LEARNING OBJECTIVES

This chapter is designed to enable you to:

- know what is constituted as corporate social responsibility (CSR)
- understand what is practised as CSR
- understand the roles played by corporate codes of ethics
- appreciate different foundations for ethical behaviour
- grasp the delicate balance between principles and profit.

INTRODUCTION

Increasingly, ecologists urge a growing realization that although we have created a hugely successful business system for generating needs and satisfying them, one of its side-effects has been a significant growth in environmental degradation, toxic waste and species extinction. These are one aspect of a lack of ethics being exhibited in a duty of care for the environment and its species. These species include people like us and there are, unfortunately, many examples of unethical behaviour practised towards people who are employees, clients, customers,
suppliers and communities with whom businesses interact. The problems of ethics are due to people knowing what they have a right to do and doing what it is right to do; it is this gap between knowing and doing in which a lack of ethical practice flourishes. Think of a global fashion brand that manufactures its products in a developing country, paying minimal wages to children: according to the law of the developing countries, the brand may act legally. However, from an ethical perspective, the behaviour of the company is unacceptable in terms of the laws and norms of its many markets. Such a brand not only exploits the workers that make the garments; it also exploits the consumers of fast fashion, who end up buying cheap, fashionable (for a brief moment) garments designed not to last either fashionably or functionally, garments that are destined to end up in landfill along with the plastic bags in which they were sold. That is unethical.

In those industries that use materials produced within the petrochemical complex, which supplies so many modern essentials, from familiar things made of plastics, nylon and other artificial fibres, including many of the fashions that we wear, to complex compounds we have probably never heard of, many of these chemicals are highly toxic and hardly biodegradable. If they escape into the ecology, they spread through the air, rivers and rain into the environment of people who are unaware of the risks they face and unable to do much about them, polluting the planet. As a result, over the last few decades there has been a groundswell of interest and call for sustainable management that places people and the planet before profit. While the sustainability movement’s growth is relatively recent, the idea of sustainability management is an ancient practice whose scientific interest can be traced back to the first decade of the twentieth century in the conservation movement (Cummings and Bridgman, 2021). The movement towards sustainability in management and organizations is typified through the notion of corporate social responsibility (CSR) management and scholars increasingly argue that organizations need to practise CSR, and develop business ethics in order to be more socially and ecologically responsible. We shall explore these themes in this chapter. We will begin by looking at this fashionable but contested business concept of CSR.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Corporate social responsibility (CSR) has been adopted as a formal policy goal by many advanced society governments and businesses. Organizations that commit to CSR typically adopt sustainable development goals that take account of economic, social and environmental impacts in the way they operate. Doing so is a relatively new approach – in the past, most organizations exercised very little care for the despoliation of the environment or for sustainable development, especially those based on the exploitation of natural resources. Today, CSR is very fashionable: check out the websites of some of your favourite organizations – we would be very surprised if you did not find something that corresponds to a CSR statement.

Generally, CSR is seen to be a voluntary commitment to sustainable economic development on the part of an organization, intended to improve the quality of life of its employees, their families, local communities and society at large. A good example of these voluntary commitments is Business for Social Responsibility,
global organization that aims to help its members be successful in a sustainable way and to respect the ethical values of stakeholders and the environment.

There are three different levels of analysis implicit in any discussion of CSR. At the institutional level, there are assumptions about the legitimation of organizational actions in so far as they accord with institutionalized norms and values. At this level, general societal expectations and the framing and implementation of these in practice by government determine the legitimacy of a particular organization in its actions. At the organizational level, organizations must take responsibility for what they do and do not do because they can be held legally accountable for their actions and non-actions. At the individual level, the principle of managerial discretion presumes the morality and ethics of individual managers in their relationships with stakeholders. We shall begin our discussion with the latter first.

SHAREHOLDERS OR STAKEHOLDERS?

Why should organizations today bother with CSR, especially those that are profit oriented? After all, neo-classical economists have long argued that business owes abstractions such as ‘society’ nothing: shareholders are the owners of business and business’s obligation is to do everything (within the law) to advance shareholder value – not to squander it on well-meaning but irrelevant CSR projects.

Milton Friedman (1982) is one of the most prominent advocates of this view. He argues that businesses are neutral instruments that have been created for the pursuit of goals of those who actually own them: the shareholders. On this perspective, an organization is a tool to maximize the returns to its owners, the shareholders.

Milton Friedman argues that businesses should stay within the rules of the game and must not engage in illegal or criminal activities. That is about the only limitation he imposes on business: as long as they respect the law, they should, according to Friedman, be free to do whatever they want to increase their profits. The following quote by Friedman gained worldwide notoriety:

The view has been gaining widespread acceptance that corporate officials and labour leaders have a ‘social responsibility’ that goes beyond serving the interest of their stockholders or their members. This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud. (Friedman, 1982: 133–4)

Unilever executive Harish Manwani (2013) uses a TED Talk to make the point that there are other stakeholders with interests in a firm, apart from shareholders, drawing on a ‘stakeholder theory’ of the enterprise to do so (Andriof et al., 2002, 2003; Donaldson and Preston, 1995). The stakeholder model of the firm would insist that shareholders are but one set of stakeholders and that there are plenty of other significant stakeholders, ranging from customers, NGOs, communities and
civil society more generally, to activist groups claiming to articulate the interests of the environment, animals, disadvantaged people(s), or other ‘mute’ or muted stakeholders. The standard definition of a stakeholder is any person with an interest in the activity of an organization; in a slightly less encompassing definition, we might restrict it to those whom the organization affects with their activities, such as owners, investors, employees, the trade unions that organize the employees, customers, consumer associations, regulators, suppliers and citizens living in sufficient proximity to an organization’s material presence to be affected by it.

Stakeholder theory, as a way of managing organizations, develops frameworks within which relevant stakeholders can be identified and defined. Often, these stakeholders are defined more restrictedly than their identification in broad terms would suggest. The more restricted approach limits stakeholders to those who are relevant. Relevance is defined in terms of actual investments in the organization that makes them susceptible to risk from the organization’s activities. The latter approach regards stakeholders in a more restricted way by emphasizing the voluntarist basis of the relation between an organization and its stakeholders. Hence, employees, investors, owners and suppliers might all be regarded as stakeholders.

Others would draw the boundaries of stakeholders more broadly. For instance, many organizations, such as Walmart, do not recognize the legitimacy of trade unions as stakeholders because they seek to maintain union-free operations. However, unions as representatives of the interests of the employees in organizations are clearly stakeholders within these entities. They can represent individual employees collectively against the collective interests of the shareholders in maximizing shareholder value, as they strive to enhance pay and conditions for those they represent; they can also seek to grow value rather than assume it is a zero-sum game. Communities that experience a change to the amenities that they have access to because of an organization’s impact, might also be reasonably included as stakeholders, irrespective of whether the effect was positive or negative. Communities as stakeholders are involuntarily implicated in organizational effects because they did not choose to enter into, nor can they easily withdraw from, a relationship with an organization, such as an airport whose planes fly over their houses or a toll way that divides their community with a multi-highway.

Looked at in a broader way, the question of who the relevant stakeholders should be involves temporalities. If businesses are alert only to interests in the short term, they will probably pay most heed to those stakeholders whose impact is most immediate on their day-to-day operations. These will be investors and stock market analysts because they affect the share price through their perceptions of ‘shareholder value’. Shareholder value is provided by the earnings or losses that shares incur in reporting periods. If organizations only pay attention to these short-term interests, they are open to risk. Focusing on value in terms of revenue purely in the short term may jeopardize organizational legitimacy or reputation if doing so entails harm to the ecology, the community or the future. While one might think that ecologies and communities can be safely disregarded, this is to ignore the impetus of social movements and non-governmental organizations as well as the power of elected politicians who are open to representation from these bodies. Think of Greenpeace, Friends of the Earth or local community organizations. Under these circumstances, it becomes a matter of shareholder value to attend to broader stakeholder interests. As Vogel (2005) suggested, it
may well be the standard business case that the primary responsibility of companies is to create wealth for their shareholders but the emergence of CSR and activists promoting it adds a twist: in order for companies to do well financially, they must also act virtuously now and for the future. As the findings of climate science become more widely accepted as being incontrovertible, the idea that the natural environment is affected by the actions of the organization and is therefore a stakeholder in the organization is increasingly seen as normal. On this reasoning, we are all beholden to the future as a stakeholder in our present-day behaviours. It is for these reasons that the most critical debates about CSR tend to be about ecological and sustainability responsibilities, as we shall see towards the end of the chapter.

