Summary

-International Business Ethics-

Table of Contents

Chapter 1 – Introduction: Critical crossings 3
Chapter 2 – Stakeholder theory 5
Chapter 5 - Moral Decision-Making 7
Chapter 6 – Organizational Justice 11
Chapter 7 – Reward, Incentive, Compensation 14
Chapter 8 - Leadership 16
Chapter 9 – Whistle Blowing (Klokkenluiders) 19
Chapter 10 – Corporate Social Responsibility 23
Chapter 11 – Corporate Responsibility Standards 27
Chapter 12 – Sustainability 30
Chapter 13 – Globalization 32

Bovemij Crowe EY GrantThornton KPMG pwc

Chapter 1 – Introduction: Critical crossings

Mollie Painter-Morland & René ten Bos

Critical crossings:

Interdisciplinary: It relates to more than one branch of knowledge.

Business ethics aims to offer some philosophical perspectives on the business environment, and since it deals with the behaviour of systems and institutions, it draws on disciplines such as sociology and psychology as well. The global context in which businesses operate also requires the development of insight into political economy and cultural studies.

- … between business and ethics
- … between business and philosophy
- … between business ethics and continental philosophy

Engaging in critical crossing by no means entails rejecting the status quo out of hand. The important thing is that you formulate your own perspective after having had the opportunity to engage in a critical assessment of a variety of positions.

The ancient Greek philosophers like Socrates, Plate or Aristotle, were all philosophers of the marketplace (agora). The problem we face nowadays in society is that this space is lost. Most people would claim that business and philosophy belong to completely different realms.

The division between analytic and continental philosophy

Rudolf Carnap (famous analytical philosopher) accused Heidegger, who is widely seen as perhaps the single most important continental philosopher. This accusation has led to either mirth or downright contempt. It made a distinction between two types of philosophers. Carnap claims that Heidegger is a metaphysical philosopher.

'Metaphysical philosophers do not offer us 'propositions', statements that describe the world and that are as such either false or true. They rather offer us something entirely different, something that might be an expression of our attitude to life, something that comes closer to poetry than exact logic thinking''

- What is the essence of life? What is the essence of being? Does the human soul exist and is it immortal?

Carnap thinks that this is all poetry. However, continental philosophers think that analytic philosophers lack depth, are not rigorous and engage in their own kind of metaphysics.

Analytic philosophy	**Continental philosophy**
Language analysis: language should be pure	Poetical analysis, poetry itself
Scientific	Artistic at best
Disciplined	Wild, unruly anarchistic
Politically neutral	Politically left
Methodological: progress	Chaotic

Bovemij Crowe EY GrantThornton KPMG pwc

Believe in the progress of knowledge	Situational truths, contingency
Really philosophical	Rhetorical

They say only nasty words about each other.
Problem! We try to correct the image that there is only one philosophical tradition. We want to broaden the perspectives. Continental philosophy is not only stupid.

It is a distinct characteristic of continental philosophers that they take the history of Western thought very seriously. Subtle and precise textual analyses of classical philosophical texts are the hallmark of much continental philosophy, something that has tempted commentators to label this philosophy as difficult and obscure.

Ethics: ethics is not primarily about answers or solutions, but about puzzles or dilemmas. This does not mean that solutions cannot emerge, but they should always be submitted to process of critical questioning.

What is ethics? Ethics criticizes morality!

- It studies good and bad and right and wrong in organizations. Right and wrong seem to make reference to what a specific society find acceptable or unacceptable in terms of judgement, conduct or institutional arrangements
- It is reflective and critical. It is not something you can easily do, bringing something good in the world.
- It does not provide answers but is aporetic. Everyone has its opinion about issues.
  Aporetic: there is no way through, no passage, no enter, there is no clear-cut solution (unanswerable question)
  It does not answer the status quo
- It criticizes morality

What is morality?
It prevails ideas about what is good and bad. It is about dilemmas and aporias. Morality can be defined as the whole of the current norms and values (ideas about right and wrong) that exist in society.

Values can be defined as enduring beliefs about what constitutes a preferable existence. These beliefs about what is valuable also dictate how we should act. Hence, norms, which tell us how we should act day to day, come to existence.

Morality describes the current norms and values in society whereas ethics is the discipline of questioning whether we still agree with what is commonly accepted as right and wrong in society.

Relativism: The application of different moral standards to different ethical problems. It is often the case that a particular consideration appears to be more pertinent or compelling in one case than in

Bovemij Crowe EY GrantThornton KPMG pwc

another. In fact, a double standard is being employed – something that seems evidently wrong in one case may be judged perfectly acceptable in another.

Absolutism: the belief that there is one conception of 'right and wrong' that should hold for all people at all times.

- Continental philosophers have always been sceptical and critical of absolutist claims.
- This kind of believe often leads to moral imperialism.

What is business ethics?

- It studies good and bad in organizations
- It is keen on improving the status quo in business and organization
- It does not question the status quo (it does not ask serious questions about the nature of capitalism, the principle of profit
- In this sense, it is not ethics (at least that is what we claim for ethics is critical and reflexive and does not provide clear-cut answers)
- In a sense, the agenda of our book is to infuse business ethics with *ethics*
- We bring in continental thought in order to make this possible

Chapter 2 – Stakeholder theory

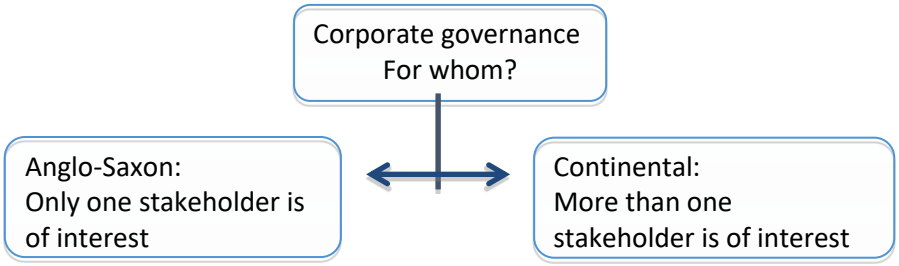
Mollie Painter-Morland

Stakeholders = are capable of suffering from your actions. Managers do not choose their stakeholders!
Shareholder = kind of stakeholder (stockholder in United States) be aware of the difference!

For example:

- Customers: might supper pain from your actions (for example if the prices are too high)
- Suppliers: firm has to pay his materials.
- Employees: you have to treat them with respect, but this is not always the case.
- Government
- Pressure groups: taking care of the customers of the company.
- Environment: climate change, tsunamis. It can let us see his consequences/ sending of signals.

It is difficult to match the different interests of stakeholders!



Friedman vs. Freeman Debate

Bovemij Crowe EY GrantThornton KPMG pwc

Friedman: (analytic) only goal/ social responsibility of corporation is to make profit (one big stakeholder). Each society has two tasks.

(1) The generation of wealth for its citizens (entrepreneurs are supposed to create this wealth). It is not related to politics and democracy, because entrepreneurs are not elected!
(2) Distribution of wealth. (Rawls: distributive justice). This is the task of politicians (parliament). We can send them away by elections if they do not take care of the population.

The problem that Friedman makes is that if we allow entrepreneurs to distribute wealth in society, we undermine democracy. He claims that this should be solely the task of politicians. This is the case because we cannot out entrepreneurs if they make bad decisions.
Therefore, corporate social responsibility undermines our democracy because entrepreneurs should not decide how to divide our wealth. This is a task of politicians.

Freeman: (continental) We need a pure apperception of the relation between business and society. We have to balance different kind of interests (focus on more stakeholders) the danger Freeman sees, it that economy is not only about creating of wealth, but it is also political.
Argument: many entrepreneurs are not only moneymaking machines. They want to contribute something more.

Furthermore, you cannot isolate economy from the rest of the world (separation fallacy). It seems to assume that all things that are economical are separated from the rest of the science. Should economics be a science or political or cultural. Stakeholders should therefore inform strategic management (all stakeholders should have an import).

Systemic view: everything is a network. Economic cannot be seen as a different separate field. Everything is related to each other in this society. For Friedman economics should be isolated.

- Freeman opts for a prescriptive approach. (Normative: what company should be doing)

Friedman reacted on the view of Freeman. He called it undemocratic and a form of communism.

