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ETHICS THEORY & BUSINESS PRACTICE

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Introduction

Chapter objectives

This chapter will:

- outline the aim of this book;
- explain how the words 'ethics', 'business' and some related terms are used in the book;
- outline the approach to the study of business ethics taken in this book and contrast it with some alternative approaches;
- offer some reasons for taking this approach;
- outline the content and structure of the book.

The aim of the book

The aim of this book is to encourage you to think about what ethical business practice and unethical business practice consist of and to apply this thinking to real-life business scenarios. This aim, and how the book hopes to achieve it, should become clearer as you read this introduction. First, though, I will say a little about ethics, business and some terms that are associated with each. I will then describe the approach to business ethics study that the book will take, and explain why I think this is a worthwhile approach.

What is ethics?

You are undoubtedly familiar with the words 'ethics' and 'ethical'. Both terms often appear in everyday conversations about all sorts of things. However, you will probably find this book easier to read if I give you some idea of how these words, along with a few related terms, will be used. Ethics is often associated with the words *right* and *good*, along with their opposites *wrong* and *bad*. For instance, we might speak of a particular action as being 'right' or 'wrong', meaning that it is an ethically correct or an ethically incorrect thing to do. Or we might refer to a particular state of affairs as 'good' or 'bad', meaning that it has some form of intrinsic ethical desirability or undesirability.

As well as referring to certain actions as being ethically right, we also use the word 'right' in a different sense when talking about ethics. That is, we talk of *a right* as being something that people have rather than as a quality of an action. To recognize someone's right to something is to acknowledge that they have an ethical claim to that thing. Furthermore, when we speak of people's rights in this way, we also sometimes speak of other people's *responsibility* to respect those rights. If somebody has an ethical claim to a certain thing, we tend to believe that others have an ethical responsibility to let them have that thing, or perhaps even to enable them to have it. And just as we speak of ethical responsibilities, we also assume that words like *obligations* and *duties* mean more or less the same thing. Responsibilities, obligations and duties, then, refer to things that we have some sort of ethical compulsion to do.

We also talk a lot about *fairness* when we discuss ethics. We tend to think that if a situation is 'fair' then it is ethical, and if it is 'unfair' then there is something unethical about it. Furthermore, ethics-related talk often includes references to *virtue*: we sometimes refer to a person who behaves ethically as 'a virtuous person', or we refer to an ethical act as 'a virtuous act'.

But perhaps the word that crops up most often in association with ethics is *morality*. Indeed, 'ethics' and 'morality' are often used interchangeably in everyday speech, as are the words 'ethical' and 'moral'. Philosophers frequently make a distinction between morality and ethics though. In philosophical texts, 'morality' often refers to a particular person's beliefs about what is right and wrong, good and bad, and so on; or perhaps it refers to what a particular community thinks about such matters. Meanwhile, 'ethics' is often taken by philosophers to refer to the study of morality. Ethics, then, might be understood as a subject that puts various moralities to the test; as the process of enquiring into the legitimacy of various notions of good, bad, right, wrong, fairness, unfairness, virtue and vice. And when philosophers say that something is 'ethical', they are usually implying that it has a value against which the 'morals' of a particular person or a particular community can be judged.

By and large, the book uses the words 'morality' and 'ethics' in this philosophical sense, especially when discussing specific theorists to whose work this distinction is particularly relevant. However, some of the quotations and discussions that appear in the text follow the everyday convention of using the words interchangeably. Moreover, the meaning of many of the statements you come across in the book would not be altered significantly if 'moral' were substituted for 'ethical' or vice versa. Therefore, although you may find it helpful to be aware of the philosophers' distinction between ethics and morality, it is not something that you should bother too much about.

Each of the above terms is likely to arise in general conversations about ethics. When this happens, they are mostly being used in a non-specific way to express or to explore ethical perspectives. Instead of describing something as ethical, we might call it right, good, fair, virtuous or moral. And instead of calling something unethical we might say it is wrong, bad, unfair or immoral. However, some of these terms also have particular relevance to specific ethics theories. Therefore, although they will be used in a general way throughout the book, you will also find them taking on more precise meanings in some chapters. For instance, Chapter 2 explores particular versions of what *good* consists of; Chapter 3 explores an ethics theory that revolves around a precise understanding of *duty*; the word *virtue* is used in a specific way in Chapter 5; and *morality* is used in a particular, philosophical sense during some parts of Chapters 3 and 6.

What is business?

One way of defining the subject matter of business ethics is to describe it as the study of how terms associated with ethics should be used in relation to business. Thus defined, business ethics invites us to think about what *right* and *wrong* consist of in relation to business activity; about the *goodness* and *badness* of specific business situations; about the *rights*, *responsibilities*, *obligations* and *duties* that ought to govern business relationships; about what a *fair* distribution of the benefits and burdens of business activity might involve; and about what constitutes a *virtuous* business or a virtuous businessperson.

However, in order to understand what business ethics, as defined in this way, involves, some familiarity with the word 'business' is needed. I expect you are even better acquainted with that word than you are with words like 'ethics' and 'ethical'. Nevertheless, it may help to say a little about how it, along with some related terms, will be used here.

A field of human activity

One way in which we use the word 'business' is to describe a particular type of human activity. When we use it in this way, we usually have in mind the production and supply of goods and services by organizations that are owned by private individuals or by groups of private individuals. This type of activity is usually contrasted to that which is organized by the state, or that which is carried out by charities, clubs and societies.

Of course, the dividing line between business and these other types of production and supply is not a precise one. This is partly because there is a lot of interaction between the state and business, with government policy and state funding having a big impact on what goes on in the business world. It is also because state-run organizations, charities, clubs and societies often use similar organizational methods and follow similar commercial imperatives to those that are common in business. Moreover, not all business is conducted in a conventional 'business-like' manner. Indeed, some types of business, such as that carried out by cooperatives and collectives, has a lot in common with what goes on in charities, clubs and societies.

It will help to keep the vagueness of the dividing line between business and other ways of providing goods and services in mind as you read this book. Given the extent to which business-like methods and priorities are found in state-run organizations, charities, clubs and societies, you may find that some of the insights that this book enables are as relevant to these other contexts as they are to business. But just as reflection about what happens in business can provide insights to what goes on in other types of organization, so might those other types of organization cast some interesting perspectives on business. It is tempting to limit our purview of business to conventional, hierarchically organized, profit-driven organizations. But, if we do this, we may deprive ourselves of the insights offered by the consideration of alternatives. It may be that some of the ethical concerns that are associated with contemporary business are specific to this conventional model and can be avoided, or at least reduced, if we move away from it and consider what different forms of organization might offer to business.

A type of institution

As well as using the word 'business' to describe a particular field of human activity, we also tend to use it to describe a particular type of institution; that is, an institution that carries out the activity we refer to as business. The word 'business' will be used in this book in both of these senses: to refer to a field of human activity and also to refer to institutions that carry out that activity. Of course, the precise nature of businesses varies greatly, from small, independent farmers, shopkeepers and plumbers to vast, global business institutions.

When we speak of businesses in the sense of a particular type of institution, we are also inclined to use other words such as 'firm', 'company', 'corporation' and 'enterprise'. Sometimes these words take on a precise meaning. For instance, when we speak of corporations we are usually referring to very big businesses that have a global scope. However, we are more likely to take these other words as meaning the same thing as the word 'business'. For the most part, then, that is how they will be used in this book; that is, interchangeably. The one exception is that 'corporation' will mostly be reserved for discussions of very big business organizations that operate internationally.

The subject matter of business ethics

The book aims to encourage you to think about ethics – as described above – in relation to business – as described above. Moreover, it will offer a range of theoretical perspectives that will help you do this. In taking this approach, the book will avoid some other approaches that are quite common in business ethics textbooks. One alternative approach is to focus on the relationship between ethics and corporate performance. This approach usually involves advising readers how to identify the ethical expectations of those people who are in a position to influence corporate success; people who are sometimes referred to as a company's *stakeholders*. Books that take this approach also tend to offer guidance on how to identify key stakeholders and on what businesses need to do in order to respond to their expectations concerning ethics. This may include advice about how to structure corporate activity so that it meets stakeholders' ethical expectations. It may also include advice on how corporations should communicate their ethical credentials to those key stakeholders so as to appear as ethical as they can be.

Another approach that is sometimes taken in business ethics textbooks is to tell readers what needs to be done in order to run a company in an ethical manner. This approach tends to involve applying taken-for-granted standards of ethical rightness to particular business disciplines such as marketing, accounting and human resource management so as to show how these disciplines can be carried out ethically. Sometimes the taken-for-granted standards of ethical rightness to which these books appeal are those which the book's writers assume we all share. Sometimes they are derived from a particular ethics theory that is favoured by the writers. Quite often this approach is combined with the one mentioned above, insofar as it aims to show that, by conforming to taken-for-granted ethical standards, businesses can become more profitable. In other words, these books are keen to convince their readers that being (ethically) good is (financially) good for business.