An article published in the *Academy of Management Review* by Hahn et al. (2014) explores how managers interpret social issues such as CSR. Typically, the approach is pragmatic, based on existing business routines; against this, they recommend the importance of thinking paradoxically – sometimes launching products because they seem to offer sustainable innovation, even if they are not immediately profitable, such as hybrid cars, because in this way market share may be built on more sustainable foundations. Think of the growth of Tesla, a company that in a matter of a few years has grown to become more valuable than the largest automobile manufacturers in the USA, such as Ford and General Motors combined (Routely, 2020).

**THE SOCIAL RESPONSIBILITY OF BUSINESS**

In some European countries, such as Austria and Germany, the notion that business should be socially responsible is well established. There has long been a consensus view that organizations should be seen as a ‘social partnership’ built upon a tacit and informal agreement between the government, the major employers’ associations and various employee interest groups. In the literature, this is usually referred to as corporatism, where the state encourages cooperation among these major stakeholders, stakeholders who increasingly adopt the rhetoric of CSR.

Höllerer (2010) has thoroughly examined CSR discourse in Austrian corporate annual reports since the early 1990s. A first focus of CSR is on the sustainability of profits, people and planet – often referred to as the triple bottom line. A second focus is on good corporate governance and enhanced transparency, which, third, situates stakeholder management as a key task of managing divergent interests. Fourth, corporate values such as philanthropy and the support of societal groups in need that do not have power or voice in corporate decision-making are often deployed to demonstrate corporate responsibility for less privileged members of society. Often, this is achieved by organizational members doing voluntary service – charity work – for underprivileged communities for which the organization pays the employees. Explicit use of CSR provides conceptual tools with which to address the varied notions of social responsibility and advance claims for enhanced legitimacy. Doing this means that CSR becomes incorporated into the strategies of the organization.

Stakeholder theory envisages a form of implicit social contract between distinct and identifiable stakeholders and the organization in question. CSR entails identifying the distinct groups to whom the organization must accept, in social
contract terms, that it has a responsibility. Stakeholder language, conceived in the form of a social contract with distinct groups, provides a way of coupling business with ethical behaviour by making the benchmark for responsible managing a broader conception of values than that of shareholder value.

In identifying those that the organization has responsibilities towards and calculating what the costs and benefits will be for these groups of any course of action decided on, trade-offs will be inevitable. Such an approach contrasts sharply with the clarity afforded by shareholder value approaches where only one datum, the bottom line, and one set of stakeholders, those who own shares, have to be considered. Indeed, focusing only on shareholder value is much easier and reduces the number of competing objectives to a simple calculation of value.

Clearly, if a stakeholder model of management is to be adopted, there has to be some way of assigning differential value to all the stakeholders who are recognized because it is inconceivable that all can be easily satisfied without some trade-offs that affect some more adversely than others. Stakeholder approaches must rank the importance of different interests for different decisions and apportion managerial sensemaking accordingly. The stakeholder approach is always an implicit theory of power relations in which some interests will be given a more legitimate status than others. At its best, it will be quite explicit about these rankings, using some calculus of powerfulness, legitimacy and urgency in attending to stakeholder interests. Some stakeholders will be consistently more marginal, while others will be consistently more privileged. Sometimes places in the margins and the privileges can swap places, often in unlikely ways, as we see below, when we discuss frogs.

In many CSR accounts, an assumption is that it is only humans that can be stakeholders. More radical views, as we shall see, suggest that the natural environment, including animals and plants, are also stakeholders. An ethic that gives rights to animals as stakeholders is conceivable if we consider neither human beings nor animals as absolutely unique (Wise, 2000), if we consider each as a sentient living being. The uniqueness of the human condition in its capacity for symbolic reasoning and for inflicting socially organized violence on all species, which is apparently the reasoning for denying that animals deserve ethical concern. Since the community of the living forms the first universal (Singer, 2006), it ought, ethically, to impose itself upon all. Life signifies diversity, above all, allowing for individual cases or restricted ethics within systems. Singer asserts that the anthropocentrism of our vision and our ethical system prevents us from considering the possibility of moral feeling in animals:

The moral gulf between humans and other animals appears, from our anthropocentric perspective, too wide to leap. Yet as our knowledge of the other great apes grows, they are proving to be a bridge species not only in genetic, behavioral, and cognitive senses, but also morally. (Singer, 2006: 8)

Animal ethics increasingly concern members of organizations linked to the food and pharmaceutical industries. Here the question of respect is raised; the study of unnecessary suffering supposes the possibility of empathy with animals based on the universal principle of living, which cannot absolutely be assumed (Zuzworsky, 2001: 177). For example, the case of animal rights being cruelly ignored in abattoirs
raises the urgent and complex issue of an unconditional ethic, applicable to humans and all other mammals, or even extended to include invertebrates.

The animal system thus highlights both the inherent uniqueness of a code regulating animal conduct, as in the case of chimpanzees, as well as the fact that the development of a restricted ethic associated with animal systems is only possible if it is based on a universal focus on respect for the living, which supposes differentiation. Tryggestad et al. (2013) provide one instance of animals becoming enlisted as stakeholders within an ethical discourse. They tell the story of how an army of frogs went from being ‘non-existent’ players to being strategic stakeholders in a construction project. Waterholes were discovered on the site and soon their residents – 500 protected moor frogs – were identified. The project came to a halt. The frogs, hitherto leading innocent, anonymous semi-aquatic lives in obscurity, unknown to humankind other than for a few mammalian specialists, became represented as stakeholders by several spokespeople claiming to know what was in the frogs’ best interests and to speak for them. The development firm hired their own frog experts as consultants who worked on determining means whereby the frogs could co-exist with the construction workers and trucks and all the noise and destruction of habitat that these would create. That meant learning to adapt to the cyclical duration of the frog’s life (as opposed to the linear timescale in project managers’ schedules) and constructing frog-protection devices, such as corridors through which they could move without being bulldozed. The story has a happy ending, in that the frogs themselves became stakeholders in the marketing campaign to sell the finished buildings – who would not want to live in a natural idyll with protected moor frogs?

One business leader who comes close to embracing the view that stakeholders can be found in non-human residents of the planet, such as moor frogs, is Steve Howard (2013), chief sustainability officer at IKEA, who presents a cogent corporate view of sustainability and how to achieve it, through setting and achieving 100 per cent targets. As he says, IKEA has a sustainability strategy called ‘people and planet positive’, which aims to help guide the business to have a positive impact on the world. As he asks rhetorically, ‘Why would we not want to have a positive impact on the world as a business?’.

CORPORATE GREENING

There are a number of ways that concerned people are seeking to limit the risks of ecological disaster and create more sustainable modes of business, giving rise to what Jermier et al. (2006: 618) term the ‘new corporate environmentalism’. At the centre of this movement is the attempt by businesses and business leaders to play a leadership role in reforming the way business does business, by making it more sustainable, and to use the tools and approaches of rational management to improve ecological behaviour. Thus, the new corporate environmentalism seeks not only to comply with whatever governmental or industry regulations may be in place but also to develop more proactive sustainability approaches. This places sustainability, or as it is sometimes referred to, corporate greening, at the core of a firm’s strategic CSR agenda.

Since the publication of the report of the Intergovernmental Panel on Climate Change, by UNESCO on 2 February 2007, the reality of global warming has
become widely accepted (for updates, see the IPCC’s website: www.ipcc.ch). Almost as widely accepted is the realization that corporate and business activity is contributing significantly to this warming. Many business leaders are now well aware of this fact and are seeking to do something about it. Corporate greening involves the espousal of ‘green’ values, which are becoming increasingly institutionalized, with the realization that sustainable production is equivalent to more efficient production.

Corporate greening may involve green production that uses less energy, green materials that recycle and aim for zero waste, green transportation (for instance, using bicycles or pedal-powered scooters to get around the workplace or between organizations), green facilities that are designed to minimize energy waste and use, green products that use fewer non-renewable resources, plus a continuing programme of educating employees and spreading learning about being green employees as widely as possible.