Levinas: responsibility cannot be seen as a list of rules. Somebody looks you in the face and then you can see that he needs the help and that is responsibility.

He is making clear that responsibility has an emotional aspect as well. Codes of conduct and all those rules are not sufficient to guarantee responsibility. There is also emotion involved!

Global responsibility vs. Global consequences

Problem: our moral scope should be broadened because of globalization. These days everything is involved in each other. We have to think about all people in the world and not only the people we also closely related to. This world in increasingly connected

Bovemij Crowe EY GrantThornton KPMG pwc

Our moral emotions should be broadened since our actions also have consequences on people in the rest of the world. We can always make moral rules, but can we also have the moral feeling? Do we really feel sorry for those who starve in Africa because you want to have an iPhone?
Our moral attitudes are not ready for a subject as globalization.

Chapter 5 - Moral Decision-Making

Mollie Painter-Morland

Goal ethics: Utility (about the ends)

Utilitarianism: (1) stream that is arguing that a decision is good when it contributes to more utility in the world or more goodness in the world.

Consider the consequences in order to say if it is good or bad.

- An ethics of goals (more utility)
- It must contribute to some general good or general happiness (universalization).
- Look at the consequences of the act and they you know if its good or not
- You only look at the outcome, not in somebody's mind or intentions. (White lies are okay because the outcome is good)
- Not rational choice theory, this is about your own interest only.

Utilitarianism is one of the most important types of consequentialist thinking.
(***Jeremy Bentham and John-Stuart Mill***)

Example: You are a manager with a few employees. Estimate how happy people and make decision how you can make them happier. You have to create most utility, so most wealth as possible. The fact that you want to create as much utility as possible is not the same that everybody has the right to be happy (utility is not equally divided among the employees (Common wealth).

Bentham:

Hedonistic calculus: Going for happiness. Try to become as happy as possible. You strive at the maximization of pleasure (Quantitative)
Rationalism and morality should be intertwined rather than emotional. I every person is only reasonable rather than thinking about their own feeling, and then peace might exist.

Mill: The student of Bentham.
Is there also something as quality of utility? He started to think about the quality of happiness.

- Maximizing pleasurable outcomes for the greatest number of people in society.
- Makes a distinction between quantity pleasure and quality pleasures. Not all different kinds of pleasures are counted as the same.

Incommensurable: no common measure. Goods are incommensurable. We cannot say that someone who smokes has less utility that someone who does not smoke.

Bovemij Crowe EY GrantThornton KPMG pwc

- Who is determining what is right or good for so many people?
- Can people calculate happiness?

Consequentialism: people will always choose those decisions and actions that will serve their interests. This is also known as 'rational choice theory'. (However, not always true! Smoking is not in your own interest but in the interest of your money). People can calculate before making a decision. 'How much money is smoking going to make?'

Example: everybody likes reading another book more. We get different ideas.

Duty ethics (Deontology): internationalism (about the means)
Internationalism: If the intentions are okay the act is also good. What might have been the intentions of the person? You have to fulfil that duty. (Emmanuel Kant)
Kant clearly developed a different kind of ethics, deontology (applying to a duty). You have to do a duty. Always thinking about the intentions. You want to carry out your duty. What kind of duties do you have? (Hypothetical and categorical)

Looking at the intentions of the decision of certain people. If the intentions are good, the action must be good, with certain disregard on the consequences (If you do something wrong, it probably wasn't your intention.)

Relativism: your opinion always depends on your environment. (Strange rituals in other countries. We cannot say that they are bad). This is a problem. It is the opposite of universalization. If we draw rules it is always related to a particular part of the world.

Imperative (duties):
- Hypothetical imperative: If … (Kant's says that this has nothing to do with ethics) DOMAIN OF CALCULATION: it can never be a moral or ethical domain. It is about hypothetical reasoning and calculating. It depends on the contact if you have to follow then or not.
- Categorical imperative: It is <u>always</u> the case, they always hold (universal for every single human being). They are ethics.

Central idea: people can rationally choose the right principles, but what is right is not determined by consequences but by intentions.

Two rules:
- If your action is if it can be formulated as a law to yourself as well.
- You have to treat another human being as a human being and not as a means.

Example: Vegetarianism. Ethics: Somebody's duty is not to eat meat. When you do it once it is a hypothetical duty. If it is a categorical duty you will never do that and never eat meat.

Categorical Example: Is he also allowed to lie to me? You cannot maintain that he is allowed to you. If you allow him to lie to you, then you cannot accept that. Then you allow him to manipulate you. Manipulation is very bad.

Bovemij Crowe EY GrantThornton KPMG pwc

Hypothetical Example: You should always treat it as a goal and not as a means towards such a goal. He somebody manipulates you, and then he is threating you as a means (no worthiness in itself, no dignity). It is a matter of disrespect. For example, since he doesn't want to have a difficult conversation about your illness or something. Is somebody lies to you he is undermines your autonomy as well.

When you write a CV, you always pimp it up a bit. In the categorical universe it is not allowed. You threat the manager as a means to achieve your job.
Kant argues that you have to respect the other as threat him as a human being. If you have to make a decision, you always have to look for the humanity in another person and he deserves respect.

Kant cannot accept white lies, because it undermines your autonomy. Utilitarianism says that it is right.
Example: suppose that somebody puts a gun on your head. Are you allowed to lie in that situation?
Utilitarianism: it is allowed to live because you want to keep living.
Kant: there is no categorical situation, but it is a hypothetical situation. In this case it is simply a calculation and now ethics doesn't hold. Ethics is not possible

We always discuss a moral decision from a utilitarianism point of view and from a duty ethics point of view!

Summary Kant:
To be capable of ethical decision, to act ethically, presupposes that people are free. Ethics and being ethical has something to do with freedom. Without freedom, morality is impossible. You cannot expect him to be moral if you put a gun in his hand. Kant is very influential in law. People are free, autonomous and knowledgeable (you have to know the laws).

- Utilitarianism provides ethics for business and Kant provides ethics for law.

Virtue ethics (combines the means and the ends (having a good character)
Claims that you need a solid good environment in order to create virtues people. A solid good environment is an environment where people. You do it as a kind of duty / plicht rather than something that you feel. It is not related to the emotional aspects in your life. It can never be and impulse. It is something that you need to think about.

- Doesn't look at consequences or intentions, but at the social context.
- People will be more or less virtues people (***Aristotle***)

Aristotle was of the opinion that ethics is always a matter of the community where you are living. You should continue talking about norms and values, because this provides you with the moral context. You are talking about virtues. In the polis (city state) this all took place. On of the virtues is

Bovemij Crowe EY GrantThornton KPMG pwc

courage (It is the middle of some extremes). Where exactly depends on the situation. This is always a discussion. ‘’***Golden mean***’’: all virtues are somewhere in the middle of two extremes.

Example: Generosity (‘’vrijgevigheid’’) is somewhere between Averroes and the willingness to spend all your money. It provides you wild a moral character.

- Communities are important. It is a communitarian ethics. (have duties together) If you communicate with certain people you will have human beings with the same character.

Example: management of culture. Managers are thinking of the right norms and values applicable in an organization. This is in line with the virtue ethics.
Example: In general, you should not lie because it undermines your character.

Example: a son brings the dishes to the kitchen. Suddenly, he falls, and the dishes are broken. The mother is angry of him (utilitarianism). The child says that was not his intention to lead the dishes fall (Duty ethics). In the evening the father talks with the mother that she does not have to be angry because it was not the boys’ fault (Virtue ethics). It was just bad luck.

More theories:

Moral development theory (***Kohlberg***): When people make decisions, you should always look if you want to access the moral quality. You should always look at the development of that person. Children for example are not capable of making moral decision. Moral decisions making needs to have the same maturity.

Bounded rationality (***Simon***): people make decision, but they do not make decision in a rational way. They are not irrational, but their rationality is bounded. Because we do not always have to time to analyse everything and if there is pressure involved.

Moral imagination (***Werhane***): meaning that we always need a bit of imagination about another. If you steal a magazine for example than you should imagine how it would feel for the shop holder. There is a little bit of emotion involved.

Rational ethics: Rule driven ethics doesn’t understand what responsibility is. Rule-driven ethics misses **aporetic** nature of ethics: moral decisions are often times or deals rather than the epitome of rational analysis. One should never be comfortable with moral decision. Organizations always tend to have rules.