These alternative approaches have a lot to recommend them. However, they do not offer much assistance to readers who want to develop their own ideas about what ethical business consists of. The first approach helps us to think about business practice in relation to the ethical expectations of key stakeholders, but it does not help us to reflect on the legitimacy of those expectations. Nor does it have much to say about the expectations of people who are not critical to business success but who may nevertheless be affected by business activity. Meanwhile, the second approach helps us to think about how we can structure business practice in accordance with ethical standards that are presupposed by certain business ethicists, but it does not do much to encourage or assist reflection on the legitimacy of those standards. This book takes things back a stage. Rather than advising you how to respond to the expectations of influential stakeholders or to standards that particular business ethicists take for granted, it addresses the question: what *is* ethical in relation to business practice? And rather than answering this question for you, the book endeavours to help you to develop your own response.

The word 'develop' is very important in the last sentence. I am assuming that you have already given the topic of business ethics some thought and that you already have some ideas about what is ethical and what is unethical in relation to business practice. And you may already have some well thought-out rationales to back up those views. In that case, the book might serve to reinforce your convictions and provide you with even more solid grounds for holding them. Alternatively, the book may provide you with some solid justifications for opinions that, until now, have been based on nothing more than vague intuition. On the other hand, reading this book may encourage you to change your mind about certain things. Perhaps you will end up thinking that some things that you used to disapprove of are not so bad after all. Or maybe the theories discussed in the book will draw your attention to ethically problematic features of business practice that you had not previously considered. Whichever of these outcomes the book achieves in your case – perhaps it will be a bit of each – it will have performed a worthwhile purpose. I will explain why I think this purpose is worthwhile after I have said a little about the scope and nature of business ethics enquiry.

The scope of business ethics enquiry

A number of theorists have highlighted the merits of considering the relationship between ethics and business at more than one level (for example, De George, 1993/1978; Solomon, 1991). For a start, we might consider business ethics at a *micro* level; that is, we might explore ethicality in relation to the day-to-day activities and decisions of individual businesspeople. The sorts of question that arise at this micro level might include the following: Is it ethically acceptable for a business manager to withhold information from her colleagues about their impending redundancy in order to retain their commitment to the company and thus to avoid a downturn in corporate performance? In a supply-contract negotiation, is it OK for a company buyer to give preferential treatment to a supplier with whom he has developed a long-standing business relationship or should supplier arrangements be governed purely by financial considerations? And is it all right for a supplier to offer a gift to the buyer of a company with which she does business in order to thank that person for their custom? Moreover, is it ethically permissible for a company buyer to accept such gifts from a supplier?

Moving up a level, we can also consider business ethics at a *meso* level. That is, we might think about things like right, wrong, good and bad in relation to the activities of particular companies or specific industry sectors. For example, we might ask whether it is ethically acceptable for a firm to structure its accounts in such a way that it avoids paying taxes in the country within which its operations take place, paying them instead in another country that offers more favourable arrangements. Or we might question whether a global commodity-supply corporation is justified in disposing of waste products at low cost in developing nations. And we might ask if it is OK for financial-service firms to establish highly complex derivative trading structures, which offer the possibility of high returns but in which systemic risk is hard to predict or control.

Stepping up again to a *macro* level, we might consider the wider role that business plays, or should play, within society. At this macro level, business ethics touches on considerations of national and international economic policy. It also crosses into the realm of political ideology. The types of question that occur at a macro level might include whether economic markets alone should be allowed to govern business activity, or whether governments should exercise control over market activity in order to bring about specific social and environmental objectives. Macro-level enquiry might also ask whether corporations have an obligation to consider the impact of their activities on society and the natural environment, or whether they should just do all they can to maximize shareholder returns. And macro-level enquiry might consider whether the benefits and burdens of economic activity are fairly distributed between various communities.

The practical scenarios discussed in the book will encourage exploration of business ethics at micro, meso and macro levels. It is important, however, to emphasize the interconnections between these different levels. Micro, meso and macro levels should not be viewed as distinct, separate spheres that are unconnected to one another. Rather, we should be alert to the possibility that what goes on at each level may affect what goes on at others. Thus, dominant attitudes concerning the relationship between business and society may help to shape the activities and the decisions made within specific corporations and industry sectors, which can, in turn, influence the conduct of individual businesspeople. Similarly, the decisions made by specific people and groups within corporations can have a significant effect on meso-level corporate activity, while certain individuals and corporations may also exert a powerful influence over macro-level policy.

Business ethics in practice: about dilemmas

An important point about the study of business ethics, at all levels, is that it often involves consideration of *dilemmas*. Ethically charged business scenarios rarely involve a straightforward choice between what is self-evidently ethical and what is self-evidently unethical. Rather, they usually involve choices between conflicting courses of action, each of which has ethical attractions as well as ethical shortcomings. The task confronting businesspeople who have to make choices in such scenarios, as well as that confronting those of us who wish to evaluate their choices, is to work out which of these conflicting courses of action has the greater claim to ethical legitimacy.

This is not the image that is sometimes presented by media discussions of business ethics. When newspapers, TV, radio and internet news sites get hold of ethics-related stories about business, they often present them in quite a simplistic manner. For instance, few mainstream media sources did much to evoke sympathy for the banking chiefs and traders whom they held responsible for the banking crash of 2008. Similarly, while oil poured into the Gulf of Mexico following the Deepwater Horizon explosion in 2010, there were few attempts to deflect international condemnation from BP's CEO, Tony Hayward. And as revelations about bribery and corruption in the arms trade have seeped out in recent years, few media commentators have questioned the apparently self-evident immorality of the BAE Systems executives towards whom the finger of censure has been pointed.

Such media coverage tends to encourage a certain way of thinking about business ethics: a belief that we all know what is ethical and what is unethical; that some corporations and some businesspeople knowingly do unethical things; and that the task of business ethicists is to alert us so that these self-evidently unethical activities can be condemned and so that their repetition can be prevented. Unfortunately, things are rarely so simple. Even in the high-profile cases just mentioned, to paint the culprits as unethical chancers who knew they were doing wrong but who did it nevertheless is to misunderstand the extent to which their actions may have been driven, at least partly, by what they considered to be ethically sound intentions.

For instance, even if bankers were a little too enthusiastic in seizing the opportunity to feather their own nests offered by complex, derivative trading, many of them also believed that their high-risk and high-return investment practices would fulfil their ethical obligation to build the share value of their companies. Furthermore, BP's senior executives may have authorized drilling activities that, with hindsight, carried a level of environmental risk that many would find unacceptable. Nevertheless those executives may also have been driven by a desire to provide the affordable fuel that contemporary lifestyles demand, whilst meeting their obligations to BP's shareholders. And if BAE Systems executives had not made payments to Saudi princes and fixers, weighty defence contracts may have been lost, along with major sources of national revenue and the jobs of hundreds of BAE Systems employees. Those BAE Systems executives, then, may have had to wrestle with the conflicting claims of, on the one hand, their innate disapproval of corruption and, on the other hand, the welfare of their workers and the economic prosperity of their nation.

Now, to highlight ethical considerations in mitigation of actions such as these is not to say that the actions taken and choices made by bankers, Tony Hayward and BAE Systems executives were ethically sound after all. Even after taking their ethical agendas into account, we might still conclude that they acted wrongly. Moreover, with the benefit of hindsight, it could be suggested that their decisions did not even do much to further their ethical agendas. Such cases do, however, draw attention to the possibility that even what appear to be clear cases of corporate unethicality are not, as many critics suggest, necessarily motivated purely by egotistic self-interest. Those responsible for such actions may have had to weigh up conflicting ethical claims. And they may have done things that seem ethically problematic in order to avoid outcomes that they considered, at the time, to be even worse. Moreover, when we shift our attention from cases such as those mentioned above to the type of ethically charged scenarios that arise more commonly in business, the rights and wrongs may be even less obvious.

Theory in Practice

A common ethical dilemma

An ethical dilemma that often confronts senior business executives concerns workforce restructuring. Often, if a company is not performing as well as it could, there is a perception that it needs to trim its workforce in order to increase efficiency. To illustrate the ethical heart-searching that such situations can cause, I include below a short extract from a conversation with a former company finance director, in which she tells of making some of her employees redundant:

> That was the first time that I'd ever gone through a redundancy programme at all in my career and I found that horrifically difficult ... I think there were about 30-odd engineers in that instance. I talk about it easily now, but at the time I was in pieces. I found it personally extremely difficult. We had guys in their mid-50s in tears and it's incredibly difficult. And then [on another occasion I had to lay off] my own finance team. I felt an even stronger personal connection to those people because I'd helped train and develop them and bring them in and build a team ... But I have to look at the wider group. So at [one company] ... there were 200 other employees, and customers, and the shareholders ... you've come to do a role, there is an element of: try and detach myself, think of myself in my professional capacity, and think I'm doing this because the organization needs it.