Here is one example of how the changing consensus of opinion has led to a concern with corporate greening. After reading Hawken’s (1993) *The Ecology of Commerce: A Declaration of Sustainability*, Ray Anderson (1999), chairman of Interface Inc., the world’s largest manufacturer of carpets, resolved to change his corporate ways and become more sustainable by adopting explicit CSR principles. Interface makes an enormous number of carpets. It also used to cause huge pollution: every year its factories produced hundreds of gallons of wastewater and nearly 900 pollutants. First, Anderson reduced waste and conserved energy by recycling. Of course, this makes great business sense. Less waste can equal more profit as you use all that you pay for rather than throw a lot of it away. Before Anderson read Hawken, his company sent 6 tonnes of carpet trimming to landfill each day. That waste was reduced to zero. New computer controls were installed on boilers to reduce carbon monoxide emissions (by 99.7 per cent), which also improved the boilers’ efficiency, resulting in further decreased waste and increased profits. Anderson aimed for complete sustainability, using solar and wind power in the place of fossil fuels, planting trees to offset carbon pollution caused by trucks transporting carpets, and making carpets out of organic materials such as corn. Ray Anderson, who unfortunately is no longer with us, espoused his views in a TED Talk back in 2009 on ‘The business logic of sustainability’ (Anderson, 2009).

Jermier and his colleagues (2006) suggest that several factors characterize a successful green learning organization (see also Chapter 9):

- **Lifelong learning**: ensuring that the organization really is a learning organization, constantly trying to find not only new ways of doing the same things better (single-loop learning) but also new things to do in innovative ways (double-loop learning).

- **Developing critical thinking skills**: helping organizational members gain confidence in critical reflection on existing ways of doing things, and encouraging them to voice their opinions as to how things might be done better, developing future-oriented scenarios that are more sustainable.

- **Building citizenship capabilities**: encouraging employees to think not just as employees – in terms of the firm’s benefit – but as concerned
citizens desirous of reducing not only the overall ecological footprint of the organizations they work for and with but also the impact that they make in their daily lives.

- **Fostering environmental literacy**: encouraging people to learn about specific environmental problems and solutions, their causes, consequences and connectedness.

- **Nurturing ecological wisdom**: sharing an eco-centred understanding of the web of life and the centrality of responsible, ethical and sustainable behaviour to a good life.

Three things need to come together to build green learning in organizations: the creation of a public sphere; the development of communicative rationality; and discursive design. A public sphere is a space in which the ‘public reason of private citizens’ predominates. Organizations can become actively involved in educating their members for participation in green debates in the broader society as concerned citizens and parents, rather than just as employees of corporation X. Here they should be able to develop communicative rationality – a commitment to frank and open debate – as well as the capability of assessing and evaluating evidence and reaching evidence-based ethical decisions independent of specific interests. They will learn to speak the language of the environment as a form of non-instrumental rationality, which is shaped not by the instrumentality of their or their organization’s interest but by public, ecological and ethical good for the present and the future.

### WHAT WOULD YOU DO?

Think of your university. Does it have a formal commitment to being green and sustainable? Check its website to find out. How well do these claims stack up to what you see around you? Make an inventory of practices that seem to be counter-intuitive to the formal rhetoric. It could be the use of disposable polystyrene cups or hydrocarbon-based vehicles.

**Question**

1. Now, what would you do to make the reality and the rhetoric align more closely? How might you help the university to become a green learning organization? How might it be steady state or circular in its economy?

### MAKING BUSINESS SUSTAINABLE

At the extreme, making business sustainable means that it must operate in such a way as to not harm the nine Earth-system thresholds, the standing conditions for life on Earth, the consequences of crossing that are potentially catastrophic. At least four system boundaries (the rate of biodiversity loss, climate change, human interference with the nitrogen cycle, and land-system change) appear to have already been transgressed in ways that cannot be repaired or will be extremely challenging to reverse. The nine system boundaries are presented in Figure 11.1.
There are some appropriate management responses. Ideally, at each level of the nine Earth systems identified, systematic audit should be conducted in terms of the construction of a future-perfect scenario in which minimization of harm is the purpose to be achieved, cascading through levels to framing organizational and individual responsibilities. For responsible management in contemporary times, the precautionary principle needs to be paramount in relation to all stakeholder agencies, in addition to human agents, in various ecological systems. New sets of rules and meanings in terms of audit accountability need to be routinized.

Despite the volume of growing published evidence, for the majority of contemporary business organizations and institutions the idea of material boundaries to life on Earth and the threat that their activities might pose to these, are not yet a guiding principle. Admittedly, the task of connecting causalities on multiple
scales is a challenge not limited to the business sector. Institutional legislative and regulatory measures need rethinking, with the state having a prime function in tackling climate change, especially in terms of negotiating international treaties and enforcing them.

Awareness of the risks of human-induced climate change, often fostered in civil society through the learning that children bring home from school, can make a difference: sustainable change may then be more evident. Business actors in transnational corporations have the collective resources, capabilities and potential power to project the appropriate knowledge and management through all their endeavours, as well as possessing the agency to reduce the rate and extent of ecological damage in a new role of ‘business leaders as citizens of the world’. Positively, much of the research work in business management is becoming ever more responsive to the diverse scientific, political, commercial and community challenges of sustainability, and offers many concrete proposals advancing sustainable practice in management and organization. New frameworks are being published to assist corporations and their managers in engaging in deliberative and global governance for responsible innovation. Business and management theories are now more accustomed than they were 30 years ago to accommodating concepts of social and environmental responsibility.

Currently, both abundant information and management tools are available for reducing the use of natural resources and climate emissions; nonetheless, the required collective will to overcome management's cultural constraints is largely yet to be demonstrated. Business leaders should be astutely aware of their power, since 147 global companies control 40% of the economic value of global business via a complicated web of ownership relations. Temporal, short-term thinking focused on achieving profitability tends to prevail. Effective action in response to the challenges of managing the planetary boundaries requires not only highly collaborative and insightful ways of enacting responsible agency (rather than merely publishing attractive reports on corporate sustainability) but also political will and direction, a strong public sector and an enabling state (nationally and internationally). Democracy, delivered through the will of the people, can provide this impetus.

Democracy derives from the people but devolves to the state and its elected governments. The powers of the state include the monopoly of the right to taxation. As such, taxation changes are contingencies with which organizations are obliged to deal. At the time of writing (2020–21), some jurisdictions, including the USA and Australia, propose extending the right to tax profits globally. Taxing the foreign profits of transnational corporations (TNCs) on a global basis could be extended in a number of ways. First, it could be recognized, as the French government has proposed, that companies lacking a physical presence in a country in which they are accruing profits through large numbers of online users or customers, should be taxed at the same rate as bricks-and-mortar businesses. If this proposal were adopted by various national governments, then the beginnings of a global tax scheme would be in place. Such a scheme could be extended to include ecological taxation – an ecotax – that could be levied as an excess/additional tax on those business actions whose activities anywhere in the world are breaching any of the nine planetary boundaries. The state could establish caps on production either directly or through Pigouvian taxes.
(i.e., tax on activities generating negative externalities), which are necessary to guarantee policy success for sustainable change. Managers within transnational corporations may be motivated in terms of enlightened self-interest; for instance, global trajectories of action can be nudged in more ecologically responsible directions through devices such as ecotaxation.

A model of the Global Resources Dividend (GRD) might be the answer. Businesses would pay a tax on any services or resources that they use or sell, rated proportionately to the harm that they create in extraction, production or distribution. Those business organizations that could establish that they had enacted policies that minimized the harm to the lowest-rated harm decile of the tax register would pay a disproportionately lower tax than those businesses that could not so demonstrate that they qualified. Proportionality would vary with the demonstration of performance. Those organizational actors that could demonstrate commitment to circular economy principles would clearly be advantaged. The aim would be to move away from the voluntarist and weak sustainability typical of compliance and business-centred corporate approaches towards regenerative and co-evolutionary sustainability, where the emphasis is on absolute reductions of production and consumption activities.

The responsibility should be on business organizations to demonstrate why they should not be taxed at the highest band. Tax will act as a nudge to the adoption of policies with transformative potential. The onus is on companies to demonstrate the precautionary principle in practice; those that fail to do so would be subject to highly discriminate taxes. If the majority of organizations were paying their Global Resources Dividend, the tax benefits of doing so would help deter deviance as self-interest drove responsible action.

There would be added pressure on each country to enforce the gathering of the Global Resources Dividend funds within its borders because of the tax advantages of so doing; the hosting of rogue businesses by non-compliant states could lead to these businesses being singled out for preferentially discriminatory tax treatment in the more developed states that implemented the ecotax principles.