- Problem of difference: the meaning of moral concepts is very slippery (what do we exactly mean by the rules we make? We have to formulate them clearly.

Aporia (noun): a difficulty determining the truth of an idea due to equally valid arguments for and against it.
Example: a gift, or impossibility of a veritable gift. Furthermore, child labour or rules.

Conclusion:

Bovemij Crowe EY GrantThornton KPMG pwc

- Even in the business world, decision-making is hardly ever the clear-cut process business ethicists or organizational scholars often think it is.
- The idea behind the critique on rule-drive ethics is not to undermine decisiveness but to ponder decisions and decision-making. We should always think about the way we make decisions.
- Levinas says that these ethical points of view come after the responsibility you first have with respect to another person. Most of the time people first think about themselves.

Meta-ethics:
Looking at justification of moral principles (of each of the ethical points of views).

- Why should we agree with the decisions made by utilitarianism, duty ethics, and virtue ethics?

Examples:
Utilitarianism: Happiness is good
Virtue ethics: Being a good person is good
Responsibility is good

- We cannot decide which one is the best. There is no scientific proof for these justifications. (***Derrida***) -> Undecidability

Chapter 6 – Organizational Justice

Carl Rhodes

Justice: we also talk about fairness.
Organizational justice is the extent to which people at work perceive that they are treated fairly be their organization, their managers, and their colleagues. Justice is always about balance. You must not always look at yourself but also from a perspective of somebody else.

Rhodes wants us to think from a different perspective.
Not whether people perceive they are being treated justly, but rather how you might be able to be just to others! Justice is therefore not only something you feel, but also a concrete activity that expresses the relation you entertain to others.
Example: even though you don't have enough time, you have to be as just as possible to other people.

Pleonexia
Defined as: greed that desires on to have more than one's fair shared. You want to have more that your fair share. That you want to have more is not a pleonexia. But that you want to have more and it harms others. If others fair with distributive justice, then it is a pleonexia.

Example: if you earn money in the harm of others, it is not a fair way of earning money. Sooner or later they will also harm you.

Aristotle: Justice is the complete virtue (since it focuses not only on the self but on the relationship with others as well). These relationships are thought of as exercises or experiments. Nobody knows exactly what is right and what is wrong, but we hope for the best outcome.

- Justice and law are closely related to law: the person who breaks the law is oftentimes judges as being unjust (a criminal is always seen as somebody who is unfair)
- Justice is also linked to an understanding of fairness and equality: injustice occurs as soon as something unfair or unequal happens. This is an idea we still have. When things become unequal, we say it is unjust.

Is greed (pleonexia) good?

John Rawls: *Justice as fairness*
Justice is the principle virtue of social institutions (stage, markets, parliaments, politics…). If they do not care about justice, then there is something wrong. Any organization should be just. Justice as a *social* ideal (to be established by a social contract)

Example: People do not trust politics anymore, because there is political instability. There is injustice in politics. They have involved in all sort of scandals. For example, in Germany, one politician has committed plagiarism.

So, what about organizational justice?
Focus in the literature has been on justice for the self (rather than anyone else). Fairness is a ***subjective*** perspective. If somebody thinks it is fair, others can think that it is not fair. It depends very much on the social context in which you find yourself.

- Justice is often seen a one organizational outcome. Profit is a justified reward if risk is taken. But what if profit is a pleonexia, if it is too much?
- Why is justice important? It affects the way people are motivated.
- Important: justice debates are always focusing on the 'self': as long as I feel that I am not being taken advantage of, there will be justice. They lose their motivation to work.

Three Dimension of Organizational Justice

Distributive justice: is all about the scales, about input and output calculations. If you earn money by little work, they people feel unjust.

- Equity theory: fair / reasonable. People will adjust their input if they think the reward is not on a par with the work they do.

Question: Are people really constantly making this sort of calculation?
Bentham: people always make calculations. They think about the calculations they make. If we calculate the good things and the bad things that come to us, it is the best way to measure the justice.

Procedural justice: Are you treated fairly by the procedure of the organization (for example the university)? It is more about the procedure and not about the outcome. Even if the outcome is good,

the way to the outcome was not fair. Organizations should have the procedures right. Problem: this forces bureaucracy. Not perceive outcomes for the self are the focus now, but people's perception of processes and procedures.

Elements of a fair process are consistency (if you feel you are threated unjust and your friend not, then you feel angry. You think it is not acceptable). Freedom from bias, accuracy, representativeness of stakeholders, correct ability, and consistency with ethical standard (most institutions have some organizational codes. When they do not follow them, you feel some injustice).

Example: You should find people who want to listen to your complaints. For example, when you think your exam is checked unjust.
Interactional justice: 'the extent to which people feel that they are treated fairly in the interactions with people in organizations and the nature of communication involved in those interactions. Especially in relation to the treatment one receives at the hand of the authority figures.'

You are entitled to receive respect. You do not always tell the truth (transparency).
Example: If you have an appointment with your teacher in order to raise your mark. The teacher is not going to tell you that you are just lazy, but that you maybe didn't work enough.
Emphasis here on truthfulness, justification, respect, and propriety (absence of prejudices in interpersonal interactions)

Continental perspective on justice:
They always link justice to morality, like Aristotle and Rawls. Justice is something where we have to fight for.
Important: for philosophers there is a very close affinity between justice and morality.

Levinas, however, does not opt for prescription He wants us to think of justice as an ideal. For Levinas ethics is something else as rational, but it has a 'face'.

Ethics is not knowledge	**The 'face'**
If one behaves ethical, one never reduces to other to a category (you should not be interest about what you may know about someone). Example: the teacher may not know the marks of your other subjects. He is not supposed to know about those things. He must threat is as being the first exam. As if the person has no history.	Concept Levinas uses to express what ethics might be about.
You never get to the heart of what people *are* if you identify them by these categories (age, gender, social number, personality, aptitude, etc.)	It stands for the infinity of the Other (who is put first) Whatever you do for another, it will never be enough.

	''Goodness consists in taking up a position in being such that the Other counts more than myself.'' The other should be more important than myself.

Criticism against organizations:
The organizational system makes you like being a number. In bureaucracies the function is always seen more important than the person. It makes you comparable. This is completely against the thinking of Levinas. Levinas is very critical about work, however relations in work are necessary. Without work we will not have food and that is also not ethical.

Why?
Many virtues can only be achieved by means of work.

Chapter 7 – Reward, Incentive, Compensation

Mollie Painter-Morland

Fair reward (Whether income is fair or not):

- *Risk*: We consider the amount of labour you worked for it.
- *Amount of labour*: We expect people with a lot of risk to earn a lot of money.
- *Social context*: when for the same amount of labour your neighbour earns a lot more, we think that is a problem and not fair.
- *Appreciation*: It has to be appreciated: for example, football-players,
- *Scarcity or quality* of the workers: there are only a few good football-players, so they get paid a lot of money.

Separation of ownership and control: (big issue in capitalism!)
Interest of conflict between managers and shareholders!
More and more companies are going public (people can buy shares of the company). This is generally the case for multinationals (not for small family companies).

Issue in society: The shareholders can make a lot of money when the company is growing. However, managers don't act, as the shareholders like.
Managers tried to find an alignment between the income of managers and shareholders. They tried to bring the profit together. Therefore, manager fees increase enormous. This is a problem because managers do not act in favour of the shareholders. It is unfair that managers earn a lot, while they do not run an investment risk.

This is acceptable in society because they run risk. However, manager did not earn as much as the shareholders, because they get a salary. Managers only act in their own interest.

Bovemij Crowe EY GrantThornton KPMG pwc

(Problem: Managers cannot buy shares. However, they can buy option or derivatives. They can become shareholders when they retire. This has negative feelings on trust. If people earn too much money, there is a decrease in the amount of trust.)

Excessive rewards (Why would we pay managers excessive rewards?)

- *Remove self-interest* so that executive take decisions that are in the interest of the companies they are working for.
- *Merit-desert-based arguments*: those who do the best work receive the best kind of rewards for their job.
- *Motivation*: Rewards motivate people to do their best.
- *Alignment*: The idea of aligning managerial income with shareholder profit.

Rawls (Fairness)

Fairness in a society is that everybody has a fair chance for a good life. It is about opportunities not about what is actually been realised.

Problem: How do we know what is fair to all?