In each of the situations that this executive describes, she has had to weigh her sense of ethical responsibility for those people she made redundant against her perceived responsibilities towards her company's other employees, its customers and its shareholders, all of whom depended on the continued survival of the business. She ended up putting in place redundancy programmes, which caused her a great deal of angst, in order to avoid the possibility that the companies might have gone bust, which, for her, would have had even more serious ethical implications.

Why study business ethics?

When I tell people that I am writing a book about business ethics they often smile and say things like 'I didn't think there was any such thing!', or 'that shouldn't take too long, then!' Such remarks are usually offered in jest. Nevertheless, they reveal something about the way that people tend to perceive the relationship between business and ethics. I doubt whether I would get such comments, even jokingly, if I said I was writing about business economics, business marketing or business strategy. Nor would such remarks be so likely if the topic of my book was medical ethics or teaching ethics. Such reactions reveal a commonly held belief that business and ethics do not really have much to do with one another. Despite the impressive rhetoric that comes out of some corporate PR departments about ethics, and despite the earnestness with which some business ethics academics approach their subject, many people have a sneaking suspicion that this is all a bit of a waste of time; that business is about making money and that ethics do not really come into it.

I usually smile politely and shrug when people say things like this to me. The situations in which these comments tend to be made – usually during casual social encounters – do not lend themselves to solemn declarations of my scholarly convictions! However, I happen to disagree with the sentiment that lies behind such observations.

I outlined earlier several possible approaches to business ethics. There are some solid justifications for taking any of these approaches. However, there is a particularly compelling rationale for the approach taken by this book. This is that businesses have a significant impact on everybody's lives (Deetz, 1992). Many of us will spend a substantial part of our waking hours at work in businesses. Those businesses therefore have a big influence over our financial, physical and psychological well-being. Businesses also, to an increasing extent, provide the goods and services upon which we all depend. Their effectiveness in doing this and the manner in which they do it are therefore critical to everybody's quality of life and, in some cases, to the very possibility of life. Moreover, the marketing activities undertaken by businesses do a lot to shape our attitudes about what is personally desirable and socially acceptable. The extent to which the aspirations thus created are realized or, indeed, realizable, has an important bearing on individual self-esteem and social harmony. And lastly, the resource usage and the waste production entailed in the production of goods and services by businesses have an enduring impact on the natural environment and on communities.

To propose that business should exercise this awesome influence over us and over the world that we occupy without a thought of its ethical ramifications would seem odd. And to suggest that practices that carry so much consequence should be immune to ethical appraisal by people like you and me would also seem curious. That is why I believe that business and ethics should go together.

Theory in Practice

Corporate impact: considering Coca-Cola

Coca-Cola is the world's foremost producer of sweet, carbonated drinks. For better or for worse, over one billion cans or bottles of Cola-Cola are consumed every day, which amounts to 12,500 every second (War on Want, 2006).

According to Coca-Cola's corporate website (Coca-Cola, 2013e), the company provides employment for over 700,000 people in its worldwide operations. Coca-Cola is thus in a position to influence the well-being of all those people and their families. Those jobs also have a knock-on effect on local economies, since the wages paid to Coca-Cola's workers get recycled through local shops, bars, clubs, garages, hairdressers, recreation facilities and so on. Moreover, Coca-Cola's operations continue to expand. For instance, in 2013, the company opened a brand new, $20m bottling plant in rural Ethiopia, which promises to bring a welcome source of economic activity to the region.

Each year, Coca-Cola spends over $2.5b advertising its products (Coca-Cola, 2013a). It thus creates images of personal desirability and social normality which impact on consumers and would-be consumers all over the world.

Coca Cola also has a considerable environmental impact. For instance, the company uses vast quantities of water to make its drinks. It is estimated by War on Want (2006) that it takes almost three litres of water to produce one litre of Coca-Cola.

Coca-Cola invests a great deal of money on charitable projects. Between 2002 and 2010, for instance, it spent over $690m on water-stewardship projects, healthy and active lifestyle initiatives, community recycling projects, and educational programs and other deserving causes (Coca-Cola, 2013d).

Questions

1. What ethically praiseworthy things might result from Coca-Cola's activities?
2. What ethically questionable things might Coca Cola bring about?

Content and structure of the book

Having said a little about the approach to business ethics taken in this book and, I hope, having convinced you that you are not wasting your time reading it, I will explain the rationale behind the choice of content and the way that content is structured. I have already mentioned that the aim of the book is to help you develop your ideas about business ethics. Fortunately, there are abundant theory resources available to assist in this endeavour, because philosophers have been talking about ethics for over 2,000 years. During this time, a wide range of theories and perspectives have been offered, many of which provide useful frameworks for considering ethically charged business scenarios.

Ethics theory: merit in diversity

A notable feature of these various ethical theories is that they say many different things about ethics. In one sense this is a bit frustrating. The fact that philosophers have offered so many different perspectives on ethics means that we do not have a commonly agreed set of standards to tell us what is right and what is wrong. While we may lament this lack of unity in ethical theories, it is perhaps unsurprising. After all, lots of different people, in different places and at different times, have contributed to ethics theory. Therefore, we should not be too surprised that they have come up with lots of different viewpoints. Furthermore, as the Greek philosopher Aristotle suggested over two millennia ago (2009/circa 323BC), maybe ethics is just not the sort of subject that is suited to one set of clear, uniform prescriptions.

But not only might this lack of a common approach to ethical evaluation be inevitable; it might also be a good thing since it means that ethical evaluation has a broad range of perspectives upon which to draw. Instead of seeing contrasting ethics theories as offering frustratingly conflicting bases of ethical evaluation then, their very diversity might be seen as an aid to the development of a comprehensive understanding. To take this view is to regard ethics theories as a collection of different viewpoints, each of which may permit insights not offered by others. Ethical enquiry can thus be seen in the same light as those slow-motion TV replays that are becoming common in top-class sport, which help referees and umpires tell whether they should award a goal, try, wicket or whatever. Just as a variety of TV-camera angles enable match officials to look at a particular incident from a range of perspectives to gain a thorough understanding of that incident, so might ethics theories be regarded as a range of angles from which we might examine a particular business scenario in order to develop a comprehensive understanding of its ethical ramifications.

Chapter content

With these considerations in mind, each of the chapters in the book introduces a specific ethics theory and explains how it might assist ethical evaluation of business practice. In other words, each chapter provides one particular angle from which ethically charged business scenarios can be viewed.

The first four chapters explore the insights offered by some theoretical perspectives that have figured prominently in the Western philosophical tradition over the last few hundred years. Chapter 1 considers how *rights* might inform our understanding of business ethics. It explores some features of the way that we often think about rights, as well as some challenges to the primacy that is accorded to certain rights in business contexts. The idea of stakeholding is offered as a basis for considering business-related rights, and some implications of different types of stakeholder relationship are explored.

Chapter 2 discusses the *utilitarian* notion that the most ethical action is that which promotes the best consequences for the greatest number of people. The chapter considers some contrasting ways of defining good consequences and reflects on the implications that these might have for business. One particular utilitarian approach, which is usually referred to as rule utilitarianism, is outlined and some of the pros and cons of using it as a practical guide to ethical business management are considered.

The duty-based moral philosophy of one of Europe's most influential philosophers, Immanuel Kant, is discussed in Chapter 3. *Kantian theory* places a great deal of emphasis on intentions, human reason and freedom, and the chapter explores some implications that these themes have for business practice. Some ways in which Kantian theory might help us to identify our duty in business situations are also explored. The chapter ends by applying these insights specifically to ethical evaluation of labour standards in offshore production.

Chapter 4 discusses a theme that has had a profound impact on European and American political thought: the notion of the *social contract*. Social contract theory considers ethical responsibilities in relation to contractual agreements. It provides the basis for exploration of the contractual obligations that prevail in business contexts; exploration which goes beyond consideration of explicit, written agreements. Social contract theorists have also offered contrasting ways of thinking about the relationship between human nature and social organization. This chapter draws on these contrasting analyses to suggest different ways of explaining unethical business conduct. The chapter also explores some insights that the more recent contract theory of John Rawls offers to ethical evaluation of the benefits and burdens associated with business activity.