Planetary boundaries are not simply here and now; they are also temporal in that where the boundary is drawn today has potentially profound effects on the boundaries of tomorrow – the essence of the case for action against global warming. Establishing boundaries is of crucial importance in highlighting the uniqueness of actors and in acknowledging responsibilities. To the extent that the boundary-blurring between human and non-human actors signifies a retreat from anthropocentrism (i.e., regarding humankind as the central or most important element of existence), the chances of life remaining within planetary boundaries increases. In other words, if the needs of non-human stakeholders are taken into account and met, the rate of biodiversity loss may begin to diminish and climate change slowed. Similar desired effects might be expected in terms of the other ecological boundaries (see Heikkurinen et al., 2019, for the extended argument).

The most fundamental force that sustains life in general is that of planet Earth. The sustainability of the planet is the point at which business ethics become serious; to the extent that organizations, the dominant form of human activity on the planet, do not strive for sustainable practices in all their activities, they are slowly killing the Earth’s species, amongst which is that most destructive of creatures, the human animal.

Humans also have the ability to be cynical, gifted by the use of language; in business, engrained cynicism is often manifested in greenwashing.
GREENWASHING

Cynics might say that it becomes a matter of shareholder value for a business to appear to be concerned about CSR issues. A common critique, therefore, is that CSR is often no more than a tool of corporate ‘greenwash’ – a rhetorical device employed by corporations to legitimize the corporate form and accommodate the social consciences of its consumers. Greenwashing occurs when organizations promote themselves in the best possible light while not being consistent in their ecological commitments.

To be legitimate and credible, claims to CSR need to be more than greenwashing and one way of establishing this is to have these claims independently audited. Among the common range of auditors are AccountAbility’s AA1000 standard, based on notions of triple bottom line (3BL) reporting; the Global Reporting Initiative’s Sustainability Reporting Guidelines; Social Accountability International’s SA8000 standard; and the ISO 14000 environmental management standard. The idea is that these standards will encourage a culture of compliance, and adoption of them is wholly voluntary. Additionally, NGOs, such as Oxfam, often monitor the activities of transnational corporations in industries such as mining, especially with respect to the local impact that they have on communities, politics and the environment, albeit that they have no powers other than those of communication through various media with which to change the decisions of those responsible.

While organizations such as Oxfam may broadcast their views, the organizations in question broadcast theirs as well. They call this marketing. Marketing often points to the green benefits of a product and the processes taken to produce it, such as not being wasteful of paper or other resources. There is widespread use of environmental management systems and standards to structure organizational processes and behaviour; green accounting standards can be used as part of a triple bottom-line report on the environmental impact of a company or an organization. The company may form green partnerships with NGOs or community organizations to extend green practices in broader society. An organization might join bodies such as the World Business Council for Sustainable Development or align itself with something such as the United Nations Global Compact. Above all, it will seek to outdo whatever is constituted as regulatory best practice, seeking to make itself greener than it is obliged to be.

IN PRACTICE

BP – beyond petroleum?

BP’s 1998 installation of solar power cells at 200 of its pumping stations looks like an example of commitment to green values. However, BP invested only 0.1 per cent of its portfolio in solar panels, while simultaneously expanding its fossil fuel extraction and exploration programme. In effect, one could argue that BP has conducted a public relations campaign designed to accommodate its consumers’ concerns about the effect of carbon
BP had to try and reset its sustainability image after the Deepwater Horizon catastrophe in the Gulf of Mexico. The firm developed a communication campaign to restore its image. A discourse was created about the value of BP’s future financial choices and showed how, after the catastrophe, it had reinterpreted its policies in detail to act ethically. Such a communications strategy, based on an ethics that declares future commitments, aimed to counterbalance the loss of legitimacy associated with the ecological catastrophe, the cost of which has been constantly revised upwards (Matejek and Gössling, 2014). The Deepwater Horizon catastrophe, with ethical manifestations that conformed to extremely pressing communicational constraints (Chandler, 2014), makes for a particularly clear instance of ethical opportunism, in which there is a form of disconnection between a second-order ethical discourse linked to media communication with regard to past or devalued practices, and a first-order discourse focusing on current organizational practice. As Patala et al. (2017) acknowledge, clean rhetoric can be adopted to cover up dirty technologies (see also Gond and Nyberg, 2017).

Ethics can be used to highlight certain organizational behaviours (Gordon et al., 2009b; Schweiker, 1993) and to hide others from view. We have already encountered BP’s ‘Beyond Petroleum’ campaign. Behind the eco-image, there was a different story at BP. In the past, the primary organizational ethic had been one of value engineering – or cutting costs – that in 2011 were blamed by a White House commission, together with an inadequate safety system, for the accident.1

Prior to the accident, the fact that the rig had not experienced any accidents, contributed to the normalization of deviance (Vaughan, 1997). BP had repeatedly opted for quicker and cheaper, rather than more secure, approaches to system safety. These seemed to work adequately and regulators accepted these approaches. The overarching ethic was not one of safety first but cost and speed first: In this instance, the ethics in practice prior to the accident had normalized a culture in which risk taking was not recognized as such, and a ‘normal accident’ (Perrow, 2011) was waiting to happen. Hence, once the accident occurred, the scene shifted to the civil and criminal justice systems, where different ethical systems came into play. Each of these sites of ethical decision, the rig and

Question

1. How ethical is BP? Use the Web to research arguments ‘for’ and ‘against’ the position that BP is an ethical corporation, paying particular attention to the high-profile industrial accidents that it has been involved in, especially the Deepwater Horizon disaster in the Gulf of Mexico. See, for instance, articles like this one: www.nytimes.com/2017/12/15/business/energy-environment/bp-lightsource-solar.html, which is from the New York Times and represents a rich source for debate.
the courts, depend on a social code that articulates, in a fragmentary manner, any universal presumptions of a fundamental moral code. Indeed, every ethical decision ‘is circumscribed by organizational rules, norms and discourses’ (Clegg et al., 2007: 107) that fragment the universality of ethical discourse.

**THE CIRCULAR ECONOMY**

Present-day economies, as they have been since the start of industrialization, are based on use and waste: use something or other until it is no longer useful or wanted and then consign it to waste, usually to end up as landfill. Resources are dug up to manufacture products and infrastructure, then discarded to landfill when finished with. This has been dubbed the ‘take-make-dispose’ economy. The circular economy, advocated by the Ellen MacArthur Foundation, addresses these unnecessary resource losses. Household names such as Unilever, Cisco, Philips and Renault are some of the Foundation’s global partners. Through more recycling and design of products so that they last longer, can be repaired and upgraded, reused or resold and their materials used in remanufacture, waste can be minimized.

**THE STEADY STATE ECONOMY**

Development of steady state economics is a response to the argument that economic growth has limits of ecology, demography, and so on. While economic policies often assume that macroeconomic growth is good and progressive, steady state theorists suggest that the costs pose biophysical limits to the desirability of continuous growth. If growth comes at the cost of species, habitat, ecology, sustainability, climate and life itself, what’s the point in the long run? The International Society for Ecological Economics is a major venue for steady state ecological economics and argues that the economy is embedded in nature, such that economic processes are actually biological, physical and chemical: economics is too important to be left to the economists and their simple, single-discipline assumptions.

Degrowth economics argues that developed nations (the Global North) will have to dematerialize and detune their current economies and lifestyles as they are already in overshoot. Its major voice is Serge Latouche (2009, 2015) who argues that the pursuit of economic growth causes inequality and injustice to increase; while more people may spend more on consumer goods and services, they do so at great collective cost: the degraded quality of air, water and the environment generally and eating food that is factory farmed in conditions that amount to the systematic torture and murder of animals denied a natural life before they enter the food chain. The costs of modern living increase as the quality of life is diminished as we need more in the way of medicine to combat the diseases of affluence, especially obesity, and we spend more and more time commuting greater distances from the suburbs to work, consuming increased numbers of products made scarcer (water, energy, open space). The COVID-19 pandemic, with its compulsory working from home for many people through 2020 and into 2021 – and many businesses stating that this will continue to be at least a part-time feature of their set-up going forward – may not only increase sustainability in the future as less time is spent travelling to city and town centres, it may also encourage a healthier population as the time saved is spent exercising, cycling, swimming, walking, gardening or engaging in other active pursuits.
CORPORATE CODES OF ETHICS

The core issue in business ethics is how businesses ought to act. What is an ethically sound way for business to behave? As we will see, however, there are no simple answers to this question.

