation – as opposed to a profit motive - to care about the environment, the communities in which they operate, and so on? Questions to which Alex Oliver should know the answers: he runs The Forum for Philosophy in Business at Cambridge University.

### **Nigel**

Alex Oliver, welcome to *Ethics Bites*.

### **Alex Oliver**

Hello Nigel.

### **Nigel**

The topic we’re going to focus on today is corporations and responsibility. Philosophers aren’t typically interested in lampposts or cars, why should they be interested in corporations?

### **Alex Oliver**

Well I think they should be interested in corporations because they throw up all sorts of philosophical puzzles and conundrums; what kinds of properties do corporations have? How are these corporations related to the individual human beings that make them up?

### **Nigel**

But there are all kinds of groups of people who philosophers don’t get excited about. A queue waiting to get a coffee in Starbucks – who cares about that? Why should they be so focused on corporations?

### **Alex**

I don’t think they should just be focused on corporations. I think they should be focused on groups which are organized to pursue some purpose. It’s those kinds of groups that really

raise the interesting philosophical puzzles: trade unions, churches, universities, the mafia, as well as corporations.

**Nigel**

So what's special about these kinds of organisations which have particular aims and shared purposes and possibilities to act?

**Alex**

What's special about them? Well it starts with metaphysics. One wants to ask where are they located? And of course it's very easy to locate a very small organisation, but when one thinks of Shell or the mafia it's very hard to give them a location as it would be just to point to the lamppost. And that brings up another point. You can't generally smell them or feel them; they don't seem to be observable in the way that a table or a lamppost is. You can see individual members of an organisation, but you can't see the organisation.

**Nigel**

Setting aside the mafia because there are special problems there about identifying who's a member; but think of Shell, you can find business addresses, you can find the names of employees, I don't follow why there's a problem about identifying where the corporation is there. It's the sum of those addresses, people, business... sites.

**Alex**

Well which people? Which people are the appropriate members of the corporation? How far does the membership extend? Is it just the board of directors? Is it the entire work force? Is it the work force plus those they impact on?

**Nigel**

And I suppose the shareholders as well could conceivably be thought of as part of an organisation like that.

**Alex**

Absolutely, they're the owners.

**Nigel**

If there is this difficulty of actually identifying a location of a corporation, are they more like numbers in that respect; the number 3, where is that? It's not the number written on the page, it's an abstract idea.

**Alex**

Well, it's an abstract object. It has no spatial temporal location, but a number has no causes and has no effect either. And of course corporations, organized groups pursuing a common purpose, certainly do have effects.

**Nigel**

So that ties the metaphysical question of what kind of a thing a corporation is into something that might be seen as an analogy. They're a bit like minds in some respects; my thoughts can lead to my actions, my desires and so on, is that a fair analogy to draw?

**Alex**

Well it's a difficult question. They cause things, but do they do things? Are some of the things that they cause actually the result of their actions? And I believe that they are. I believe there is a good sense in which organisations can act, and they can act for reasons.

**Nigel**

But is that a metaphor? Are they really acting in the way that human beings act?

**Alex**

Some people think it's just a metaphor. Anthony Quinton for example takes talk of the mental state of organisations to be plainly metaphorical. The literal talk to replace it is to be talk of mental states of individual members of an organisation.

**Nigel**

But surely that idea isn't so absurd. How can a group of individuals have some kind of composite mental state like that? The basic unit of action is an individual human being. So there's a sense in which a chief executive can act and get people to act because he or she is very powerful, but that's not a corporation acting.

**Alex**

That's true; there are actions on the part of individuals. But I think there's also a sense in which they add up to actions on the part of corporations. And I think a good way to examine this is to think about some considerations that Philip Pettit has brought forward in this debate to argue that in fact the mentality of certain kinds of organisations transcends the mentality of individual members.

**Nigel**

So just to get this straight: Pettit is saying, "it's not a metaphor; actually these organisations think".

**Alex**

That's right. He says they have minds of their own.

**Nigel**

That's highly counter-intuitive.