The next three chapters move away from what are sometimes called the moral philosophies of the Enlightenment to explore insights offered by some other perspectives. Chapter 5 looks at the notion of *virtue*. Although virtue theory derives from Ancient Greek thought, especially the teachings of Aristotle, it has become popular again during the last 40 years. The chapter draws on Aristotelian theory to ask what it is for businesses and businesspeople to flourish, and considers how the doctrine of the virtuous mean might apply to corporate behaviour. The emphasis that virtue theory places on purpose is explained, and this is offered as a basis for considering the purpose of business. The chapter ends by explaining some themes introduced by virtue theory's most influential modern proponent, Alasdair MacIntyre, and considering how these might help us identify virtuous businesses and virtuous business management.

The approach to ethics discussed in Chapter 6, *ethical relativism*, is quite different from those considered in previous chapters. Instead of exploring absolute standards of right and wrong, ethical relativism highlights differences between the ethical understanding of different people and different communities. The chapter starts by outlining some distinctive features of ethical relativism and highlighting their implications for business ethics. Friedrich Nietzsche's account of the evolution of conventional morality is then outlined, and some ways in which Nietzsche's ideas might help us to reflect on our own beliefs about business ethics are considered. The chapter ends by introducing the existentialist notion of authenticity and explaining how this might help us to think about ethical conviction and accountability in business contexts.

The *discourse ethics theory* discussed in Chapter 7 is based around the idea that an ethical outcome is one that is agreed to by all those who are affected by it. The chapter explains the relationship between discourse ethics and democracy and introduces the notion of stakeholder democracy as a basis for ethical legitimacy. Some specific criteria that discourse needs to conform to in order to provide ethical legitimacy are considered with specific reference to workplaces. The importance of the public sphere to discourse is highlighted, and attention is drawn to the possibility that the public sphere might be colonized by corporate agendas. The chapter ends with consideration of the activities of ICT corporations in relation to the public sphere.

Chapter 8 discusses *feminine ethics theory*. It considers whether there is such a thing as a specifically feminine way of thinking about ethics, as well as exploring some insights that such a perspective might offer to business. The chapter also outlines contrasting ways of thinking about gender, as well as highlighting some ways in which corporate activity might be culpable of contributing to unhelpful, stereotypical images of femininity and masculinity.

Chapter 9 introduces some ethical perspectives that have emerged within the field of *environmental ethics*. It begins by describing various ways of attributing value to the natural environment, highlighting how these might relate to corporate activity. Western environmentalists' preoccupation with wilderness and wildlife conservation is then considered, and some ways in which this may deflect attention from issues that are important to people in other parts of the world are discussed. The notion of environmental justice is then considered with specific reference to the benefits and burdens of corporate activity. The chapter ends by discussing the possibility that contemporary ways of doing business may be intrinsically detrimental to environmental preservation, as well as outlining some suggestions for a more environmentally supportive approach.

Chapter 10 addresses a question that is central to business ethics: *what are the ethical responsibilities of corporate executives*. Two contrasting responses to this question are discussed. First, the approach of shareholder theory, which proposes that executives are primarily responsible to their shareholders, is explored. Next, a contrasting perspective, normative stakeholder theory, is outlined, which proposes that executives have broader ethical responsibilities. Some compelling rationales in favour of each of these perspectives are explored.

The book will end by discussing some possible reactions that you may have after reading the preceding chapters. The first possible reaction is that you may be left with feelings of *perplexity* about what is right and what is wrong. That is, after looking at ethically charged business issues from a range of different perspectives you may find it even harder to say what is ethical and what is unethical than you did before you started the book. Secondly, you may find that the book leaves you feeling *ambivalent* about the ethicality of business practice. In other words, you might end up thinking that there are aspects of contemporary business that you find ethically appealing, but that there are also aspects that you find ethically unappealing. Therefore, you may not know quite what to think about the ethicality of business practice; whether contemporary business is generally a good thing or whether it is generally a bad thing. And lastly, you may end up feeling *powerless*. Whatever conclusions you may have drawn about right and wrong, and about the ethical desirability of what you see happening in today's business world, you may conclude that you can do absolutely nothing to affect anything.

In this concluding chapter I will suggest that these are understandable reactions to a philosophically based study of business ethics. Many people who explore the topic in any depth end up feeling the same way. However, I will also suggest that perplexity need not stop you from forming firm ethical opinions; on the contrary, it might serve to enhance the quality of those opinions. I will also suggest that ambivalence about the ethicality of business activity need not mean that you have to accept the bad with the good; rather, it offers a sound basis for exploring ways of doing business which minimize the bad whilst retaining the good. And I will also suggest that, when it comes to influencing business practice, you may not be as powerless as you think.

Reading the book

Each chapter in this book has been written in such a way that it can stand alone. Although the chapters include occasional cross-references to other chapters, each can be approached as a self-contained unit of study. Therefore, there is no need to read the book sequentially: you do not have to read the early chapters in order to understand the theories discussed later in the book.

One last point to bear in mind is that this book does not pretend to offer a definitive classification of ethics theories. A lot more has been written about ethics, by Western and non-Western philosophers, than is discussed between these covers. Moreover, those theories that are included in the book could have been organized and presented differently to the way they have been organized and presented here. This book, therefore, should not be seen as an all-inclusive encyclopaedia. Rather, it should be seen as a compendium; as a collection of information about ethics theory which can be used to assist your understanding. It does not aim to tell you everything there is to know about business ethics. Rather, it seeks to broaden your awareness of the ethical implications of business practice, to encourage you to reflect on those implications, and to provide you with some useful frameworks for doing so.

Discussion questions

1. Discuss the following statement: Business is all about making money and businesspeople have no need to concern themselves with ethics.
2. You undoubtedly have some views about ethical right and wrong. Where do you think these views have come from? Have you always had the same beliefs or have they evolved over time? What might encourage you to alter your ethical opinions?
3. What sort of things do you think we can do to ensure that our ideas about business ethics are as well developed as they can be?

1 Rights Theory: Considering Business Ethics in Terms of Stakeholder Rights

Chapter objectives

This chapter will:

- outline a range of political, social and cultural rights, and discuss some ways in which they relate to business ethics;
- discuss some features of the way that we tend to think about rights;
- explain how stakeholding offers a basis for considering rights in business contexts;
- highlight the need for businesses to consider the rights of affected stakeholders as well as those of influential stakeholders;
- explain the importance placed on property rights in contemporary business contexts;
- introduce contrasting perspectives on the relationship between property and labour.

Introduction

What do we mean when we use the word ‘right’? We tend to use this word in two different ways when talking about ethics. On the one hand, we often say that something is the *right* thing to do, meaning that it is the ethically correct thing to do. In such instances, ‘right’ is being used as an alternative to ‘ethical’ or ‘moral’. Although ‘right’ is often used in this way, this is not the meaning that this chapter will discuss.

Instead, this chapter will focus on a more specific use of the word. It will explore what we mean when we say that someone *has a right*. When we talk about right or rights in this way we are referring to specific ethical entitlements that individuals or groups have.

This usage of the word often crops up when people talk about ethics. For instance, we might speak of our 'right to know', our 'right to speak' or our 'right to be heard'. More generally, we often refer to 'human rights' in the belief that there are certain ethical entitlements that all people share, regardless of gender, ethnicity, age or nationality. These human rights might include things like the right to life, the right to work or the right to be respected.

A discourse of rights is also common in business contexts. Most large corporations have a lot to say about the emphasis they put on respecting the rights of people who come into contact with them. If you look at the social-responsibility pages of most firms' websites, you are likely to find declarations of the firm's commitment to respecting consumer rights, employee rights, shareholder rights and the rights of local communities. Meanwhile, critics of corporations also tend to talk about rights, often claiming that there is a discrepancy between what corporations *say* about respecting people's rights and what those corporations actually *do*.

This chapter will explore the way that we speak about rights in more detail, considering some of the implications of rights talk for business. The first part of the chapter will describe how rights have come to assume such a prominent place in Western society. It will also highlight some features of the way we usually think about rights. The second part of the chapter will introduce the notion of stakeholding as a way of thinking about rights and business. I will explore some ways in which stakeholder relationships may entail rights to consideration on the part of specific groups. I will also highlight the importance of companies taking the rights of all their stakeholders into account, not just the rights of their most-influential stakeholders. The chapter will end by considering a particular set of rights, which hold a prominent place in contemporary ethics debate, especially in business contexts: that is, property rights. I will introduce some contrasting ideas about property rights offered by John Locke and Karl Marx, outlining their relevance to business ethics.

About rights theory

This first section of the chapter will offer a brief overview of how contemporary, Western understanding of rights has evolved and how political, social and cultural rights might relate to business activity. I will say a little about the *Universal Declaration of Human Rights* and how it might offer a reference point for ethical business conduct. I will then describe some features of the way that we usually think about rights, drawing out some implications for business ethics.