For some, business ethics are conceived of as normative ethics. In organizations commonly, this means that managing ethics is done through formalized codes of conduct that should govern everyday actions and decisions. Indeed, it is reported that 78 per cent of the top 1,000 US companies have a code of conduct (Nijhof et al., 2003). Theories of business ethics that develop normative models for passing ethical judgement on business practices also often use this ‘codes’ approach (e.g., Brass et al., 1998; Gatewood and Carroll, 1991), proposing the development of ethical rules for organizations (e.g., Beyer and Nino, 1999).

A corporate code of ethics (CCE) is a specific document that details normative guidelines or ethical rules for employees and, on occasions, for suppliers (Helin and Sandström, 2007; Schwartz, 2001). Necessarily, it is abstracted and distinct from all and any actual ethical situations and actors that may be constituted in everyday organizational life. Thus, as a management tool, the CCE can provide ethical support, encourage dialogue about ethics at work, and promote empowerment by clarifying expectations around decision-making, thus reducing the need for delegates to refer decisions upwards because of a lack of clarity about what is or is not permitted. Codes of conduct function as a set of rules that organizations adopt; adhering to this set of rules should then ensure responsible conduct. Most of the top 1,000 US companies have a code of conduct (Nijhof et al., 2003).

For instance, healthcare products manufacturer Johnson & Johnson publishes a much-cited code of ethics on its website: when at one stage in the last century one of its product lines was adversely tampered with by someone seeking to hold the company hostage by poisoning its products, the organization withdrew and replaced every instance of the product, Tylenol, in the US market. Moreover, it went on to develop tamper-proof packaging with which it replaced all the stock it rescinded and destroyed. Doing so was very much in line with Johnson & Johnson’s code of conduct and won the company great legitimacy in the community as a whole as a thoroughly socially responsible organization.

Analytically, a corporation’s code of ethics is the documented, formal and legal manifestation of that organization’s expectations of ethical behaviours by its employees. It is the visibility that a code offers that enables an organization to be judged as ethical. There is a strong normalizing function in the deployment of these codes that suggests strategic risk is being managed (Fombrun et al., 2000; Husted, 2005), although such impressions may hide a dark side of domination (Helin et al, 2011).

Ethics are complicated, however. An ethically observant company may base its business on an ethically dubious proposition. Think of fast-food chains that sell sugary drinks and fatty food to young children, contributing to a nationwide obesity epidemic – are they acting ethically when doing so, even if they have a code of ethics with which members of the organization comply as well as being conspicuously philanthropic? (Think Ronald McDonald Houses.) How disinterested is this as philanthropy or how much is it a marketing exercise? Does it matter? You could argue that if it is doing good and putting resources where they
would not otherwise go, if it is also marketing, so what? On the other hand, it is also marketing food that is basically unhealthy and contributes to childhood obesity, excessive waste from the packaging, while providing a McDonaldized model for business that is uncreative and inimical to innovation.

Many firms maximize profits through outsourcing production to developing countries. The unethical results of this strategy are that they employ workers who, by the standards of most of their customers, are poorly paid and oppressed. Moreover, some of them are under the age of 14 and work in sweatshops in jobs for which there might be considerable competition. The millions that firms such as Nike spend on marketing their products, especially through promotional tie-ups with leading sportspeople, are possible in part because of the money that their suppliers do not pay to their workforce, keeping costs down. Yes, they are exploited in global terms, and the work is demanding and detailed, but in terms of comparable wages in their economies, they are privileged. A young woman working in a factory sweatshop for a few dollars a day does look like exploitation but in the developing world such employment might mean the difference between starvation and survival for her family. In the light of these arguments, it is not easy to answer the question of whether Nike acts unethically or not. You might say ‘yes’ because it exploits workers; you might say ‘no’ because it allows workers to have a job in the first place.

**GOOD BUSINESS EQUALS GOOD ETHICS**

Francis and Armstrong (2003) argue that an ethically informed risk-management strategy increases commercial outcomes, prevents fraud and lifts corporate reputation. An organization’s ethical commitment is driven by its self-interest: because it wants to make profits, the company will behave ethically; thus, ethics pays. Such a perspective dates back to Adam Smith’s argument that maximizing personal advantage will lead, through self-interested actors competing in the market, to a maximum of collectively beneficial outcomes.

‘Ethics pays’ is also the argument behind ‘strategic philanthropy’ (Seifert et al., 2003), as an ‘intangible resource for competitive advantage’ (Hall, 1993), as ‘marketing instruments’ (Maignan and Ferrell, 2004), or as means to increase organizational commitment (Cullen et al., 2003). For instance, Porter and Kramer (2002, 2011) argue that companies should use their philanthropic budget only to improve their ‘competitive context’ – that is, philanthropy should enhance the quality of the business environment in those locations in which businesses operate (2002: 58). The education of the workforce, the availability of economic infrastructure and the promotion of business aims would all fit the bill. Such investments are proposed as simultaneously being good both for business and for the various stakeholders involved. So, for instance, McDonald’s may support neighbourhood schools or provide Ronald McDonald houses for sick children, which may benefit children in the community as well as promoting McDonald’s.

Porter and Kramer argue that ‘the more closely a company’s philanthropy is linked to its competitive context, the greater the company’s contribution to society will be’ (2002; see also Handy, 2002). For example, doing something good and improving the organization’s prospects are tasks that are aligned. Providing good education to people is not only an altruistic act; it also ensures that the
organization will have a pool of educated people that it can employ when needed. In this case, smart business thinking equals ethical behaviour. The ethical rules and the rules for organizing efficiently and profitably are positioned as being the same. Just following the rules will produce just and profitable outcomes. In sum, behaving ethically means rigorously applying the rules of good management. According to this view, there is no need to be concerned about ethics for, in the long run, good management will, by definition, be a harbinger of both profits and ethical outcomes.

ETHICS AS A POLITICAL TOOL

An organizational code of ethics can be a political tool for managing and controlling employee behaviour in terms desired by management. The code of ethics can also provide legitimacy for an organization as a survival strategy (Long and Driscoll, 2008; Meyer and Rowan, 1977). For instance, most organizations today profess a commitment to sustainability as a part of their overall code of ethics. Should there be ethical wrongdoing, then the organization can point to the ethics it publishes and endorses, signalling that the breach is against organizational policy.

If there is a conflict between the ethics of an individual and those of an organization’s ethical code, then the common assumption is that the individual’s preferences must be secondary and subordinate. That this is the case requires that individual employees do not have ethical autonomy; whatever ethical autonomy they can exercise will be constrained by the implicit framework of their contract of employment. Many organizations seek to link business interests, employee ethics and legal compliance in formal codes that stipulate organizationally responsible behaviour. The motivation is to ensure that an organization’s code of ethics has high visibility and enhances corporate reputation.

Many ethnographic studies detail the considerable cynicism and distance in ‘the ranks’ that ethical codes encourage (Collier and Esteban, 2007; Collinson, 2003; Collinson and Ackroyd, 2005; Fleming and Spicer, 2002, 2003, 2007; Mumby, 2005; Trevino and Nelson, 2011). The gap between prescribed business codes of ethics and their subjective interpretation by organizational members, hinges on what organizational members do rather than what organization codes state (Clegg et al., 2007; Gordon et al., 2009a, b). In context, ethics exist in concrete practices: it is not what the rules stipulate but what the actors do that is important (Gordon et al., 2009a, b). Daily practices by organizational members rather than executive management’s dictates, frame mundane organizational behaviour.

Many management and organization studies scholars, as well as students of ethics, are concerned with the way organizations deal with ethical issues through formalizing and enforcing ethical rules (see Bauman, 1993; Bowie, 1999; Jackson, 2000; Jones, C., 2003; Kjonstad and Willmott, 1995; ten Bos, 1997). Organizations typically prescribe forms of ethical behaviour through rules that focus on framing members’ intentions and limiting the consequences of their actions (Rasche and Esser, 2007; Trevino and Nelson, 2011; Trevino et al., 1999). Such formal rules tend to focus exclusively on motivating employee behaviours that benefit the organization and serve to protect management from blame and legal consequences (Trevino et al., 1999: 133). The primary objective of codes of ethics is often to minimize business risk rather than produce ethicality. The reduction of risk is sought through corporate affairs’ guardians monitoring and auditing compliance to enforce ethical rules.
Some elements of codes have the force of national regulation and law behind them. Such is the case with occupational health and safety legislation, equal employment opportunity and other areas where the state mandates acceptable behaviours. There is a distinction between legal compliance (such as diversity, health and safety, and the environment) and self-governance strictures (quality, customer service, professionalism, corporate culture, reputation, corporate identity, etc.). The latter are not legally constitutive, mandated by juridical decree, as with an Act of Parliament, being locally preferential rules. They express strategic preferences with respect to areas of behaviour deemed significant. Organizational members normally predicate their ethicality on rule-following behaviour: where there is a rule, there is no necessity for decision and judgement and hence no ethicality is at stake (Clegg et al., 2007).