Veil of Ignorance: Rawls wants us to act about issues as if we think about it without all our information we have. Only if we ignore our knowledge about position in the social order, we are capable of designing a fair order (Like in economics the ceteris paribus)

Results:

Fairness is that each person should have an equal right to liberty. The point is that we are all entitled to have to same right to liberty, not that we are all equal.

Social inequalities should be arranged so that they are at everyone's advantage and attached to position and offices that are open to all. When three persons are applying for a job, none should have an advantage over the others. This is not the case in real life. Often some people are in a power position or have a special kind of status.

Question: Would this think experiment lead to a justification of excessive reward? Should we accept excessive rewards now?

(1) Rawls seems to assume that you can grab what you want as long as it doesn't interfere with the liberty of other. I may not interfere with other people lives. It interferes with the life of other (other people get jealous). Especially when there is no link between reward and the performance.

However, this will fail. Not everyone can make the same money. Then the money is not scarce anymore and therefore not valuable.

(2) One a somewhat deeper level, one might argue that Rawls' veil of ignorance fails: we cannot simply act as if there is no context involved at all. Especially continental philosophy always takes the context into account.

Bovemij Crowe EY GrantThornton KPMG pwc

If we do take into account the context in order to make judgements about what is fair, the problem of relativism and sensitivity pops up again.
Somehow, we both expect fairness to be above context and to be profoundly contextual

We expect fairness and not social circumstances. However, they are clearly there. For example: the grading of the exams. On one hand you do not want the teacher to take into account social situations. However, sometimes you want that to take into account (personal situation).

Communitarianism: we can only understand people as long as we see them as member of the social context.
Excessive rewards are not individual phenomena, but communitarianism phenomena. Managers try to convince each other and thereby lose the problem of fairness. It is not only you that determines the excessive reward, but it also depends on the social context.

Is it your own responsibility to say now against your excessive reward?

Continental conclusion:
Hardly ever did continental philosophers address the issue of excessive pay. There is not one set of ideas!

Nietzsche: Herd instinct (managers only think about themselves). Problem of resentment and bad conscience

- Life takes us beyond good and evil. There is no way in between. Every man or woman has an evil 'face'.

Foucault: Idea of freedom (why does the government interfere when you work hard and earn a lot of money. However, if you earn too much money it will destroy somehow your soul (care of the self)

Chapter 8 – Leadership

Sverre Poelstra & René ten Bos

There is no other subject that is more published than '**leadership'**.

- Nobody seems to know exactly what people are talking about when leadership is the issue
- We make leadership more beautiful than it actually is (Embellishment). Most people argue that leadership studies portraying leaders as someone beautiful and good.
- The problem with many organizations especially the failing ones, is that they tend to be over-managed and underlet. This implies that whenever an organization is in trouble, financially, morally or otherwise, the cause of this is a lack of leadership and probably too much management.

Assumptions (of business ethics) Leadership:

- It is always seen as something good. Bad people with bad results cannot be a leader.
- It is about results
- It can be organized and if this is the case, everybody can learn and do it.

Bovemij Crowe EY GrantThornton KPMG pwc

- It is available to everybody. Everybody can become a leader.
- It is related to 'character' (virtue ethics). People who embody a social practice are seen as having a kind of character. Character is something seen as more important than intelligence (Bush, VS or Berluscone, Italy).

HOWEVER, most of them are misunderstandings!

Plato: Leadership is nearly always discussed in a positive way, as if it cannot be bad. Bad people with bad results (like Hitler) are often not seen as a leader. These people should be good, and they cannot be bad (Embellishment). For Plato, only people with the right moral character are capable of leading.

Somehow leadership is assumed to show us the way out of trouble. It is hardly ever seen as that which created the trouble.

If there would be distinction between leadership studies and business ethics on leadership, then it would be that leadership scholars generally produce all sorts of beautiful images of leadership, whereas business ethicists tend to take more interest in the practical aspects of moral leadership.

Therefore, one problem is the **embellishment of leadership**.
Leaders are always seen as being great Man ('Great man theory of leadership'). They are masculine, powerful, adventurous and protective. A man like Steve Jobs is seen to fulfil those expectations.

Religious term as a form of embellishment
Charisma = Weber: if people hold on to traditions, how can organizations transform themselves? To be in God's grace, the power to break norms and rules. Only than change and transformation is possible. You need it in order to bring change, but it is also very risky.

- A person who 'carries' charisma, Weber argues, only knows 'internal determination and limits': he or she takes up a certain task and requires obedient followers who recognize the importance of his task. If this recognition does not occur, the charismatic pretension will fall to pieces.
- Charisma is not a characteristic. The followers allow charismatics to come into being.
- **Ciulla**: argues that the great man constitutes a moral risk and that charismatics in general should be treated with suspicion: they may be good; but they may also be bad.

When the leaders break the rules, they become a person. They are no longer functionaries. They did something different, so they become interesting. Bureaucracies cannot change without breaking the rules. If you break the rules, you become personally responsible.

Example: if you break the rules and it goes wrong, then you are personally responsible. However, if you break the rules and it works, then you are seen as a hero by some people.
Entrepreneurs are personally responsible. If the organization fails, then they lose a lot of money. However, if it works, than you can make a lot more money than the managers.

Transformational leadership

Bovemij Crowe EY GrantThornton KPMG pwc

Leadership is transforming the live of followers. You want to change others' lives.

Whether transformational leadership is good or bad or neither
The importance of ethics and morality is often emphasized within business ethics, but there is little engagement with the question what ethical leadership would entail.
'What is good leadership?' The use good here has two senses: ethical and effective. We must realize that some effective leaders were immoral, whereas there are instances of moral leadership that are hopelessly ineffective.

It draws on ***utilitarian*** and ***deontological*** thought: effective behaviour is only laudable if it is directed at attaining the greatest possible good and if it is infused with a sense of moral duty.

Problem left: Business ethics turns out to form new kind of leaderships. Some recent images of such types of leadership include: 'Distributed leadership', 'Shared leadership', or even democratic leadership.
'Do these approaches not also involve some kind of embellishment of the notion of leadership?'

The Hitler problem: Morality of leadership
Business ethics thinks that Hitler is not a leader, because he was not good. We don't have to agree with it, because some people (Chester Barnard) think he is a leader. Good leadership however often means that it must be ethical and effective.

Problem: leadership is made more beautiful than they actually are. 'Why does leadership have to be good even when it so often clearly is not?'

- 'The problem is that most of us do not feel any need to contest the idea that there are bad teachers, bad doctors or bad scientists. We take for granted that these people can fail, morally of technically. Why is such an assumption unacceptable when we talk about leaders?'
- The real problem is that we are unwilling to accept the rather straightforward idea that Hitler was a bad or evil leader.

Ciulla	**Bernard**
Started to reject Bernard in 1948 about the fact that leadership can also be bad. People started to think that leadership must always be good. *All transformational leaders are moral* *Hitler was not moral* *Conclusion: Hitler was not a transformational leader*	Business ethics thinks that Hitler is not a leader, because he was not good. We don't have to agree with it, because some people (Chester Barnard) think he is a leader. Good leadership however often means that it must be ethical and effective.

Zizek: we must believe that leadership is good, even when it is not. The attribution of goodness enables leaders to lead in the way they do.
He makes it clear that business ethics might also benefit from a certain kind of aesthetic representation of leadership.

Example: Obama is an interesting example. People attributed goodness to him before he, as an American president, actually had done something good. One needs only to think here of the Nobel Prize for peace that he won. The point is that the attribution of goodness is more important than acts or decision that may be deemed to be good.

Zizek maintains that a leader has two bodies. When we think of a leader we think firstly of an empirical human body: a real existing human being that takes on a role as leader. However, this is not enough for leadership to exist. There is also a sublime body. Only followers see this sublime body (winning the Nobel prize = sublime body of Obama).

- What Zizek helps us to understand is very much in line with what Weber tells about charisma.
- Leaderships is strengthened by faith but can be harmed by objective knowledge.
- The leaders' body must be seen apart from the sublime body. A leader is not born as an idol but turned into one by followers.

Conclusions

- We routinely anesthetize leadership into something good.
- This is part and parcel of what leadership amount to nowadays
- This aestheticization allows us to gloss over the aporias.