The development of modern rights theory

It is commonplace to talk about ethics in terms of rights nowadays. However, this has not always been so. Although the roots of the Western preoccupation with rights can be traced back over 2,000 years (Herbert, 2002; Campbell, 2006), it was not until the seventeenth century that explicit talk of rights began to shape our ethical understanding. Some commentators identify three stages in the evolution of rights theory since then. They speak of three 'generations', each of which has introduced different aspects to the way that we think about rights today. As Tom Campbell (2006) points out, we should use this three-stage classification with care, for trying to capture the evolution of any complex phenomenon in such simple terms runs the risk of over generalization. Nevertheless, the three-generation typology offers a helpful starting point for exploring some rights that we consider to be important today and for thinking about their relevance to business. I will therefore say a little about some key themes that emerged during each so-called 'generation', as well as outlining some ways in which these ideas can be applied to contemporary business ethics theory and practice.

First generation: political rights

Political rights relate to people's ability to have a say in how the communities within which they live and work are run, but they also concern broader aspects of people's treatment by those in positions of power. Words such as participation, justice, fairness, equality and freedom often crop up in discussions of political rights.

Over the last few centuries, when people spoke of political rights they were usually talking about the relationship between the state and citizens. 'The state' in this context is a generic term used to refer to the individuals, groups and institutions that govern a nation. Political rights, thus understood, were a major inspiration for revolutionary events that took place in Europe and North America during the seventeenth and eighteenth centuries (Almond, 1993; Freeman, 2002; Campbell, 2006; Mahoney, 2007). These included the so-called 'Glorious Revolution' in England, the American War of Independence and the French Revolution, each of which sought to limit the power of the state and grant political rights and a certain amount of economic autonomy to some of the citizens of those countries.[1]

However, despite this early focus on controlling the power of the state, political rights are also relevant to business in a number of ways. For one thing, as Tom Campbell suggests, in a world that is increasingly shaped by corporate activity, 'the state is no longer seen as the only significant danger to the rights of the individual'

[1]Usually these rights were limited to wealthier, male citizens. Recognition of political rights for the poor and for female citizens has taken longer to establish.

(2006: 126). As corporations get bigger and as their global spread escalates, their power over citizens, and even over governments, grows. Nowadays, the financial turnovers of the world's major corporations exceed that of many states. Those corporations spend vast sums shaping public perceptions and lobbying politicians to encourage economic and legal frameworks that support their interests. Their activities and influence span the globe, and they are able to hop from one country to another in order to locate their operations in nations that offer favourable conditions. Meanwhile, the governments of host nations, tempted by the economic benefits associated with the presence of major corporations in their country, may hesitate to oppose corporate power, even when the perceived rights of their own citizens are under threat.

There are therefore good grounds to suppose that corporations nowadays have a more significant impact on our lives than do the state frameworks upon which earlier rights theorists focused their attention. Therefore, while not losing sight of the threat that excessive state power presents to the political rights of individuals, it is as important today, given the power of modern corporations, to also reflect on the challenge that those corporations may present.

The issue of political rights is also relevant to the way that authority is distributed within most modern corporations. It is customary for corporations to be run in a top-down manner, with senior executives making key decisions on behalf of everyone else in the business (see for example Parker, 2002). Although business theorists and practitioners often speak of the merits of democratic decision making (see Johnson, 2006 for an overview), opportunities for democratic participation in corporations are generally fairly superficial and rarely involve matters of major importance (see discussion in Fryer, 2012). As a result, despite our apparent commitment to democracy outside of work, people who are employed in large businesses spend a substantial part of their lives in autocratic systems that allow them very little say in how things are done.

Whereas the revolutionaries of the seventeenth and eighteenth centuries focused on the application of power by the state, then, recent attention has fallen on the uses and abuses of corporate power. In particular, talk of political rights today needs to consider the treatment of citizens by those who wield corporate power, along with the challenges that such power might present to the rights of people inside and outside of those corporations to have a say in how their lives are organized.

Video Activity 1.1

The following video from Corporate Europe Observatory, entitled 'Corporate lobbying through expert groups', discusses how corporations try to get their representatives included in European Union Expert Groups. These Expert Groups play a prominent role in the drafting of EU legislation, to which all member states are expected to conform.

www.youtube.com/watch?v=_WPd-ASU0yM

The practice described in this video is just one instance of *corporate lobbying*. Corporate lobbying involves corporations using various forms of influence to try to get politicians and bureaucrats to pass laws that are favourable to the commercial interests of those corporations. Some examples of the types of agenda that might occupy corporate lobbyists are: oil companies might try to influence government environmental policy; tobacco companies might try to shape laws on tobacco advertising and packaging; a car manufacturer might try to influence end-of-life vehicle regulations; or a confectionery firm might try to shape laws concerning the advertising of sweets and chocolate to children. Often, corporations use specialist organizations for this purpose, which usually go under the name of 'public relations', 'public affairs', 'political consultancy' firms.

Questions

1 Why would corporations want to get their representatives onto the Expert Groups described in this video?
2 How might this undermine the *political rights* of the citizens of democratic European nations?

Second generation: social rights

The focus of what is sometimes referred to as a 'second generation' of rights theory was on so-called *social rights*. Social rights are understood as those rights that are concerned with basic human needs. At their most rudimentary level, social rights are about people's right to food, water and shelter. On a more advanced level, they include entitlement to services such as education, health care and leisure.

Interest in social rights, which became prominent in Western society during the nineteenth century, has been described as a response to the social consequences of the Industrial Revolution (Campbell, 2006). The political revolutions of the seventeenth and eighteenth centuries may have shifted power away from hereditary monarchs and land-owning aristocrats, helping to create a new, privileged class of merchant traders and manufacturers, but they brought few benefits to the impoverished masses of most European nations. And although the Industrial Revolution, which followed these political upheavals, enabled substantial improvements in human productivity and helped to generate considerable wealth, it also had some less desirable features. Chief amongst these was the hardship that characterized the life and work of most of the people who were employed in the factories, foundries, mines and mills of newly industrialized society (Hobsbawm, 2003/1962; 1997/1975). While a small minority of owners and investors became very rich through the revolution in industrial processes, most of the workers upon whose labour their wealth was built worked extremely long hours, often in unhygienic and unsafe conditions, earning just enough money to get by.

Initiatives by politicians, social reformers and the occasional philanthropic business owner began to change all this during the nineteenth and twentieth centuries, leading eventually to improvements in the provision of health care, education and leisure facilities in many Western nations, along with some form of welfare assistance for those in economic difficulty. Furthermore, employment legislation has done a great deal to improve the lot of working women and men throughout the developed world. Measures such as health and safety laws, minimum wage levels, regulation of working hours, laws that give part-time and temporary workers similar entitlements to full-time employees, and legislation concerning matters such as maternity and paternity rights are now common.

However, despite this apparent escalation in legal protection, the topic of workers' social rights continues to be an important one for Western corporations. This is partly due to a movement back towards looser employment regulation in some developed nations (see for example Saad-Filho and Johnston, 2005; Lloyd et al., 2008; Kalleberg, 2011). But the topic of workers' social rights is also important for Western corporations for another reason. This is that many corporations carry out a substantial proportion of their activities in developing nations, where legal protection of workers' rights is less rigorous than in the corporations' home countries. Those corporations therefore confront decisions about whether to respect the conventions of their home country in relation to the social rights of their workers, or whether to apply the less-stringent regime of their host nation. Some have chosen the latter approach and have faced criticism for doing so (see, for example Klein, 2001). It has been suggested that, by transferring their production and processing operations to developing nations in order to reduce labour costs, some corporations run the risk of resurrecting many of the social-rights abuses that characterized European industry during the early days of the Industrial Revolution. In other words, some of today's Western corporations may be guilty of treating their workers in the developing world just as badly as Britain's nineteenth-century mill owners, factory bosses and mine owners treated theirs.

Trade unions, the expression of political rights and the protection of social rights

The development of *trade unions* (more commonly known in the USA as *labor unions*) has been important for the expression of political rights and for the protection of social rights in workplaces (see for example Francis and Smith, 1980; Davis, 2009). By giving employees the opportunity to represent their views, union organization offers a corrective to autocratic, top-down decision making by senior management. It therefore has the potential to facilitate workers' *political right* to have a say in decisions that affect them. Membership of a union also puts employees in a better position to negotiate with their employers than if they acted individually. They may thus be better placed to assert their perceived *social rights* in matters such as pay, working conditions and job security.

It is unsurprising, then, that the right to belong to a union, or the right of labour to 'organize', is considered by the United Nations to be a universal human right: Article 23.4 of the *Universal Declaration of Human Rights* states that 'Everyone has the right to form and to join trade unions for the protection of his (sic) interests' (United Nations, 2013b).