Codes of ethics are closely tied to organizational objectives since managerial and organizational objectives are enshrined in them. What distinguishes legal compliance from ethical rule following is that compliance is stipulative while managerial preferences are not: they lack legal sanction and remit and are preferential rather than constitutive rules for conduct (Shwayder, 1965). They not only require organizational members to make interpretations that management deems correct and then to take appropriate action, but also, as a matter of principle, each employee should accept the legitimacy of doing so. Corporate governance and legal compliance are entwined within the code of ethics, although most ethical codes exceed legal stipulation. Often, ethical positioning, as in the world of fashion, can be achieved not only through verbal texts but also graphically, through pictures and film, logos and maps, catalogues and fashion parades, in order to define ethical fashion and frame compromises between ethics and aesthetics (Blanchet, 2018).

Businesses that want to move beyond a legalistic framework need ‘to complement the construction and appreciation of moral rules with the development of moral learning and the exercise of moral judgment’ (Kjonstad and Willmott, 1995: 447). Doing so requires flexibility in the way a code of ethics may be interpreted and acted on by organizational members (Clegg et al., 2007; Gordon et al., 2009a, 2009b). Bowie (1999: 121–33) suggests that organizational members should do ‘the right thing’ out of duty rather than personal interest. Campbell Jones (2003: 235) suggests that once a business manager begins a political calculation of risk and benefit in making a claim or performing an action, this is not ethics. A strategic sense of business ethics is not based on ethical intentions but on the calculated instrumental benefit to business. Minkler (1999) argues that regardless of whether the instrumental utility of an act provides benefits to others, motivations of utility serve primarily to satisfy the preferences of the doer; thus, they can hardly be considered ethical.

ETHICS AS FUNDAMENTAL VALUES

In the field of ethics, many researchers see ethics as being mainly constituted by the observance of fundamental values (good, evil, justice, injustice, equality, etc.) considered to be natural laws with universal scope. These are ethical codes that apply to all firms (Schwartz, 2005). Such universals should make it possible to decide on ethical dilemmas by offering criteria on which to judge questionable behaviours or attitudes. Any ethical decision will necessarily be more or less disappointing with regard to expectations based on universals. The continued repetition
of morally unacceptable affairs by and in organizations, recounted weekly if not daily in the media, raises questions about the actual scope of ethical discourse.

Every ethic is embedded in the larger environment of ethics. Ethics are contextually embedded (Albert et al., 2015; Clegg et al., 2007; Deroy and Clegg, 2011; Gordon et al., 2009a, b; Heugens et al., 2006; Ibarra-Colado et al., 2006; Iedema and Rhodes, 2010; Valentine et al., 2002; Weiskopf and Willmott, 2013). Objectified universal values do not exist (Kim and Donaldson, 2018). Ethical practice, instead, depends on local normative references comprising the code of a specific system. These references may clash with a personal ethics that can be used to justify resistance to organizational norms that violate individual ethical sensemaking.

IN PRACTICE

Is there a set of absolute values that are not negotiable?

It has been argued that men and women should be treated equally, regardless of religious belief or the culture in which they live. The Universal Declaration of Human Rights from the United Nations, written in 1948, has as Article 1 the following:

Article 1: All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

Ethically, we need to ask how consistent Article 1 is with cultures in which women’s sexuality is celebrated, either in advertising representations of them in scanty dress with product placement or where their whole body and face are totally covered while men’s are not? When some societies embrace sexual display of parts of the body as the norm and others insist on total coverage – but only for women – is this treating everyone as free and equal in dignity? What should international businesses do ethically in their employment and advertising practices? Article 1 might be problematic if we think about it enough – but what about Article 5?

Article 5: No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

Certain countries, including the USA, engage in practices that are very close to cruel, inhuman or degrading treatment. The report on the use of torture in Guantánamo Bay prison provided evidence that the USA interprets Article 5 differently.

If everyone does not agree on such basic values as the unethicality of torture, one can imagine how hard it would be to agree on other ethical values universally. For instance, we might all agree that workers should receive a fair wage for their input. However, what constitutes a fair wage in a developing country? If it is two times the average local salary, could one argue that it is fair? It may still only be a fraction of the market value for which the products are sold in developed economies – so is it fair that the organization’s shareholders increase their value by diminishing the wages of their employees by moving production to a cheap-wage economy?
Ethical codes strive to control individual subjectivity (Covalessi et al., 1998; Foucault, 1977: 177–84; Halsall and Brown, 2013; Miller and Rose, 1988; Townley, 1994). The utilitarian aim is clear. By using ethics as a method of control, the professional world is able to transform individuals' moral references, character and, ultimately, their values, until they accord with the profession's specific ends (Grey, 1994; McKinlay et al., 2012); medical practitioners' swearing of the Hippocratic Oath being the most obvious example. It is not only medical professionals that adopt such oaths; various Mafia organizations also have codes of ethics. Hence, clearly it is the content and context of ethical codes that is significant, not merely their existence.

ETHICS AS INDIVIDUAL CHOICES

The ethics of responsibility stress interactions between the power of the free agent and institutional rules (Goebel and Weißenberger, 2017; Sims and Keon, 1997). In a world of norms and rules, even those closely supervised choose with reference to organizational control and their own judgement (Helin and Sandström, 2010; Iedema and Rhodes, 2010). According to Moberg (2006), where there is a degree of disconnection between individual ethics and collective ethical action, blind spots occur within organizations.

The individual manager is ultimately responsible for ethical behaviour best achieved through 'empowering ethics' supporting moral learning and development, instead of 'restricting ethics' through codes (Kjonstad and Willmott, 1995). Individuals need to listen to their inner voice or 'moral impulse' (Bauman, 1993, 1995), using their personal ethics to mediate corporate priorities (Watson, 2003). Ethics here is understood as a moral task for managers, who have a personal responsibility for ethics. The risk here is that of becoming a whistleblower, someone who opposes organizational strategies or actions on the basis of their moral conscience. Doing so takes courage and conviction, often arising out of the clash between individual biographies and organizational context. The values that people cherish – nurtured in the family, education and employment – which are affronted by the organizational contexts in which they find themselves, are so often the source of whistleblowing. A clash between the personal and the public erupts in what become more or less obsessive issues that have to do with what the whistleblower takes to be matters that transcend local organizational context. For many, if not most, whistleblowers, as Kenny (2019) recounts, the result of being a whistleblower is personal stigmatization, isolation and economic as well as social harm, unless social networks, affordances and resources can be mobilized to make the personal issues a public matter.

Whistleblowers who accept the face value of the ethics laid out in CSR documents and formal codes of conduct risk missing that these may well be institutionalized, rule-based systems that function as a ceremonial myth used to gain legitimacy, resources and stability that enhance survival prospects (Meyer and Rowan, 1977). To maintain ceremonial conformity, organizations use codes of conduct in their search for legitimacy as standards to justify what they do (Brunsson and Jacobsson, 2000). In this sense, having codes of conduct becomes a 'public relations exercise' (Munro, 1992: 98). Blowing the whistle in the belief that these are more than ceremony may end up damaging the ethically conscientious in multiple ways (Kenny, 2019).
ETHICS AS BUREAUCRACY

Some scholars argue that bureaucracy may well act as a guardian of ethics. They argue that the formal rationality found in bureaucracy ensures that everybody is treated as a ‘case’, regardless of their status, religion, ethnicity or class background (du Gay, 2000). A formally rational bureaucracy would be one in which every case is treated the same. If this formal rationality was replaced with what Max Weber called ‘substantive rationality’, where the way that a case is treated is determined by the substantive status of the people involved, then, for instance, capacity to pay, religion, gender, class or another (substantive) reason would determine the treatment that you receive. The core argument for bureaucracy is that such a substantive rationality would lead to the domination of ultimate values, such as the market capacity to pay, becoming the ethical basis of society (du Gay and Salaman, 1992). Such ethical values are dominated by notions of enterprise, economic rationality, free-market principles and individuality, conceiving of individual responsibility primarily in terms of financial accountability (du Gay, 2004).