**Alex**

Perhaps, but he brings forth very powerful considerations. He considers decision making within organisations. And it's a good idea to proceed with a little dummy example at this point. Suppose some committee within an organisation is charged with deciding about some matter C, C for the conclusion. And suppose also that all are agreed that if condition A holds and condition B holds then C follows. Then one way for this committee to make its decision is to let individual members vote on A and let them vote on B. And if there's a majority in favour of A and a majority in favour of B, then C follows; the group makes up its mind. C is the case. So far so good.

But it's very easy to set up the situation so that the majority in favour of A is a different majority from that in favour of B and those majorities themselves, their overlap, their intersection, is not itself a majority. And in such circumstances, if we asked the members of the committee to each make up their minds individually about C, in fact there would not be a majority in favour of C, the conclusion. And if that's the case, then talk of an organisation's judgements reached on the basis of such decisions can't be explained away as a mere metaphor to be replaced by literal talk of what all or many or most of the individual members would judge.

**Nigel**

That's quite complicated in abstract. I wonder if you can give a specific example to illustrate it.

**Alex**

Yes, let's take a three person appointments committee for an academic job. You're deciding whether to appoint a particular person, so that's the conclusion. And let's suppose just two conditions must be met; they must be competent to teach ethics and they must have an international reputation for research. So you can imagine the different people on that committee going different ways on those two conditions. One may say "competent to teach ethics", and the other might say "no, not at all". So you can imagine when you take the votes they'll be a majority but not unanimity in favour of this person actually being competent to teach ethics, a different majority in favour of them having an international reputation, and if you let the decision then be forced by the facts that there are majorities on these two conditions, then you'd actually appoint the person. But you can imagine taking the decision in a different way; actually asking each member to vote on whether they'd appoint. And it may well be that two out of the three would say no.

**Nigel**

So that illustrates quite nicely that a group of people can really have a mind of its own that's different from the minds of the individuals who make up that group.

**Alex**

I think it's a very powerful argument in favour of that but I think one's got to hesitate at this point and say "what kind of mind?". It's actually not the sort of mind that an individual human being has. They may well have states, which you can call beliefs and you can call desires, but they don't for example have their own faculties of perception these organisations, they don't itch, they don't sleep and so on.

**Nigel**

Obviously a group of people can bring things about, so they've got some kinds of causal responsibility for what happens; but do they have moral responsibility?

**Alex**

Well you've got to be very careful with the notion of responsibility; there are several ideas in play. You've mentioned two. I think that an organisation can act and have reasons for acting; so I do think they can be causally responsible for some of the things they do. I think they can be psychologically responsible in the sense that they're in control of what they're doing, they understand what they're doing. They can certainly be legally responsible, they can have legal duties. The question of moral responsibility is trickier and more controversial. You hear about the ideas of moral agencies, moral personhood and moral responsibility and they all go together in some kind of package. Some people will say that it's impossible to hold a corporation responsible in a moral sense because they don't have the requisite emotions, they can't really understand from the inside moral concerns. But I don't think that's required. I think they can be sensitive to those kinds of considerations, even if they don't actually feel the emotions. And I think it makes sense to praise and blame them in order to change their behaviour.

**Nigel**

So you believe that a corporation or a group of people can be together morally responsible for something and that's not a metaphor?

**Alex**

That's right. It, the corporation, can be morally responsible; it can be held responsible for what it's done. It can be praised and blamed. It's accountable for what it's done. It's answerable.

**Nigel**

We've got the idea then that a group of people can together be morally responsible. In the area of business how does this connect with the idea of the social responsibility of organisations?

**Alex**

So you're talking about corporate social responsibility, CSR as it's known. The big buzz word. They talk all the time about having responsibilities for a very wide range of activities, from protecting the environment, looking after animals, helping local schools and so on.

**Nigel**

And yet Milton Friedman famously said "the social responsibility of business is to increase profits".

**Alex**

Yes, that's right. He was thinking of a particular kind of business, the for-profit business, not set up for any charitable purpose, but really for promoting the interests of its shareholders. The idea is that you have an organisation with a single purpose and the executive's responsibilities within such an organisation are in fact to serve the needs of the shareholder, and those of course will be to maximize return.

**Nigel**

But an exclusive concern with profits seems antithetical to ethics; it doesn't sound like social responsibility to me.