Theory in Practice

Union busting at bottling plants used by Coca-Cola

Coca-Cola places a great deal of emphasis on employment rights. As the company states on its corporate website: 'In recent years, we have more clearly defined what we stand for with respect to human and workplace rights. We have also begun the complex work of ensuring that our entire business system and supply chain align with our policies' (Coca-Cola, 2013c). The company tells of its commitment to 'fostering open and inclusive workplaces that are based on recognized workplace human rights, where all employees are valued and inspired to be the best they can be' (Coca-Cola, 2013f: 1). Included in Coca-Cola's workplace rights policy is recognition of the right of its employees to 'freedom of association and collective bargaining', which accords to them a 'right to join, form or not to join a labor union without fear of reprisal, intimidation or harassment' (2013f: 2).

The emphasis that Coca-Cola has recently placed on workplace rights may be partly a response to problems it encountered a few years ago. In 2003, trade unions around the world launched a boycott of Coca-Cola's products in response to perceived breaches of workers' right to join a union at locally owned Coca-Cola bottling plants in Columbia (Brodzinski, 2003). That boycott followed legal action launched two years previously by the Colombian food and drink union, Sinaltrainal, against Coca-Cola and its bottlers. Sinaltrainal had alleged that the bottling companies 'contracted with or otherwise directed paramilitary security forces that utilised extreme violence and murdered, tortured, unlawfully detained or otherwise silenced trade union leaders' (cited by Brodzinski, 2003). The union's claims included an allegation that nine union members had been killed during the previous 13 years by far-right militias acting on behalf of Coca-Cola's Columbian bottlers to discourage union activity. This action followed similar allegations of anti-union activities carried out at bottling plants used by Coca-Cola in Guatemala, Nicaragua, Pakistan, Turkey and Russia (War on Want, 2006).

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Questions

1 How might the anti-union activities alleged by Coca-Cola's critics be construed as a denial of the *political* and *social rights* of workers who bottle Coca-Cola's products?
2 In recent years, Coca-Cola seems to have changed its policy concerning union membership and union activity at its sub-contracted bottling plants. Why do you think Coca-Cola might have allowed its bottlers to discourage union membership and union activity in the past?
3 Do you think the change in emphasis by Coca-Cola indicates acknowledgement on the company's part that it has moral responsibility to ensure that the rights of the workers who bottle its products are respected, or might other factors have motivated this transformation in company policy?
4 The breaches of workers' rights referred to above are alleged to have taken place not on Coca-Cola's own premises but at bottling plants belonging to companies that have been subcontracted to bottle Coca-Cola's products. Do you think Coca-Cola should be held ethically responsible for alleged breaches in workers' rights on its subcontractors' premises?

Third generation: cultural rights

The political and social rights that were the focus of the first and second generations of rights theory have been augmented recently by a third generation. Tom Campbell (2006) refers to the preoccupation of this third generation as 'recognition rights', since they mostly concern the right of groups of people to be recognized by other groups of people. A broader term, which is perhaps more descriptive of the focus of late-twentieth-century and twenty-first-century rights talk, is *cultural rights*. Cultural rights include the right to recognition, but they also include other entitlements such as the right to preserve traditional ways of life, the right to maintain certain patterns of behaviour and belief, and the right to enjoy particular styles of social and artistic expression (Gilbert, 2005). The need to uphold cultural rights tends to be most pressing in situations where minority groups, or groups that are in some way disadvantaged or vulnerable, are marginalized or suppressed by dominant majorities. Such groups include those that are defined by race, ethnicity, religion, gender, sexual orientation or disability.

Cultural rights are relevant to business in a number of ways. For a start, consideration for cultural rights encourages companies to be sensitive to any specific, cultural needs that people like their employees and customers might have. The phrase 'equal opportunities' is relevant in this respect. However, it is also a little misleading, because respecting people's cultural rights may involve more than simply treating them equally.

Indeed, equal treatment may be construed as no more than giving people the opportunity to join in with a dominant mainstream. The exercise of cultural rights may demand more than this: it might require that differences are acknowledged, respected and accommodated. For instance, people of non-Western religious faith who work in American and European firms may not necessarily wish to be treated the same as Christian, Judaic and secular colleagues who comprise the majority of their companies' workforces. They may ask that any distinctiveness of dress or rituals of prayer that distinguish them are respected and that, where necessary, measures are put in place to accommodate these. Rather than treating all people the same, then, respect for cultural rights is about creating spaces within which diverse cultures might flourish; within which all may participate on an equal footing; and within which the characteristics that mark certain groups as different can be cultivated and respected.

Cultural rights are also relevant to business ethics in situations where corporate activity threatens to erode traditional ways of life, or where it undermines the social and economic fabric upon which vulnerable cultures rely. The tourism industry is particularly susceptible to critique in this respect (see for example Iyer, 2000/1988; Greenwood, 1989; Guha, 1997/1989). The movement of large numbers of people from affluent, Western countries to remote, underdeveloped destinations, along with the construction of Western-style accommodation and recreation amenities, often initiates stark contrasts between the behaviours and expectations of tourists and the cultural sensitivities of local people (UNEP, 2013).

But tourism is not the only industry sector that may impact on indigenous cultures. The clearance of rainforest for logging, agriculture and rubber production (BBC, 2008), the establishment of large-scale mining operations (Garvin et al., 2009; Urkidi and Walter, 2011) and industrial-scale trawling (Allen and Todd, 2013) can all endanger the habitats upon which traditional ways of life depend. So although business activity has the potential to spread economic development to impoverished communities, thus facilitating many of the social rights listed above, corporations should be sensitive to the potential for their activities to undermine the cultural cohesiveness of those communities.

Video Activity 1.2

The following video by Hollman Morris, entitled 'Suarez Gold: Afro-Colombian miners defending their heritage', is a brief section from a longer documentary which, according to the Theprisma website, concerns:

> traditional mining in the Colombian region of Cauca, located in the country's southwest, which has been carried out by Afro-Colombians who settled in this area of the country around 1637. Since then the descendants of these

(Continued)

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> first miners have continued their traditional mining with no accountability to anyone, and they can use the gold they find in whatever way they want. This activity is not only a way of life for these people but it has also become linked with their culture and ethnicity. Nevertheless, this is now under threat from the avarice of appropriation of resources by the companies, both national and foreign, that gained one of the 7,500 permits for exploratory mining granted by the Colombian government between the years of 2002 and 2012. (Theprisma, 2012)

www.youtube.com/watch?v=hxsnfUMPqj8

Questions

1 If large mining corporations take over the operation of mining activities in Cauca from local people, how might this affect the lives and work of those people?
2 How might this affect the ability of Cauca people to exercise their cultural rights?
3 Do you think mining corporations should concern themselves with such matters, or does the fact that a corporation has purchased a mining permit from the Columbian government give it the right to do as it wishes with this land, regardless of the impact on local people?

Universal Declaration of Human Rights

An indication of the importance with which rights are treated in modern society is offered by the agreement, in 1948, by the General Assembly of the United Nations to a *Universal Declaration of Human Rights*. The *Universal Declaration of Human Rights* was an attempt to get the world's most powerful nations to agree to minimum standards of conduct in their treatment of their own citizens and the citizens of other nations. It lists over 30 rights that are accorded to 'all members of the human family' (United Nations, 2013b) and which all its signatories agreed to respect. These rights include some from each of the three generations mentioned above.

The effectiveness of the *Universal Declaration of Human Rights* has been questioned on the basis that it may be more of an expression of aspiration than enforceable legislation, and also that some of its signatories contravene it with impunity when it suits their purposes (Almond, 1993).[2] Nevertheless, the *Universal Declaration of Human Rights* offers the first globally ratified agreement that fundamental rights exist, that they apply to all humans, and that they should be respected by everybody.

As far as business is concerned, the *Universal Declaration of Human Rights* offers a globally accredited blueprint that corporations can use to guide their interactions with people inside and outside of the business. The seriousness with which corporations treat the *Universal Declaration of Human Rights*, at least in theory, is apparent from the way that a lot of corporate marketing rhetoric resonates with its terminology (MacLeod, 2005). At the same time, the *Universal Declaration of Human Rights* offers to those who seek to comment on the ethicality of corporate behaviour a basis upon which to conduct their critique.

Video Activity 1.3

The following video, called '30 words – the Universal Declaration of Human Rights', lists 30 words that feature prominently in the *Universal Declaration of Human Rights*. As you watch the video, make a list of the words that are spoken.

www.youtube.com/watch?v=RNwL2mjApRw&feature=fvwre

Questions

1. Try to place all the words you have listed under the headings of 'political rights', 'social rights' and 'cultural rights'. In categorizing these words you might find it helpful to refer to a more-detailed statement of the *Universal Declaration of Human Rights*, which is available at: www.un.org/en/documents/udhr/#atop
2. For each of the words that you have listed, can you think of one practical step that a company can take to ensure that it respects the right referred to by that word?