Bureaucracy’s ethicality derives from the training that it provides in ‘the rules’ for bureaucrats, in terms of technical expertise. Through a clearly defined hierarchy, members understand everybody’s responsibilities, duty and rights. They are conditioned to think of the office that they hold in terms of a ‘vocation’, something detached from personal privileges, passions and emotions (du Gay, 2000: 44). Bureaucratic modes of organizing provide an institutional framework for responsible governance (du Gay, 2004) in which individual responsibility and ethical conduct can be framed. According to this view, if we want ethical behaviour, we should have more old-style Weberian bureaucrats who stick to their rulebook. On this view, it is not that humans would, by birth or definition, be ethically sound beings who are led astray by bureaucratic routines; rather, it is bureaucracy that provides the possibility for ethics by providing a framework beyond personal desires, needs and fantasies, albeit one that they may sometimes have to exercise ironically (Rhodes and Badham, 2018).

ARE PROFITS AND PRINCIPLES INCOMPATIBLE? REGULATING ETHICS

More critical approaches to ethics in organizations question the convenience of the ‘ethics pays’ arguments outlined above. They are sceptical about the possibility of profit-seeking organizations, premised on the exploitation of the people that they employ, being ethical (Jones, 2004). If profits are paramount, ethics will
inevitably suffer: that is, if ethics potentially compromise profits, it is the former that will be sacrificed. Ethics is seen to be opposed to business rationality: their values are incompatible.

An especially public example of the opposition of ethics and business rationality has recently been paraded in Australia. In December 2017, the Australian Coalition government capitulated to sustained public pressure from whistleblowers, consumer groups, the Greens, Labor and some of its own MPs to establish a Royal Commission into the Banking Industry in Australia. The Commission was asked to investigate whether any of Australia’s financial service entities have engaged in misconduct, and if criminal or other legal proceedings should be referred to the Commonwealth. It has also been asked to consider whether sufficient mechanisms are in place to compensate victims.

Evidence has emerged in the Royal Commission of alleged bribery, forging of documents and lending practices that were conducted, despite the capacity (or not) of clients to repay and the mis-selling of insurance to people who could not afford it. Companies such as AMP, a major financial institution, admitted to systematically misleading regulatory agencies through lying to them, while the Commonwealth Bank admitted some of its financial planners had been charging dead clients for financial advice, in one case for more than a decade.

The bank’s business model consisted of the realization that it was highly profitable to sell their customers financial advice that included purchasing the banks’ financial products. Customers could be charged for financial advice that consisted of purchasing their financial products in a business model based on ‘vertical integration’. The problem with this, as the corporate regulator reported, was that there was an unethical conflict of interest arising from banks providing personal financial advice to retail clients while also selling them financial products. Financial advisers failed to comply with the best interests of customers in 75% of advice files reviewed, according to the corporate regulator.

Unethical conduct by the banks being investigated included the fabrication of fraudulent documents, errors in processing and administration as well as breaches of responsible lending obligations. Perhaps even more disturbing is that one bank, the Commonwealth, which had installed intelligent deposit ATMs, in which customers could deposit up to $10,000 at a time, had committed 53,700 breaches of money laundering and counter-terrorism financing laws. The bank failed to report fully $77 million worth of suspicious transactions through its machines over a number of years, that were laundering the illegal gains of criminal activities.

Findings such as these lead one to ask whether business ethics is possible in a system that is driven by the pursuit of profits. A critical argument might suggest that business ethics in general and shared value in particular are both paradoxical concepts: businesses are there to make profits and making profits means maximizing one’s own advantage, which, more often than not, will imply damaging someone else’s. That has been only too evident in the findings of the Royal Commission (see https://financialservices.royalcommission.gov.au/Pages/reports.aspx).

It is not just in financial institutions that unethical behaviour is deeply embedded because of the ease of making away with other people’s money.
Organizations can be unethical in many ways: take, for instance, a furniture manufacturer – if it wants to maximize its profits, it will pay minimum wages to its employees, buy the cheapest raw materials available (which might mean, say, illegally logged wood from rainforests in Brazil) and only implement those environmental filters that it is forced to use by law. All three practices will definitely contribute to increased profits; however, all three practices might be seen as unethical.

From a critical perspective, the essential principles of capitalist society do not value ethical behaviour. That is, commercial success and good behaviour are seen as mutually exclusive. Even where companies choose ethically sound practices, this does not mean that the companies themselves are necessarily ethically sound. For instance, The Body Shop does not rely on animal testing for its products. Whereas some might argue that this is an ethically sound decision, radical ethicists argue that The Body Shop engages in these practices only so it can promote itself. Put simply, being ethical becomes a marketing slogan that is adopted because it contributes to the bottom line. From a critical perspective, no action based on such a motivation can be called ethical. Business is by definition selfish, hence there can be no such thing as business ethics. So, this is a catch-22 for business. If you do nothing to be seen to be ethical, then the business will be judged unethical. If, on the other hand, you do something that is seen to be ethical, you will be rebuked for ‘being ethical’ as a marketing ploy.

What codes of ethics do is to afford protection: to employees, who are supposed to abide by them; to customers, who know what they should expect; to investors, for whom they are a classic example of risk management and insurance against malfeasance. Codes of ethics can limit the impact of malfeasance; however, it is less likely that they can stop it. Of course, if there were a universal set of absolute values that all agreed on, the story would be different. These universals should make it possible to decide on ethical dilemmas by offering criteria on which to judge questionable behaviours or attitudes. Yet, the paradox is one of stressing the existence of universal values while observing in practice that these values are not applied and can even contradict one another. This incompleteness is potentially inherent in any ethical practice, creating a fragmented ethical environment within organizations.

Any ethical decision will necessarily be more or less disappointing with regard to expectations based on universals. The practice of ethics necessarily restricts the force of these universals because such practice always displays a provisional dimension of restricted universality, situating it in local cultures, the strength of which makes it difficult to avoid the relativism of all local ethics. If culture is the way we do things around here, it is easy to see how locally embedded forms of transgression can become ethical norms, such as the police who corruptly collude with criminals (Gordon, 2007), or the bank that turns a blind eye for two years to the criminal cash being deposited into certain accounts in the sustained batching of monies being placed in its intelligent ATMs.

In practice, it seems impossible to base ethics on independent universals, since they become secondary to the different social systems in which social action is inscribed, permitting manifestly immoral practices (Parfit, 2011: 100–5).
An overall ethical system with unlimited pretensions has no chance of resonating in any way with social reality because of the fact that ethical behaviour is always situated in specific practices and contexts. Even the law is a specific practice and context, albeit one that reasserts the social order on those occasions of its breaching that are apprehended. However, in extreme cases, ethics that permit manifestly immoral practices can threaten the universality of human community and thus harm the very possibility of the legality of social order. Such a danger exists when a locally embedded ethic, such as racist ideology, becomes the foundation for constructing a social world, becoming totalitarian. Thus, the extermination process of Jewish and other people that was carried out in the Holocaust was justified by an ethical code that targeted the elimination of categories of human life. The racist regime of apartheid South Africa, based on minority rule by white supremacy and privilege, provides another example. Both examples denied a free and full life to specific people on the grounds of a priori categorization.

In perhaps no other field of enquiry do opinions about the pros and cons differ as much as in the CSR and ethics debate. While the normative approaches discussed above see a possible alignment between ethics and economy, for many critical researchers the words ‘business’ and ‘ethics’ remain separate. As a future manager, you will need to be able to reflect critically and independently on ethics, understood as the difference between what you have a right to do and what it is right to do, as Potter Stewart recommended at the start of our chapter.

**SUMMARY**

In this chapter, we have reviewed contemporary approaches to stakeholder management and corporate social responsibility (CSR), and embedded them in the broader context of ethics:

- Topics such as CSR and ethics are sometimes seen as ‘soft’ topics but they have become more and more important for businesses in the twenty-first century.
- The triple bottom line is increasingly the reporting standard of choice for global organizations. Organizations and their managers now have to relate to a much wider set of stakeholders, concerns and interests in a meaningful way.
- Managing without a simple bottom-line ethics implies dealing with paradoxes, ambiguities and trade-offs, rather than being a simple and easy matter of applying clear rules to identifiable cases.
- Ethics are today often codified, with most significant organizations having a code of ethics.
- Codes of ethics offer risk management and legal protection for organizations against the actions of their employees but they cannot protect employees or customers from fundamentally unethical practice by organizations, such as those provoking the 2008 global financial crisis or contributing to the death of the planet through accelerating climate change.
EXERCISES

1. Having read this chapter, you should be able to say in your own words what each of the following key terms means. Test yourself or ask a colleague to test you.