Chapter 9 – Whistle Blowing

Mollie Painter-Morland & René ten Bos

Whistle blower: Individuals who believe there is a risk of great harm if unethical behaviour is not brought to light and who then decide to actually bring it to light.
The lives of whistle blower are turning out to be very bad. The private consequences are often negative. Generally, live becomes hell for whistle blowing.

What drives the whistle blower to do so?

- A moral impulse? You feel that you should help somebody who is close related to you. (Zygmunt Bauman)
- A broad sense of responsibility? A feel for responsibility for a broader group of stakeholders. (Hans Jonas)

Common: both stress the importance of emotion for moral behaviour
Difference: where Bauman thinks that moral action is conditioned by proximity between the other and me, Jonas urges us to feel responsible as well for those who are far away from us.

Bovemij Crowe EY GrantThornton KPMG pwc

Famous example
Serron Watkins (bookkeeper) (Enron): The number presented by Enron where completely wrong. Shareholders and politics where given a wrong image of the company. Enron was a big company making big decisions about energy and banking. She came up with the bad news that Enron was manipulating her stakeholders.

Whistle blowing is a kind of moral dilemma or ***moral aporia***. The wrongdoing should be a 'source of non-trivial public harm'. You have to blow the whistle on some important terms. However, what is important depends on what people think is important. It depends on culture! Be aware: loads of cultural sensitivities do play a role.

Moral conundrum: reporting wrongdoing is not the only task employees have. They are expected to be loyal. Dilemma: you tend to report on the bad thing, but then you reach another important norm and that is the loyalty.

The aporia therefore is as follows: loyalty to the general public or loyalty to the organization. 'One is not expected to bite of the hand that feeds you.'

How to morally judge whistleblowing?
Internal whistleblowing versus external whistleblowing

- It is in your own organization. You report it to your own dean. If you step out of the hierarchy and step directly to the journalist. Internal whistle blowing is often considered as less morally bad than external whistle blowing.

Good faith disclosures (one that is in the interest of the public or others who may be affected and is made without its primary motive being the self-interest of the whistle blower themselves) are considered to be more laudable that bad faiths disclosures.

Whistle blower hotlines widespread in U.S. allow for anonymous reporting. The reason is that in America people expect that they have strong loyalty to the organization. When there is conflict there is no consensus. They are expected to give their organizations the opportunity to remedy the situation before public disclosure will ensue. In France and Germany, they see it as not accepted. If you blow the whistle in Germany you are not very likely to lose your job. If is generally accepted that there is whistle blowing.

- In the US and the UK, people seem to think that whistle blowing is a useful instrument to keep companies on the right moral track.
- The assumption behind all these directives and guidelines is that the organization has the ethical duty to create an atmosphere of trust and open communication. This entails that no retaliation against whistle blowers will be tolerated.

Nature of the organization is important:

In rigid bureaucracies without open and transparent communication whistleblowing is considered to be more acceptable than in open organizations. When you blow the whistle in the department of defence it is generally more acceptable than in the Ikea. The openness also makes you invulnerable.

Whistle blowers can be very wrong in reporting wrongdoings. Sometime whistle blowing is based on wrong facts. They do not have full information on what is going on. If the security is not guaranteed then we start to get misunderstanding about whistle blowers.

In ***Europe***, employees enjoy much more statutory protection; moreover, dissent is much more accepted in European companies. External whistle blowing is therefore not the point.

The uncertainty about the acceptability and effectiveness of whistleblowing becomes even more pronounce when on looks elsewhere in the world, for example in Europe.

- In Europe the acceptability of whistleblowing practices such as holiness is deemed to be problematical:
- Legislation is considered to be expensive. If at every moment one can say that a college does something wrong. That is not a nice environment to work. Then we start to complain.

United States	**Europe**
Whistle blowing is a fairly cheap alternative to other forms of regulation.	Legislation on whistleblowing is considered to be very expensive
	People do not always have complete information and may misjudge situations.
	The interest of society cannot affect the duty of loyalty. They have to solve the problem internally, therefore protection is unnecessary
In America trust in institutions and companies is lower than in Europe. Therefore, protection is necessary	Dissent within a company is in Europe much more taken for granted that in America.

The difference between European and Anglo-Saxon orientations is that the former consider whistle blowing to be 'at best permissible' and that the latter consider it to be 'obligatory'

Fred Alford offers an existential understanding of whistle blowing:
The whistle blowers enter a completely different world after blowing the whistle. What usually makes sense in their lives loses to make sense. Nobody understands them (bafflement and bemusement (you don't know that people are doing it))

Parrheisia: the courage to speak freely. Do whistle blower not have the right to speak freely. This is often difficult, because the organizations are not democracies. You will lose your job. Free speech is not to be guaranteed, it is something you should fight for. It is not basically there is society. Occasionally they become heroes, but more often their lives will be broken.

Bovemij Crowe EY GrantThornton KPMG pwc

Why do some people tend to blow the whistle?

- Utilitarianism: Whistle blower should be able to calculate and anticipate significant harm and weigh this against the costs that reporting the misconduct would have for those who are involved, for the organization and for the whistle blowers themselves.
- Duty ethics: The situations that whistle blowers face often have the character of a disaster. In many cases, the harm done to the organization has gone so far as to be unrecoverable.
- ***Kant***: duty of loyalty. If you betray other people, you cannot tolerate that other people betray you. You can also defend public perspective. What is Kant going to make of conflicting duties?

Obligations: (John Caputo)
Obligations do not ask for my consent. Nevertheless, you feel that you should do it, even if you don't like it. Obligation is not like a contract I have signed after having had a chance to first review wit carefully and to have consulted my lawyer. It is something you feel and is in you. It is not anything I have agreed to be party to. It binds me. It comes over me and binds me. (What drives the whistle blower?)

The moral impulse - Impracticability of moral practice (Zygmunt Bauman)
''Given multiple options, why would one ever choose what seems to be the most difficult option, to blow the whistle?''
Morality is never practicable. Ethics is not a comfort zone. In terms of cost and benefits whistle blowers should not do it (utilitarianism). In terms of goal ethics, it is not a very good thing. But do people keep their job if the organization is a big fraud? It is what brings the whistle blower to do what is in their minds clearly 'the right thing', but often at incalculable cost to themselves and their families.

- Morally responsive: Whistle blowers feel obliged to leave behind the comforts of conventions and to abandon the same sense of togetherness that loyalties and mutual social duties and roles dictate. They refuse to keep quiet just because 'everyone does it.'
- Whistle blowers take up their specific moral duty by giving their own, individual response to the situation of the moral demand of another, even if it is socially uncomfortable to do so.
- If the Other's demand is made explicit in terms of a right, an obligation, or a social norms or rule, it would lose its moral force.
- It is a rule for yourself (singular)

Nobody would understand why if the whistle blower explains it. It is very fake; it is singular. Other people will probably not feel the same. It is a feeling for you.
It is often not very handy to have a moral impulse.

The sense of social responsibility (Jonas)
Hans Jonas would argue that it must be a sense of responsibility. We feel responsible when the existence of something or someone is at stake (emotion). Rules are not entirely bad if they serve to broaden our sense of moral responsibility.

Bovemij Crowe EY GrantThornton KPMG pwc

Singularity is for him not very important.

- Nothing is more important than your own being. Therefore, he says that human beings are *indifferent*.

Chapter 11 – Corporate Social Responsibility

René ten Bos & Stephen Dunne

Corporate social responsibility is not hype. It is not something new. It has been there for a long time. It assumes that organizations make profit by externalizing to society.

Isn't it hype among the managers? It is on the agenda in every corporation. There is a kind of contract between the society and corporation. If the corporation makes profit that the society thinks is to0 high, then it steps in.

Licence to operate: they get the licence by the society. If the society is not doing what we want, we blame the organization. It is not something that is real. It is a juridical fiction.

We are not talking about force and law. It cannot be forced. A society cannot enforce it without the law to an organization. If there is no law, you are powerless.

This is a difficult thing in ***capitalism***. Somebody has to pay the bill of the profit the firm is making. This can be the employees or the society. This does society not accept. Because of the media the power of organizations has disappeared. They cannot do everything anymore. Society is increasingly trying to get some influence.

Case: Beyond Promises

BP is an international oil and gas company operating in more than eight countries. BP is one of the first oil companies, which seemed to have embraces, in the context of an overarching CSR programme, an environmental agenda. At a given point BP became so self-confident about its 'green' reputation that it rebranded itself as 'Beyond Petroleum'. In the end, however, it was incidents in the company itself that undermined BP's image as a 'green' company.