Some characteristics of rights

So far, this chapter has introduced rights theory by highlighting some rights that are often talked about in Western society nowadays. This discussion has been placed in

[2]Consider, for example, Article 5 of the *Universal Declaration of Human Rights*, which states that 'No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment', in relation to reports of the US military's treatment of prisoners in its so-called 'war on terror'.

a loose, historical framework of three different generations of rights discourse, each of which has highlighted the importance of different rights. I have also outlined some ways in which rights highlighted during each generation relate to contemporary business ethics. I will now talk a little more generally about rights, highlighting some features of rights as we think of them nowadays.

Rights trump other considerations

When we speak of someone as having a right, we generally assume that that right carries some sort of compulsion that overrides other considerations. Notably, we often think it ethically correct to respect a right even if doing so does not serve the general good. For instance, suppose a rich person lends me a thousand pounds. For the rich person, a thousand pounds may not be a lot of money, although she would probably expect me to give it back nevertheless. However, for people who are less wealthy, a thousand pounds is a great deal of money, which could make a big difference to their lives. So it might seem preferable for me to give the money to a charity rather than repaying the loan; perhaps a charity that provides food and shelter for survivors of an earthquake in the developing world. This would probably do a lot more good than giving the money back to the rich person. However, most of us would agree that we should pay the money back. And our reason for doing so is not only that we may want to borrow money again one day. We tend to think that if someone lends money to us, this creates a right to repayment on their part. And this right to repayment carries a compulsion that goes beyond considerations of the general good that would be achieved by giving the money to those in greater need.

This does not necessarily mean that we would always respect a right over and above all other considerations. The good that will be done by disregarding a right may be so overwhelming that we choose to disregard that right. Also, it may be the case that one right is trumped by another, more compelling, right (more about this shortly). However, it does mean that we think of rights as being special in a way that gives them a certain ethical force.

Theory in Practice

The Ilisu Dam, cultural rights and the general good

The British construction company Balfour Beatty and the Swiss Bank UBS found themselves weighing cultural rights against other considerations when they became involved in the construction of the Ilisu Dam in Turkey during the early 2000s (Smith-Spark, 2006).

The Ilisu Dam was to be built on the upper Tigris River. Its construction would have provided a much-needed, non-carbon energy source as well as bringing many new jobs to the area. However, the construction of the dam would lead to the flooding of a vast upstream area, formerly home to over 50,000 Kurdish people. The flooded area would include the ancient city of Hasankeyf, widely considered as a key architectural site and of tremendous cultural significance to the Kurdish people. This, along with other considerations, eventually caused Balfour Beatty and UBS to pull out of the project, leading to its temporary suspension (Smith-Spark, 2006).

Questions

1. In what ways might the construction of the Ilisu Dam contribute to the general good?
2. In what ways might the dam's construction interfere with the cultural rights of Kurdish people?
3. What other factors, apart from consideration for the cultural rights of the Kurds, might have persuaded Balfour Beatty and UBS to pull out of the Ilisu Dam project?

Rights entail responsibilities

A second assumption that we generally make when speaking about rights is that rights entail responsibilities (although we often use the word 'obligation' or 'duty' instead of 'responsibility'). In other words, if I recognize that someone has a right to something, this entails that other people have a responsibility to act in a manner that takes that right into account. So to say that someone has a right is not just to make a disinterested, factual statement about that person's situation. It is also to say something about how others ought to act. For instance, if I believe that a person has a right to speak and be heard, then I am also committing myself to the notion that other people, including myself, have a responsibility to allow that person to speak and to listen to what they have to say. Rights, then, are not just things that people have; they also create responsibilities/obligations/duties for others to act in particular ways.

This is important in a business context because the responsibilities that are entailed by someone having a right may rest with a corporation. Of course, when we speak of a corporation having responsibilities, what we actually mean is that the people who run that corporation have responsibilities. In this sense, the term 'corporate responsibility' is convenient shorthand. Thus, if a corporation's customers, employees, shareholders and suppliers, as well as the local communities that come into contact with that corporation, have rights, then it is the responsibility of the corporation, or the people who run it, to act in ways that respect those rights.

Negative responsibilities and positive responsibilities

Not only do rights entail responsibilities; they may also entail both negative and positive responsibilities. A *negative responsibility* is usually understood as a responsibility to not prevent someone from exercising a right. So if a person has a right to a certain thing, others have a negative responsibility to not prevent them from doing that thing. For instance, if we accept that all people have a right to life, then clearly we have a responsibility not to take anyone's life away from them.

However, fulfilling negative responsibilities may not be enough to enable people to exercise certain rights. It may be necessary for us also to do something *positive* to enable the exercise of a right. For instance, if we believe that all children have a right to education then someone (usually the state) needs to provide schools so that all children can exercise that right. Meanwhile, someone else (usually taxpayers) needs to pay for those schools. Thus, the right to universal education creates a *positive responsibility* for the state to provide schools and for citizens to contribute to the cost of providing those schools. A positive responsibility, then, should be understood as a responsibility to do something positive to enable someone to exercise a right.

The distinction between negative and positive responsibilities is useful for drawing our attention to steps that we may be ethically obliged to take in order for someone to exercise their rights. Consider the following example. Suppose that a company wishes to recruit a new member of staff. The managers of the company believe that all people, including people with disabilities, have a right to equal consideration for positions within the business. Therefore, the company clearly has a *negative responsibility* to not preclude applications from people with disabilities. However, this may not be enough for some people with disabilities to exercise their right to apply and to be considered equally. It may be that certain features of the job as it is currently structured make it difficult for people with certain forms of disability to do the work. Perhaps the job is located in an office that is up two flights of stairs, so a person with impaired mobility would find it hard to get to their work station. Or maybe the job involves telephone selling, which may cause difficulties for a person with impaired hearing. But if we accept that all people have a right to equal consideration for the job purely on job-related criteria, then the company has a *positive responsibility* to do certain things to enable applications from people with disabilities, such as offering to relocate the work station to a more accessible location, or offering to provide special telephone equipment so that a person with impaired hearing would be able to undertake the work.

Pause for Reflection

Clause 1 of Article 23 of the *Universal Declaration of Human Rights* states that 'Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment' (United Nations, 2013b). Moreover, many countries have introduced equal-opportunities employment legislation upholding people's right to be considered for work opportunities purely on job-related criteria. However, family commitments prevent a lot of people from finding work which fully utilizes their skills. This is a particular issue for single parents who have to balance work with childcare responsibilities.

If people with childcare commitments have a right to be considered for work purely on job-related criteria, what *negative responsibilities* might this create for companies who are recruiting staff?

What *positive responsibilities* might it entail for those companies? In other words, what positive things might companies have a responsibility to do in order to help people with childcare commitments to work for them?

Conflicting rights

One last, very important feature of rights is that the rights of different people or different groups of people often conflict with one another. For instance, my right to play my music in my own home late at night may conflict with my neighbours' right to enjoy a good night's sleep. My right to keep the money that I earn may conflict with other people's right to health care, since that health care needs to be paid for partly by taxes on my wages. Similarly, the right of a global mining corporation to extract metal from land that it owns might, if its mining activities pollute local rivers, conflict with local people's right to clean water supplies. And within corporations, the perceived rights of people such as customers, employees and shareholders may conflict with one another. This issue of conflicting rights will be discussed several times during the rest of this chapter.

Rights and stakeholders

So far this chapter has discussed some rights that are relevant to business contexts, placing them under the headings of political, social and cultural rights. It has introduced the *Universal Declaration of Human Rights* as a rights-based reference point for ethical business practice and it has outlined some features of the way that we usually think about rights. This discussion has taken for granted the assumption that people have rights in relation to business. However, the question of *why* people have those rights has not yet been considered. This second section of the chapter will discuss that question. It will introduce the notion of *stakeholding* and explain why stakeholder relationships might entail rights to consideration on the part of certain groups. I will also distinguish between different types of stakeholder relationship, drawing attention to the possibility that the rights of some stakeholders might get overlooked as a result of business's preoccupation with the rights of other stakeholders.

Stakeholding as a basis for the creation of rights

The term *stakeholder* was introduced to business theory by Edward Freeman, who described a stakeholder as 'any group or individual who can affect or is affected by [a business] organizations' objectives' (1984: 46). Freeman's concept of stakeholding has had a big impact on business theory, and the word 'stakeholder' is often used by business academics and business practitioners nowadays.