- Shareholder value
- Corporate social responsibility
- Stakeholders
- Corporate greening
- Codes of conduct
- Greenwashing
- Business ethics
- Critical views of business ethics.

2. What is corporate social responsibility (CSR)?

3. What are the different types of stakeholder interests? Which are the most contested?

4. What distinguishes involuntary from voluntary stakeholders?

5. How would you differentiate CSR as ‘greenwash’ from other commitments?

6. What can corporate codes of ethics do?

7. What is an individual and what is an organizational (bureaucratic) responsibility?

TEST YOURSELF

Review what you have learned by visiting: https://study.sagepub.com/managingandorganizations6e

Test yourself with multiple-choice questions.

CASE STUDY

Granby Zoo

Emerging from the private menageries of royal families in Europe during the eighteenth century, public zoos remained primarily focused on entertainment until the second half of the twentieth century. Costumed chimpanzee performances, elephant rides, orangutan tea parties and displays of human ‘savages’ were common spectacles in various zoos around the world during this period. From the 1960s, leading zoos increasingly concentrated on animal conservation, on breeding endangered species in more natural habitats (as their enclosures began to be called) and on eco-efficiency. Granby Zoo, one of the most popular zoos in Canada and a major economic driver in its region, is an example of the metamorphosis that such institutions have undergone.

(Continued)
Granby Zoo began as a private menagerie of the humanitarian, industrialist, animal lover and charismatic mayor of Granby for 25 years, Horace Boivin. Wanting to create a beautiful city where all would feel happy, he established several parks including the celebrated Granby Zoo that officially opened in 1955. It immediately became a major tourist attraction, receiving nearly 300,000 visitors in its first season and supporting many local businesses in the process. Despite its popularity, it was a financially strapped small- and medium-sized enterprise (SME) that employed a skeleton staff with a few retired farmers as zookeepers. These zookeepers fed the restaurant scraps to the animals and allowed visitors to interact with them as if they were domestic species. They were unable to recognize the animals’ stress signals and were unaware of how inappropriate the animal care was or how prematurely these animals deceased. By the 1970s, with increased habitat destruction, species extinctions, the emerging environmental and animal rights movements, new conservation networks and growing knowledge in fields such as zoology, zoo conservation efforts at Granby Zoo began. Despite several attempts by the vet to improve animal care, most calls were not heeded. Zookeepers repeatedly blocked her efforts and management was focused solely on survival, following several years of financial losses (blamed on poor weather, union strikes and the subsequent negative publicity, as well as several pay rises). This vet left in the early 1980s and expressed her frustration with the lack of progress being made to improve animal care by publishing a scathing book.

Granby Zoo had returned to profit by this time, largely assisted by a new attraction that saw visitor numbers increase by 35 per cent in 1984. When management staff left in 1985, the president hired a new vet who was also given two new responsibilities previously held by the director of infrastructure: animal curator and zookeeper manager. With this new power, the vet was able to replace rapidly half the zookeepers with trained specialists who supported his efforts to improve animal care. The vet’s vision was inspired by a best-practice zoo conference he had attended in his first year, where he learned about the potential of exchanging or breeding animals with other zoos rather than purchasing them from dealers (which was increasingly difficult and expensive as wild species numbers diminished). This required good animal records and healthy specimens, so the vet began improving animal diets, care and habitats. With financial resources available and management behind him, the vet applied for accreditation from the network of leading American zoos that focus on conservation. While certification was not initially awarded, the recommendations stemming from the evaluation assisted the vet in pushing through a series of improvements, which saw Granby Zoo accepted into the prestigious Association of American Zoos and Aquariums by the end of the 1980s. During this period, Granby Zoo began focusing on housing and breeding endangered species in international networks, supporting conservation efforts worldwide, reintroducing certain almost-extinct species back into the wild, as well as educating thousands of visitors each year about such issues. By the 1990s, animal conservation and education were firmly anchored in the zoo’s mission.

The early 1990s saw Granby Zoo enter another period of financial difficulty. Facing repeated poor weather, increased competition, union problems, bad press and ageing infrastructure, the zoo made one loss after another. No longer able to care adequately for several charismatic species, Granby Zoo decided to part with them and visitor numbers further diminished. During this period, certain employees began environmental initiatives such as recycling cans, an environmental club and saving energy. While some assisted in raising
revenues or decreasing costs, the lack of follow-up and coordination of these efforts meant that they were often short-lived. With the zoo facing closure in 1996, the board members decided to recruit a new CEO who had a reputation for saving enterprises in difficulty. This individual immediately began installing a culture of ‘wow’ service, which saw visitor satisfaction and union relations improve considerably. Then he began championing an idea that would end the zoo’s financial insecurity: an aquatic centre. While many employees were concerned that it would dilute the zoo’s conservation role, they were quickly won over. When the aquatic park opened in 1999, visitor numbers and visit time had increased by 39 per cent and 60 per cent, respectively, where they have remained ever since, making new investments in animal habitats, infrastructures and conservation efforts possible.

By 2003, Granby Zoo had paid back its debts and begun planning a major modernization project to celebrate its 50-year anniversary. The board chose a new CEO with a background in communication and the environment. She saw the potential to create a ‘greener’ zoo and immediately established green principles to guide all those involved in the modernization project. Early in 2004, she hired an environmental coordinator to organize, evaluate and follow up several projects collectively referred to as the ‘Green Zoo’. By 2006, Granby Zoo had: decreased its water consumption by 70 per cent; become one of Canada’s largest users of geothermal energy; built 72 per cent more energy-efficient ecological constructions; banned all non-organic cleaning products and increased recycling substantially. While this process continues, Granby Zoo has already won several prestigious prizes, received much positive publicity and set new profit records.

Questions

1. How have criteria for measuring zoos as ‘good’ or ‘ethical’ evolved? How and why did Granby Zoo’s raison d’être evolve?
2. When did Granby Zoo become an ethical organization? What made it so?
3. Which factors contributed to the success of ethical initiatives at Granby Zoo? Which factors limited such progress?
4. How did certain individuals (vets, zookeepers, environmental coordinator, upper management) facilitate or hinder such change?

Source: Case prepared by Annelies Hodge and Marie-France Turcotte, School of Management, University of Quebec at Montreal (UQAM).

ADDITIONAL RESOURCES

- To obtain a state-of-the-art briefing on how to manage organizations effectively, visit the Henry Stewart Talks’ series of online audio-visual seminars on managing organizations, edited by Stewart Clegg: www.hstalks.com/r/managing-orgs, especially Managing Sustainably, by Emerita Professor Suzanne Benn of the University of Technology Sydney, Australia as well as Transnational Corporations and Climate Change: Towards a Governance Framework, by Professor Bobby Banerjee, City University, London, UK; additionally, Professor René
ten Bos of Radboud University, The Netherlands, discusses Business Ethics, if your university supports access to this resource.

- We can recommend Al Gore’s documentary, *An Inconvenient Truth* (Guggenheim, 2006), a timely and interesting film that helps to understand the pressing need to change (corporate) behaviour.

- A book by the activist Naomi Klein (2014) focuses on climate change, called *This Changes Everything*.

- *A Plastic Ocean*, a United Nations documentary, available on Netflix, directed by Leeson (2014), is a scary view of what virtually indestructible plastics are doing to the world’s oceans and those creatures that live there, essential parts of the food chain for many animals, including humans.

- *Global Warming: The Signs and the Science* (Morisette, 2005) is a documentary that examines the science behind global warming and shows how people in different locales across the world are responding in different ways to its challenges.

- *Wal-Mart: The High Cost of Low Price* (Greenwald, 2005) is a critical view of the world’s largest employer – Walmart. It’s wonderfully narrated, but a little one-sided, so perhaps discuss the dilemmas and ambiguities that Walmart faces in order to reveal the full story.

- *Thin Ice* (Lamb and Sington, 2013) is a documentary film following geologist Simon Lamb on a search to understand the science behind climate change. He travels the world and meets a range of scientists, from biologists to physicists, who are investigating the climate. The film’s conclusion emphasizes the scientific consensus on human-induced climate change.

**NOTE**