Yet, all these incidents and circumstances, which are, unfortunately, not uncommon in the oil industry at large, were completely overshadowed by the oil spill in the Gulf of Mexico. After the explosion in the Gulf of Mexico, Hayward systematically tried to downplay the full extent of the damage. There had been doubts about he quality and performance f safety systems on the oilrig for a long time, suggesting that BP chose to neglect these out of financial reasons.

We want to ask some question about the case: can one truly assume responsibility for something that is so big? Can we not understand Hayward's clumsy remarks as a sign that he had been truly overwhelmed by the extent of the disaster? What is the precise relationship between his managerial

Bovemij Crowe EY GrantThornton KPMG pwc

style and the disaster? Entire economies depend completely on the oil industry and most of us hardly have any sense of the risks involved.

All these questions are very difficult indeed. We will see that much of the debate in business ethics about CSR is actually about avoiding tangled questions, and that this is going on the in the of practicality.

Business ethicists make something else of corporate social responsibility.

They want to transform this concept in something practical, a tool with which managers can work. The time for thinking and talking had passed; the time for acting had arrived.

Definition: representatives of the corporation voluntarily (we cannot let corporations to behave decently, but we want them to do that) integrate social and environmental goals with economic goals (making as much profit as possible).

However, there is a lot of controversy about the term, part of which is to do its fleeting significance. There is no clear-cut definition of what it is. The meaning of the term is debatable.

Most business concerns about CSR are basically about whether it is practical to implement something called CSR. The meaning is not fixed.

CSP can be seen as an 'extension' of the concept of CSR that focuses on actual results achieved (accountability or responsibility to society) rather than the general notion to businesses. **CSP** is a natural consequence or follow-on to CSR. Archie Carroll claims that if CSR does not lead to CSP then it is vacuous or powerless.

Different attitudes towards CSR:

- Defensive: something politicians often do. 'It's not our job to fix that'.
- Compliant: 'We will do just as much as we have to do and not more''.
- Managerial: 'You have to do it''.
- Strategic: 'it gives a competitive edge / advantage'.
- Civil: 'We need to make sure everybody does it'. We don't want the politicians us to do it, but we do it ourselves.

The assumption is always that companies go through series of stages. In the end they will adopt social corporate social responsibility. There is a progress of no CSR to using CSR.

So, there is a common understanding that SR has progressed into something better. There is a progress and we describe **three steps**.

Business should develop serious philosophies and not just use it as a tool.

- The discussion is hardly any about the role of business in society.

History of how business ethics discuss CRS:

Step One: from responsibility to responsiveness

Bovemij Crowe EY GrantThornton KPMG pwc

From responsibility (CRS1, there is a lot of debate and no clear definition) to responsiveness (CRS2, we should simply focus on practicality)

- Not action oriented, unclear operational managing. Assumption: Managers want to engage in action. Managers are in need of practical tool. What are managers doing? How do they spend their day? Managers tend to talk, meetings, listening, communicating.
- Not practical and vague. It should be concrete. The content is extremely vague.
- Trade-off between social and economic costs cannot be stated with any precision. Some people win and some people lose (externalizing costs)
- To deliberate is stupid in the entrepreneurial world
- Thinking results into little doing
- Unclear moral underpinnings. One searches in vain for any clear and generally accepted moral principle that would impose on business and obligation to work for social betterment.

However, unlike the criticism, people do like the idea. Corporation should be doing something good. How can Corporate Social Responsibility be done? (Practice)

The evolution from the abstract procedures of CSR1 towards the concrete activities of CSR2 signifies nothing less than the maturing of business and society itself. Frederick heralds the new era of CSR2, an era in which the capacity of corporations to respond to social pressures will be constantly discussed

Hence, a huge part of the debate is about the relationship between theory and practice.
The problem is that those working towards responsiveness without responsibility will probably run into a new series of problems. It is not unlikely that social values will stand at the core of all business-and-society concerns.

CSR3: the era of CSR3 will clarify both the moral dimensions implied by CSR1 and the managerial dimension of CSR2. Practice cannot be absolutely understood without theory and controversy.

Step Two: from responsiveness to performance

The lack of solution to the problem of practice became a characteristic concern for CSR as such, not least of all on account of the fact that the quest for it had failed. Out of this failure, another apparent solution emerged in the form of CSP.
What is practical? We need something that is more concrete: Corporate social performance:
Critiquing responsiveness:

- Responsiveness is nice because it urges the importance of practice, but it does not tell us how.

Carroll's model: The pyramid of social responsibility

Definition of social responsibility: is there business a sort of responsibility that goes beyond economic concerns?

1. A *basic definition* of social responsibility. An all-important question here is whether corporate responsibility goes beyond economic and legal concerns.

Bovemij Crowe EY GrantThornton KPMG pwc

2. An enumeration of the issues for which social responsibility exists. More specifically, what are the social areas – environment, product, safety, discrimination etc. – in which corporations do have a responsibility?
3. A specification of the philosophy of response. In other words, do we develop a proactive or reactive stance towards these issues?

Friedman: Economic (be profitable) and legal (Should we play the rules. Because we can gain a lot of money by breaking the rules)
Freeman: Ethical (responsibilities, you become ethical and fair. We should avoid harm as much as possible) and philanthropic (charity, doing good)
However, the pyramid is not completely right. You can be ethical without playing the rules. Then the pyramid is not right!

Problems with CSP
There is nothing new. ***Basic idea***: You should do more than economic stuff!!

Step Three: from performance back to responsibility
Wood's project was to establish, one and for all, how the phenomenon of CSP could become a determinate, measurable entity.

She wants to transform CSP into a measurable and determinate identity. They you get nine steps again to do this. Practitioners should not be involved in tangles questions such as: What is responsibility? What kinds of responsibilities are there? How should we conceive of responsibilities? Etc. Simply ask question about outcomes. Is generating wealth a social responsibility either?

Once CSP becomes an analysable object, then it can be compared, assessed, and ranked. By answering the questions about the outcome that businesspeople shall move closer to doing something like CSR. An in the process a move will be made towards a better society.

But would ask these questions help to create a better world?
Swanson argues that businesses should have a normative orientation for what good business practices should be like and scholars should be responsible for delineating what these norms are. Swanson offers a research strategy for CSP on the basis of what she calls *value attunement* (process of bringing values together). This strategy would make a normatively poised theory of CSP possible.

The problem however is that we all want a good society; we all have different ideas as to what that good society would be like; let us all go and create a good society on the basis of the fact that we all have different ideas as to what a good society would be like. It is as if the reader is given a destination but no map!

Porter and Kramer argue that corporation should implement CSR practices only if it is in their financial interest.

What is CSR without just such a set of ideas as to what business should be doing? What might CSR mean, other than business as usual?

Conclusions

CSR debate is shallow. It is not strong in imposing norms on managerial practices; at least, it doesn't tell us how such values should become embodies. Espousing values is not the same as acting upon them. The theory in which we act is completely different.

And so, in the end: Corporate social responsibility = Corporate Financial Performance

Is there an alternative?

What does it mean to be responsible? We should also understand that there are a variety of ways in which such a question be trivialized.

Summary of Steps

1. From responsibility to responsiveness
2. From responsiveness to performance
3. From performance back to responsibility

Chapter 12 – Corporate Responsibility Standards

Andreas Rasche

Issue: they want to make CSR practical. We should not ask what it is but how we can use it. This is a bit of silly, because we have to understand it when we use it. Third parties implement them.

How do we change corporations' strategies and operational practices?

While each company needs to find its own way in managing its responsibilities, guidance is also provided by so-called corporate responsibility standards (Global Reporting Initiative, Social Accountability 8000, UN Global Compact). Not thinking but telling them what we should do.

They all recognize the essential role that business plays in building sustainable societies. We define such standards as predefined rules and procedures for organizational behaviour with regard to social and/ or environmental issues that are usually not required by law.

Sometimes it is done through corporations themselves (**codes of conduct**). These are imposed by the company itself (internally). But if a third party (government, United Nations) is implementing the codes then we are talking about the **standards**.

