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Can Ethics drive firms to do the right thing If there is no business case? It Depends...

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Mike Barnett's Paradoxical Answer in, "On the Business Case for CSR: A Critique and an Indirect Path Forward."



Barnett's Office

Pro Business Case Argument: "...by benefitting society rather than by selectively responding to the demands of their most powerful stakeholders, firms can improve relationships with their primary stakeholders..."

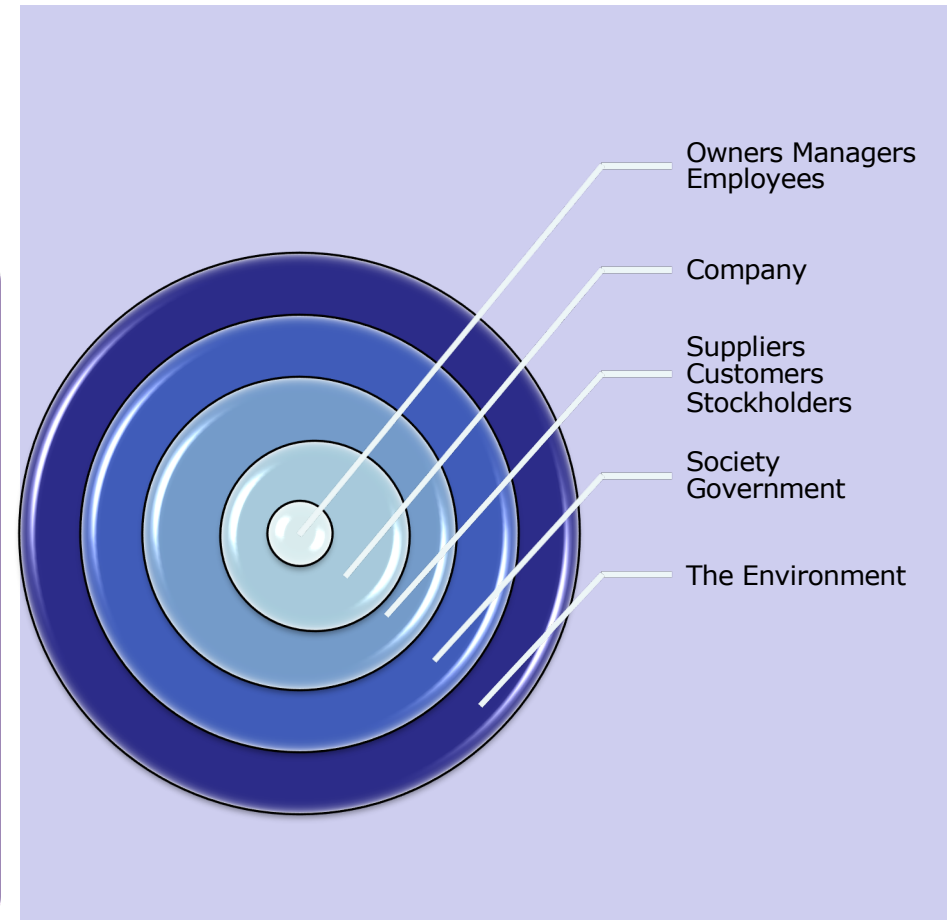
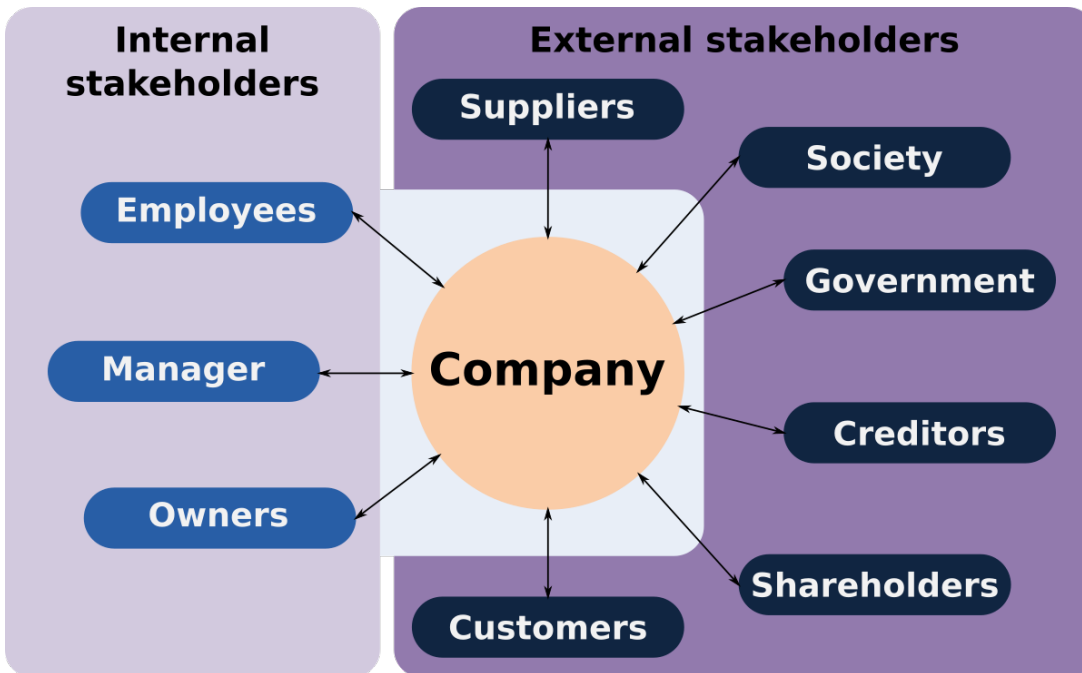
Con Business Case Argument: The "...strategic use of CSR hampers a firm's ability to build stakeholder relationships (Barnett 2019, 169)."

