

# Debate

One key debate in business ethics is around **corporate social responsibility**: the idea that businesses are not just there to make money but also have wider ethical responsibilities to all stakeholders and their wider community.

**Friedman** argues that whilst individuals in their own time may choose as persons to take on social responsibility or so charitable things, as employees they must serve the corporation or company, and that company cannot have responsibilities. If the business makes money then stockholders, CEOs, etc, may decide to spend their money benefiting the community, but this is not a responsibility of the corporation. Likewise, a free market may allow higher wages. If we want businesses to benefit society, then we make them into public employees, not private companies. Friedman argues that this involves an acceptance of socialism, not capitalism.

Belief in corporate social responsibilities may be motivated by:

- A pragmatic approach that suggests 'good ethics is good business' (**Adam Smith**)
- A Kantian sense of duty
- A religious sense of responsibility in how we treat humans and the rest of creation

For example, **Cadbury** built schools and parks for its workers; they believed that this was their duty towards their workers. Like many companies, it is keen to ensure its products are Fairtrade.

One example of an attempt to measure the extent to which companies display corporate social responsibility is the **FTSE4Good index**. Companies are given an ESG (environmental, social, governance) rating. The *ESG Ratings* diagram indicates how companies might be measured.



**Kantian ethics** states that we should do our duty regardless of our inclination or possible consequences. This includes possible loss of profit. The requirement to treat persons as ends is very powerful. This leads to the idea of rights within the workplace and for consumers. However, the idea of duties to all the various stakeholders is fine in theory, but in practice may lead to conflicting duties. We may not be able to satisfy everyone.



Globalisation refers to the integration of economies, trading and political movements around the world. On a simple understanding, we may say that 'the world is getting smaller'.

Modern life has raised interesting possibilities:

- Technologically, we can communicate with people globally and immediately
- Politically and economically, countries are open to trade and very few countries have closed borders or are totally self-reliant: North Korea being one possible exception
  - Culturally, we are more connected.

# Globalisation

## Effects of Globalisation

Globalisation has produced a number of **effects**:

- The rise of larger multinational corporations with divisions in various countries
- Increased competition in manufacturing and services – it is often possible to get things done cheaper in other countries
- Lower wages or loss of jobs in developed countries such as the United Kingdom and the United States as manufacturing can be done more cheaply abroad
- In developing countries, such as those in Africa and Asia, economic growth has been achieved as these countries are competitive economically
- A loss of culture or national identity where global brands are seen on every high street



# Adam Smith

**Smith's** approach is essentially **utilitarian**. Although it may benefit us in the short term to overcharge customers or pay low wages, we will ultimately harm our reputation and make less money. Hence, when we provide a good service to others, Smith argues that we do so out of self-interest knowing that we will benefit in the end.

**Kant** (1724-1804) would argue that good ethics, doing our duty, is more important than good business. Kant uses the example of a shopkeeper who always charges others fairly because he knows that this is good for business. Kant concludes that even this is not sufficient for the action to count as morally good. The shopkeeper is acting in his own interest. It is only if he charges people fairly out of duty that this becomes a good action.



People

Environment

Ethics



## Does globalisation encourage ethics?

Most multinational corporations value their reputations and have very strong ethical statements and some – e.g. Microsoft, who have donated over \$1 billion to charity.

- Globalisation means global competition and this pressure to cut costs can mean 'a race to the bottom' in terms of wages and rights. Labour often goes to those who pay least and care least about rights.
- A utilitarian might point to generally increased living standards in developing countries as a result of globalisation. However, there are winners and losers in each country.
- A Kantian may be concerned that globalisation has increased the possibility of workers being mistreated in the pursuit of profit. However, this has always gone on to some extent and modern communication technology at least means that this may come to light more quickly.



A further issue on globalisation is the **environment**. There is little incentive to have rigorous environmental standards if the neighbouring country worries less about global warming.

Given that different countries have different **health and safety requirements**, government regulations and wages, globalisation enables businesses to 'shop around'. In the UK, we have a minimum wage and this leads some manufacturers to make products abroad. Manufacturers may be tempted to resort to the lowest common denominator and cut corners in terms of workers' rights in order to get products made cheaply, e.g. the Rana Plaza Factory disaster in Bangladesh, in 2013.

A **utilitarian** may point to the benefits of globalisation as millions of people have been lifted out of poverty in countries such as China as a result of global trade.

A **Kantian** may be concerned that globalisation may increase the exploitation of persons in developing countries where multinationals dictate the terms of business.

## Ethics of Globalisation

# Business Ethics

## Whistleblowing



The term '**whistleblowing**' refers to any situation where an employee, or in some cases other stakeholders, raises concerns of an ethical or legal nature about how an organisation is behaving. There are two types of whistleblowing: (1) **Private**: The whistleblower raises concerns internally within the company in question, e.g. a teacher being given a written warning for speaking to students inappropriately. (2) **Public**: The whistleblower raises concerns outside the organisation in question – for example, by altering the media.



Whistleblowers take a great **risk** in raising concerns, even though there are laws to protect whistleblowers, including anonymous procedures in some companies. In reality, they can face retaliation from colleagues, legal action and, in some cases, lose their job and future earnings. The 2015 'Freedom to Speak Out' report into NHS whistleblowing found that 30% of whistleblowers felt unsafe and some had contemplated suicide.



A person might become a whistleblower for the following reasons:

- Breach of company rules
- Bullying/harassment of employees
- Discrimination
- Illegal activity
- Danger to the public

## Ethics and Whistleblowing

In resorting to whistleblowing, an employee has to balance their loyalty to their company with any wider public issues and their need to live with their own conscience:

- Allowing whistleblowing ensures that companies take their corporate social responsibilities seriously. Behaving unethically brings consequences.
- Whistleblowing encourages integrity from employees
- However, it can be argued that there are some situations where loyalty to the company is the most important thing.
- In Kantian ethics, one must carry out one's duty as an employee; however, there are occasions when wider duties to our fellow human beings may override these.
- In some professions such as medicine and teaching, there are certain duties that are integral to the profession regardless of what an individual hospital or school may be saying.
- For utilitarians, whistleblowers have to make calculations about the greater good or harm that may come from choosing to speak out or to remain silent.



An **act utilitarian** may make decisions on a case-by-case basis, but a **rule utilitarian** may view that the long-term benefits of having a minimum wage or holiday entitlements may mean that a rule should be made on this issue regardless of individual cases. However, utilitarianism is more difficult than it appears to be objective when weighing up the right course of action. We often see situations differently depending on our point of view.