There are a variety of reasons why managers find it attractive to use these standards:

- Standards provide a level of playing field when it comes to corporate responsibility.
- Stakeholders pressure corporations to adopts standard to live up to their responsibilities
- Corporations use standards as signalling devices to consumers and stakeholders to distinguish themselves from corporations.

Bovemij Crowe EY GrantThornton KPMG pwc

- There is isomorphic behaviour between businesses. If one key actor in an industry starts to sue a standard, other companies join in because they fear competitive disadvantages.
- Some companies also sign up to standards because of business benefits, because standards hap to anticipate business risks.

They are not advocating the shareholder model (maximizing profit):
The overall number of different standards is hard to oversee.

- Principle-based standards aims on changing the practices of corporations. They outline broadly defined principles that are supposed to provide firms guidance while reflecting on corporate responsibility issues. The idea is to help managers develop an internal corporate responsibility agenda for their corporations.
- Reporting-based standards: aim at helping firms to communicate information on their social and environmental impact in a comparable way. It outlines comparable performance indicators corporations can report on (targets, hard facts numbers).
- Certification standards/ process standards: standard to certify single factories regarding labour conditions (certificate by auditing firms that they are doing a right job). (ISO certification, procedures are carried out very well)
  Many certification initiatives are based on the idea of social an environmental auditing and accounting. The underlying idea of accounting and auditing is to 'assure' the public that corporations are actually doing what they are claiming to do.

'How do we change corporate practices?'
There are too many problems with corporations. If they keep having many problems, people are worries about the status of the corporation and the economy. Most people think managers don't receive the kind of status anymore. They have to bind by some responsibility standards. They need some kind of guidance.

Why do we need the social standards? Corporate responsibility standards are widely regarded as the most plausible form of guidance. It is weird that we need moral guidance. If you steel something you already know that you are doing something wrong. Probably you don't think that it is morally irresponsible. You take care of the danger and think you are doing well.

There is a difference between what businesses experience and what people experience. We always ask us: 'How can this happen?'

Who are delivering those guidance's? They can be delivered by Gurus, spiritual master (irrational guidance) and by … standards (rational guidance).

Businesses are making some kind of contract with the United Nation (they look whether companies hold the rules).

For example, corruption is a very hard problem. This is because the people who make the rules are often corrupt themselves and every country understands corruption differently.

UN Global Compact (Principle based standards)
The United National Global compact is the call to companies to voluntarily align their operations with ten universal principles in the areas of human rights, labour standards, the environment and anti-corruption. By participating, businesses are expected to contribute to the fulfilments the rules. The idea is that companies make a principle-based commitment to corporate responsibility and report annually on the progress they make in implementing the ten principles.

More standard is bringing in more bureaucracy. Can we increase morality by imposing rules and standards? We do not have to see standards of doing our entire job.

Jacques Derrida: ***What is standardization? There is no universal meaning.***

- Deconstruction: The meaning of a rule / standards is not always very clear (deconstruction: interpretative flexibility)
- Presenting evaluations of the standards from a variety of perspectives

Continental philosophy can help us to challenge the idea of standardization
Today, managers rather complain that there are too many standards and that a comprehensive internationally agreed frameworks for corporate responsibility is still missing and not likely to emerge in the near future. Maybe we are able to combine the different standards?

We need to know the limits of the standards in order to say what we can meaningfully expect from their application.

According to Derrida, every apparent origin remains caught up in an aporia. Derrida says that the occurrence of origin and supplement is impossible. That is why Derrida talk about the 'aporetic supplement'.

Aporia I: RULES / CONTEXT Standardization never takes into account global specifics
Derrida would question the pureness and easy applicability of a rule. Of course, strictly speaking, this rule needs to mean the same every time it is applied. Rather, every rule gains meaning in and through its own application. The supplement (application) is constitutive for the origin to acquire contextualized meaning.

'So, at the same time, you have to follow the rule and to invest a new rule, a new norm, a new criterion, a new law.'
Manages must do two conflicting thins at the same time. They must enforce the rules of the standard and respect the individual, unique context, which makes each case of standards application different.

Aporia II: UNDECIDABILITY Standardization is more a tool to think well
To apply a standard and to follow its rules involves decisions. Derrida's reflections on the nature of decisions expose yet another aporia: decisions are only possible if they are impossible. In other

words, only when we do not know what to expect from a decision, the decision will become real. If we know exactly how to proceed and what to expect from a decision, there is no need for a decision because the outcome is fixed and programmable and we could leave the task of deciding to a computer.

If you have all the information, it is no clear decision anymore.

Chapter 13 – Sustainability

René ten Bos & David Bevan

Definition: Brundtland Commission's report

Defined sustainable development as 'development which meets the needs of current generations without compromising the ability of future generations to meet their own needs.

- We don't know the needs of the future generations. We act as if we know those needs of future generations. The future generations won't have the same needs.
- It also seems to assume that the needs of present generations are being met today.

However, this definition is highly accepted. But there is something wrong at this definition.

Why do we use the word development?

Economies grow, but can they grow forever. Probably this is not the case, but they develop in a certain direction. Therefore, it is better to think about developing countries than about growing countries. Growing countries don't have to be better. Development is a better alternative of growth. Economies cannot grow indefinitely, but they can develop indefinitely!

It belongs to the 'ethics zone', making profit is not in an ethical part, but sustainability is always seen as something ethical. We also shift the debate from an economic view to a more ethical discourse. Economics is generally considered neutral. This is one of the assumption economists hold. When we talk about sustainability, we see a shift to the moral zone. Profit is not considered to be morally acceptable. If we do business in a sustainable way, we do it 'better'.

Why sustainability development rather than growth?

- Billions of human beings live in severe poverty and daily face challenges due to lack of food, water, healthcare and shelter.
- The world population continues to grow at a disturbing rate.
- All of this economic activity must rely on the productive capacity of the biosphere.

Distinction between sustainability and sustainability development

If sustainability is the problem, sustainability development seems to be the solution. Sustainable development is seen as a set of managerial principles that should make the former possible.

Beck: has a doubt about the optimism that is typical of sustainability literature. He has a lot of criticism. He argues, a 'new reality of precariousness (risk)'. We no longer ask: How do we want to life? We ask: How can we live better (less risky, less insecure)?

Bovemij Crowe EY GrantThornton KPMG pwc

Braden Allenby: Businesses should be working in the field of people and not only making profit. They had to find the balance between people, planet and profit. If social conditions are bad, environmental conditions are poor as well.

Triple bottom line (3BL), economic activity relies not only on human activity but also on the productive capacity of our planet. So, not only by working of the businesspeople, but also by the planet. Otherwise we can work as hard as we wish, but it doesn't matter.

- The bottom line is economic, but the triple bottom line is divided across three dimensions: economic, environment and society.
- Sustainability is achieved at the point where all three dimensions are in balance.

Corporate social responsibility is almost the same, critics argue. But you can say that corporate social responsibility looks further than only environmental issues.

Supporters believe…	**Critics argue…**
Businesses have more than financial goals	Nothing new under the sun. Just the umpteenth version of stakeholder approach
In addition to financial goals, social and environmental goals can be measured	Quantitative assessments of how good or bad organizations perform are very difficult to obtain. There are doubts about the measurability of moral performance
Businesses have the moral duty to report how well they perform to stakeholders	Even though wealth maximization or environmental friendliness are moral duties, they may be overridden by other moral duties Other moral duties: biodiversity,
	Vagueness: it is still good old-fashioned bottom line with some vague other commitments.

Second way: Natural step

The resources are diminishing, while the demands of people are increasing. Somewhere the lines should cross, and a miracle should happen.

Why embracing sustainability?

- Prudent long-term strategy: with showing care, thought and survival for the future.
- Unmet market potential in developing economies can only be met in sustainable ways
- Costs can be minimized due to eco-efficiency (Competitive advantage + Risk anticipation)

Criticism:

- There are many fallacious arguments in the literature (they are too optimistic about the problems we face)
- Less unsustainability might be the best we can hope for.
- False kind of heroism ('Yes we can' is assumed)
- Managerial solutions will not work

Bovemij Crowe EY GrantThornton KPMG pwc

Zizek: sustainability is some new religion. We are allowed to consume more and more without paying the bill for it. They can go on as they always did.
Seabright: is also sceptical. He thinks that smartness (intelligence, increasing technology in order to cope with problems) will not help, because intelligence is not related to those issues but to technological tools.