**Alex**

Well he distinguished two kinds of social responsibility. What you might call the pure kind is where the executive is actually running against the desires of the shareholder, spending their money in ways in which they don't agree. And for that kind of social responsibility he condemned it as a kind of taxation, without proper democratic procedures in place.

**Nigel**

So what's the second kind?

**Alex**

Well the second kind, you might call impure as opposed to pure. It's by far the most popular kind of CSR as it's conducted now, where the business case is made for doing good; so ultimately you're doing good for profits sake. Now Friedman called this 'hypocritical window dressing'. He thought that impure CSR was often conducted in a fraudulent way; that the motive for doing good was being misrepresented.

**Nigel**

So I could imagine somebody selling coffee going out of their way to get a fair-trade label because they know it's good for business. Now that seems hypocritical. But is there anything wrong with that?

**Alex**

Friedman called it hypocritical and there was a strong sense in which he was condemning it by using those words. And if you think about an individual human being, if you were to ask "well, why is it that you're helping the old lady over the street?" and the person responded "well, I'm doing it to impress the woman in the coffee shop who's watching me", you'd be rather upset at that point. We don't take kindly to people who are concerned with doing good on the basis of ultimately improving their reputation.

**Nigel**

On the other hand the old lady would still get across the road, and in the coffee case the coffee would be produced under fairer conditions.

**Alex**

Absolutely. And this raises a very interesting question here; whether it's necessary to misrepresent a corporation's motives. Corporations have to represent their motives to all sorts of constituencies; when they're talking to the investment analyst they certainly won't stress their altruistic motive, they'll be talking the business case. But when they're representing themselves to a wider public of potential and actual consumers they may well be stressing altruistic motives and not mentioning the business case. So why is it they have to shift here?

**Nigel**

Well that sounds quite Machiavellian to me. The idea that you manipulate appearances to get a certain end result, which is that you're approved of from outside; is that really an ethical position?

**Alex**

This is the really interesting question for me about corporate social responsibility; it's about presentation and the ethics of spin. Why shouldn't we, as the general public, be impressed by what the company is doing, even if it's from the motives of ultimately maximizing shareholding return; after all, they're doing good. Why should we care about why they're doing it? This may be one area where judgement about human beings and judgement about corporations, differs, or should differ.

**Nigel**

That's interesting. So you might have a special notion of corporate responsibility that doesn't put such stringent obligations on the morally acting corporation as it would on the individual?

**Alex**

That's right. One would ignore motivation and say, "it's only to be expected that they're actually interested in the business case, what else would they really be interested in? But on the other hand look at all the good work that's following from that. Hurrah."

**Nigel**

Is it possible then to have a business which has a genuine moral motivation in the sense that it's not just out for profit? Would it still be a business?

**Alex**

There are plenty of corporations that say they're out to do something else than just maximize shareholder return; so a good example would be Divine chocolate. On their home page they say that their overall strategic aim is to improve the livelihood of small holder cocoa producers in West Africa.

**Nigel**

Is that then a paradigm of how a business should embrace its social responsibilities; or is it beyond the call of duty?

**Alex**

Well I think it's up to the owners of the business to decide how they want to run their business. Some will have purposes that go beyond the profit motive, some won't. But I don't think one should downplay the profit motive. Making money is in the end good for society.

**Nigel**

In a business which is set up purely for generating profit for shareholders, those who decide to invest in socially concerned projects might be seen to be doing something that is actually wrong.

**Alex**

As a human being you may well want to say that they're a good person. But que executive their chief responsibility is to satisfy the desires of the owners of their corporation.

**Nigel**

I can imagine a cynical business person saying philosophers can't teach me anything, they're not experienced in business, they live in their ivory towers, what do they know about the ways of the world? Is there anything that people in business can genuinely learn from philosophy?

**Alex**

Well I know from experience that they can. What a business person can learn from a philosopher is the need to be able to explain and justify what it is that their particular corporation is doing. What are their motives? There's a lot of confusion, I think. There's a lot of misrepresentation.

**Nigel**

Alex Oliver, thank you very much.

**Alex**

Thank you

**David**

*Ethics Bites* was produced in association with The Open University. You can listen to more *Ethics Bites* on Open2.net, where you'll also find supporting material, or you can visit [www.philosophybites.com](http://www.philosophybites.com) External link 5 to hear more philosophy podcasts.