A Useful Distinction: Ethical behavior towards stakeholders is not CSR.



Business *in* Society

Business *and* Society



David Barrett
CEO Expensify



The Expensify Letter Sent to 10 million Customers

Q: What gives you the right to tell me what to do?

The first amendment. To be clear, you don't need to listen. But the first amendment exists to encourage people like you and me to find some way to talk about the issues that matter, set aside our differences, and find a common ground on which to collectively govern 331 million citizens. Yes, democratic self-rule can be inconvenient. But a burden of democracy is that this is literally our job, so I'm asking all of us to take it seriously.

Q: But you're a company, shouldn't you remain neutral?

Expensify depends on a functioning society and economy; not many expense reports get filed during a civil war. As CEO of this business, it's my job to plot a course through any storm -- and all evidence suggests that another 4 (or as Trump has hinted -- 8, or more?) years of Trump leadership will damage our democracy to such an extent, I'm obligated on behalf of shareholders to take any action I can to avoid it (Expensify Letter, 2020).



Ethical Considerations

Metaethical

- Internal Moral Motivation: Moral judgements are self-motivating because we have a reason to do them, e.g., “I think cheating on the exam is wrong.” “I won’t cheat on exams” logically and morally follows.
- External Moral Motivation: Moral judgements combine with desire, personality, and other factors to motivate people, e.g., “I think cheating on exams is wrong. I don’t want to cheat on exams, or I want to cheat on the exam because I desire an A on it” (Strandberg, 2013).

Normative

- Failure to have Kantian “good will” does not mean something is wrong. The hypothetical imperative says it could be “meritorious” (Kant, 1783/1950).
- Utilitarianism: The intent tells you about the ethics of the actor, the result tells you about the ethics of the action (Mill, 1863/1987).



The Obligation to Assist

“If you are living comfortably while others are hungry or dying from easily preventable diseases, and you do nothing about it, there is something wrong with your behavior” (Singer 2007).

“I assume that it is within the power of the affluent to reduce absolute poverty, without sacrificing anything of comparable moral worth” (Singer, 1993).



Obligation to Do No Harm



*Thanks to Guido Palazzo for sending this image to me.



Ought Implies Can Ethics Requires a Leap of Faith



Roy Vagelos, CEO of Merck when they donated Mectizan to cure river blindness (Ciulla, 1999).



The "It Depends" Argument

Need to Make the Business Case

- When a business wants to undertake a CSR initiative, they must show that it will not harm the business and that they can do it well (ought implies can).
- When CEOs and their companies engage in some CSR behaviors, they motivate other firms in their industry *want* to undertake similar initiatives (external motivation, peer pressure, and industry leadership).

No Need to Make the Business Case

- Business is *in* Society and the separation thesis is wrong.
- When a business recognizes something is wrong or some individual or person is in need, it logically and morally follows that they should do something (internal moral motivation).
- Doing the right thing requires a leap of faith

A New Research Question

- ~~Can ethics drive firms to do the right thing if there is no business case?~~
- Why don't firms use their resources to help others?



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