The natural contract: Serres
As human beings we have never been afraid of natural disasters, but of social and political disasters. Therefore, there is a ***social contract (between people)***. If harm is hit to us, we generally do not hit back. People make some sort of contract. We call the police and we do not act upon ourselves. Fear makes us agree not to use violence. In some part of the world these contracts are lacking and therefore there is always the fear of violence.

But we also need a ***natural contract (between nature and people)***. This has become increasingly important, because the planet is not completely passive. It acts upon us. We have to think about the relationship against nature even as our relationship with people. We inflict injustices to the nature. We should hold this contract with nature as well.

Worldwide nature: the human aggregate can nowadays be seen as one 'big animal' that is in involved in a deadly struggle with what the refers to as world-wide nature. It is about the forest and all the nature in general. They have a global and not just a local impact. It requires a new way of global thinking and not just local thinking.

Matters of fact and matters of concern
Economists are always interest in matters of fact (you can simply measure it, GDP). They are also risk-free objects it can be easily controlled. If you simply measure the temperature outside it is a matter of fact, but if you say that there is a global warming of the earth it is something else.

Scientists increasingly have to deal with ***matters of concern***. They have no clear boundaries (GDP is measured very well, because happiness is hard to measure). You should show that you are concerned yourself and that you take a risk. You need to do more than come up with evidence. You have to give arguments. They have a completely different role, form observing and objective to an engaged academic!

Chapter 14 – Globalization
René ten Bos

There is a big discussion between people who are for and against globalisation
It provides advantages for some people while it harms lives of others.

What is and is not globalisation:

- **No internationalisation**: companies move their firms to cheaper countries (FDI). Periphery delivers the raw materials and the core produces the end product. The spreading of economic activities than just the core. A hallmark is that the periphery (Africa, Asia America) was expected to deliver the raw material to Europe.

  Fordist production: pathology is driving the change in the industry. It is based on the idea that you have a capacity for producing cars and this is leading what you are doing is a factory. If you have to capability of producing 3000 cars, you will produce them and later you will see if you can sell them. (Push system)

  Globalization: *Post Fordist production*: Customers produces is. The market determines how many cars are produced. The customer pulls the production of cars. We believe this is more efficient, but the disadvantage is that workers must be flexible. (Pull system)

- **No colonialism**: Era during which stated behaved mercantilist (system is healthy when it exports more than it imports). The nation state should guarantee this even at the expense of other states. We try to politically dominate other people and other countries (but this is debatable, it is not anymore in slavery).

  Globalization: The role of the state as a protector of economic interest has not completely disappeared (banking crisis), but it was put into perspective. The trade increasingly takes place between international entities (MNC's)
  Globalization transforms the role of the state with respect to the economy. There are many worries about the role of the state in the future. Populism: by politics

- **No 'virtuality'**: the knowledge technology, computerization and internet are very important for globalization, BUT:

  Globalization: is still and by large a material process. The industrial sector in most country remains the biggest economy factor. Consequences are sometimes catastrophic (pollution, deterioration of biodiversity), especially in the developing countries. What people use to fall 'the new economy' (not on scarcity, but on overabundance) turned out to be a hoax.

Globalization as a process (matter of concern!)
Globalization is taking place now, but it is a process that is very difficult to define, and which fosters outcomes nobody can foretell. Even though we are talking about something very grand, tit is surely not all encompassing. Much of the world's economy is still rooted in local contexts. It is perhaps better to claim that globalization is a process that takes place with different intensities in different places of the world.

For	Against

Bovemij Crowe EY GrantThornton KPMG pwc

Good for customers	It is all a big fake: there is much less globalization than is suggested (sceptical position)
Fosters innovation (it fosters enterprises and those bring up a lot of ideas. When people meet all ideas will be coming when people of many companies are coming together)	There are too many victims (exploitation, exclusions, environmental destruction etc.)
More people than ever participate in economy (get out of your local circumstances)	Gab between the poor and the rich has never been so big and becomes bigger and bigger
Petty nationalism is obsolete	Just neoliberal ideology that has proven to politically disastrous
Globalization is in the end liberating	Globalization is just another

When did it take place?

Globalization, whatever it is, takes place in the era of:

- **Capitalism**

Family capitalism (19th century): When we talk about globalization it is a process where capitalism finds itself. It is on a small scale (household, farms). It is deeply religious. Capitalism cannot be found without capitalism. It you are intellectual you are distrusted by companies. They are doubtful and lack the power. It is hostile to the organization or bureaucracy. Independent from the government, invent for you.

Corporate capitalism (20th century): after industrial revolution (Ford, cars). The big industries (massive, industrial scale) are taking over in the period of capitalism. They are neutral and impersonal. Also, administrative and education is rising. Employees are completely dependent on what is taking place. The is a strong reliance on technical and administrative skills and knowledge (they do still exist)

Network capitalism: It is creative, innovative, flexible and market oriented. It is suspicious toward bureaucracies. Entrepreneurs love networks.

- **Neoliberalism**

'There is no society' (Thatcher)

Peter Dicken

- ***Hyper globalism***: globalization is a hard fact. Globalization is a hard fact. (Matter of fact)

One-ness: the world is becoming one. It has homogenized consumers taste and allow companies to deliver standardized product and services all over the globe.

- ***Scepticism***: it denies that there is any progress and that we still have distinct nations and cultures. People in the world still live in the same conditions as they always did. (Matter of concern)

Bovemij Crowe EY GrantThornton KPMG pwc

Dickens: 'We do not have a fully globalized economy yet. It is not fully achieved'

Norman Bowie
Cultural relativism: no universal norms and values, because people think differently. What we think about what is moral differ from time to time and also from place to place.
In terms of business we can circumvent these differences.

Donaldson & Dunfee
Hyper norms: We should define in a Kantian way rules that are applicable universally. They should be so equal that everybody should understand them. Norms that everybody in the world would adhere to

Domain of Philosophy: Philosophers against global business
Michael Hard & Anton Negri define two problems with globalization:

- Globalization is flattening democracy. Most decisions are taking by the European parliament. We do vote for or own parliament in the Netherlands but not for the European parliament. However, most decisions are taken by the European parliament.
- As a consequence, politicians have no idea about what democracy might man in the age of globalization. How should it be politically organized? Globalization causes that politics is more and more becoming liberal.

Globalization also has a political impact and not only an economic process!

Problems with these philosophical approaches
It is difficult to see what these left-wing philosophers have to say to businesspeople (practical consequences they have). Furthermore, they never think about globalization itself.

Nancy: there is an increasingly one-ness. You are increasingly connected with people that are not the same as you.

The influence of Martin Heidegger:
He makes a distinction between four different meanings of the world. The third and the fourth definition have a more philosophical meaning.
(3) 'World' signifies that in which human being lie. Human beings live in the world. But there are always a lot of possibilities: a person can live in the world of soccer.
(4) 'World' also denotes 'worldliness'. This also implies that there are open to several possible worlds.

Globalization is only possible due to the fact that we are "open animals". It is a social and cultural process, more than an economic progress.

- We are beings who actively form the world. We can determine the atmosphere in the environment.
- 'A touching of everything with everything': for example, a country as small as Cyprus can influence the whole world.

- The relativist position is wrong! Diversity does not imply that we live in a different world. Relativist argues that everybody's world is not the same. However, we all live in one world.

Peter Sloterdijk:
Responsibility is not emotional anymore but in this world, it is just filling in list (bureaucracy) in order to satisfy the politicians.

Course objective:

1. Learning to think critically about concepts in business ethics.
2. Appreciating how meanings in this area of research are 'slippery'.
3. Understanding the problems with implementation of these concepts.
4. Engaging with texts that shed a different light on well-known issues.

Disclaimer

ESV Nijmegen makes an effort to keep the content of this summary up to date and where needed complements it. Despite these efforts it is still possible that the content is incomplete or incorrect. The offered material is a supplement for studying next to the appointed literature. The material is offered without any guarantee or claim for correctness.

All rights of intellectual property concerning these summaries are owned by the ESV. Copying, spreading or any other use of this material is not allowed without written permission by the ESV Nijmegen, except and only to the extent provided in regulations of mandatory law, unless indicated otherwise.

Tips and remarks about the summary can be send to secretaris@esvnijmegen.nl.

Bovemij Crowe EY GrantThornton KPMG pwc