In order to draw out the ethical implications of stakeholding, it helps to elaborate on Freeman's original definition. Note that Freeman alludes to two separate kinds of relationship, each of which might offer the basis for stakeholder rights and for corresponding business responsibilities. On the one hand, he speaks of any group or individual who *can affect* a business's objectives. Another way of describing people who have this first type of relationship with a business is to say that they are able to contribute in some way to the success of the business, or to influence its success. I will therefore refer to these people as *influential stakeholders*.

On the other hand, Freeman also mentions groups and individuals who *are affected by* a business organization's objectives. In this second type of relationship he is referring to stakeholders who are in some way impacted by the activities of the business. I will refer to this category of stakeholders as *affected stakeholders*.

You will find both of these types of stakeholder represented in Figure 1.1 by a circle: the circle on the left represents influential stakeholders; that on the right represents affected stakeholders. Both categories of stakeholder are linked to a company by arrows which represent their relationships to it. I will say more about those arrows shortly, but first I will explain who might fall into these two separate types of stakeholder group and why the relationships that they have with a business might create rights on their part.

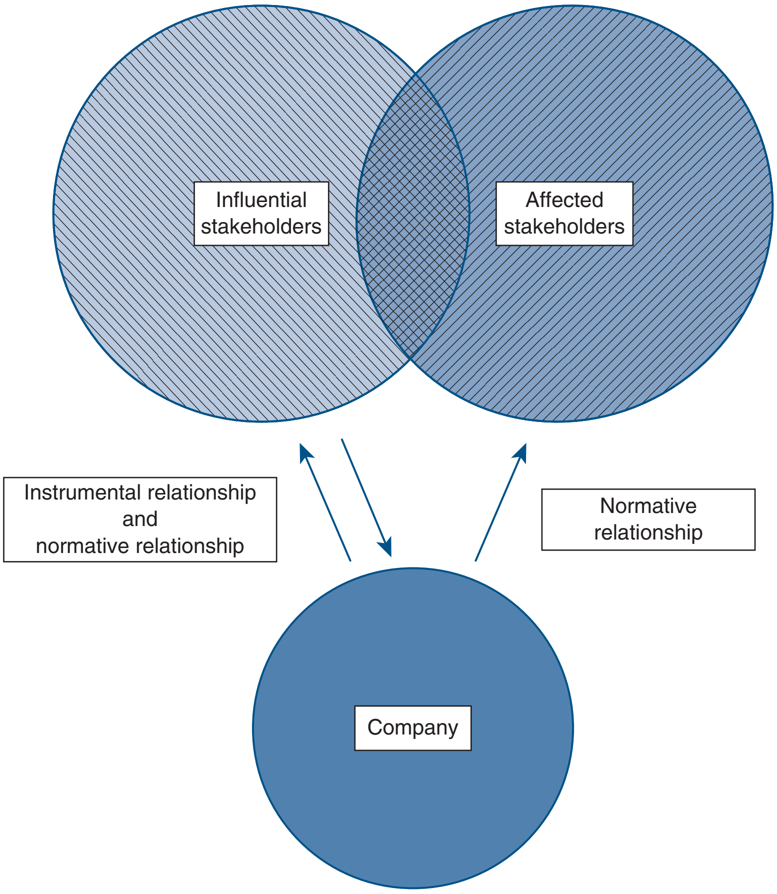

Figure 1.1 Relationships between influential stakeholders, affected stakeholders, and the company

Influential stakeholders: reciprocity rights

In the category of influential stakeholders – stakeholders who can influence a business's success – we might include its customers, for without the support of its customers a company is unlikely to succeed. After all, if nobody wants to buy the things that a company sells, that company will not be in business for long. Similarly, the people who work for a business can influence the achievement of its objectives. Without the efforts of its employees, some of whom might work for a company for many years, that company is unlikely to succeed. The same can be said of suppliers.

Those firms and individuals who sell goods and services to a company clearly influence its performance. Similarly, the banks that lend money to a business and the shareholders who invest in it by purchasing its shares make a vital contribution to its success. They too, then, can be classed as influential stakeholders.

The word *reciprocity* can be used to describe the creation of rights on the part of influential stakeholders such as these. Reciprocity refers to a situation in which one party gives something to another party and receives, or expects to receive, something in return. Applied to influential stakeholder relationships, reciprocity implies that, since stakeholders influence the success of a business by supporting it, they have, in return, a right to expect that their interests will be taken into account by that business.

Affected stakeholders: effect entails a right to consideration

So much for the first kind of relationship that Freeman mentions in his definition of stakeholders. What of the second kind: those relationships in which stakeholders *are affected by* the activities of the business? Of course, all of the influential stakeholders already referred to also fall into this second category. Customers support a business, so have influence over it, but they are also affected by its product, pricing and promotion strategies. Employees influence the success of a business, but they are also affected by the human resource management practices that it adopts. Similarly, suppliers will be affected by the amount of goods and services that a company chooses to buy from them and by the price that it is willing to pay. And the success or otherwise of a business will clearly have a significant effect on those people who invest in it. In the worst-case scenario, if the company goes bust they may lose their investment. On the other hand, if the company does well, investors may be able to share in its success through the interest payments it makes, through uplift in the value of their investment, or through the award of generous dividend payments.

So, customers, employees, suppliers and investors fall into both of the categories described by Freeman: they can affect business success *and* they are affected by it. In the terms used here, they can be considered as both influential stakeholders and as affected stakeholders. For this reason, you will notice that the two circles representing influential stakeholders and affected stakeholders in Figure 1.1 overlap. All of the groups mentioned above can be placed in the overlapping part at the centre of the diagram.

However, it is important to note that there may be other individuals or groups who only have the second kind of relationship with a business. In other words, they may be *affected by* its activities but they have no *influence over* its success. One group that may fall into this category is the community that lives close to a business. Local communities might be affected by noxious fumes that a business produces, by the noise that its operations make, perhaps by the light pollution it emits and by other forms of pollution that it might cause. People who live close to a company may also find their lifestyles affected in other ways. For instance, indigenous culture may be eroded by large numbers of people who come into an area to work for a company, or local roads may become congested by the traffic generated by business activity. Of course, some of those local people may work for the business themselves, so they will influence its success in their capacity as employees. Some may also buy its products, so they will have some influence over it. Some may supply it, or invest in it, so they could also be classed as influential stakeholders. In this case, even some of these local people can be placed in the overlap between the two circles in Figure 1.1. But there are likely to be many other local people who are not customers, employees, suppliers or investors and who therefore have no influence-relationship with the business whatsoever. They will, however, be affected by its activities. These, then, can be placed in the section on the right-hand side of the right-hand circle in Figure 1.1.

Given that such people make no contribution to the success of a business, so they have no reciprocity relationship with it, why should they have a right to be taken into account? One answer to this question lies in the assumption that *effect entails a right to consideration*. In other words, the rights of such people are based on the idea that the effect a business has over them creates, on their part, a right to be taken into account.

This idea chimes with commonsense ideas about ethics. Most of us would accept that, if our actions have an effect on other people, those people have a right to be taken into account by us. For instance, if I live in a flat with neighbours on all sides, then it seems reasonable to assume that those neighbours have a right to my consideration. And if I were to play my music very loud at three o'clock in the morning, then most people would agree that I am failing to respect that right. The same principle applies to companies. Corporations, particularly large corporations, have a considerable social and environmental effect. It therefore seems reasonable to suppose that the people who experience that effect have a right to consideration. In other words, they have a right to be taken into account by the people who make the key decisions in companies.

Pause for Reflection

This discussion of stakeholders has focused so far on *people* and *groups of people.* However, people are not the only ones affected by corporate activity. Corporations also have a significant effect on the natural environment. To what extent do you think that animals, insects, marine creatures, plants, and even the land and the oceans can be considered as stakeholders that have a right to consideration?

The normative and instrumental importance of stakeholders

This section has so far explained the difference between influential stakeholders and affected stakeholders. It has also described how each type of stakeholder relationship might provide a basis for the creation of stakeholder rights and corresponding business responsibilities. I will now highlight a further important distinction between different types of stakeholder relationship.

Normative relationships

Both influential stakeholders and affected stakeholders might be thought of as having an ethical relationship with a company: influential stakeholders on account of their *reciprocity rights*; affected stakeholders on the basis that *effect entails a right to consideration*. For this reason, Figure 1.1 shows arrows pointing from the company towards each type of stakeholder. These arrows represent the fact that the company has responsibilities towards the stakeholders that fall within each circle. Another way of putting this, to adopt Thomas Donaldson's and Lee Preston's (1995) terminology, is to say that both types of stakeholder are *normatively* important to the company. The word 'normative' is generally used to denote some form of ethical content. Therefore, because of the ethical rights and ethical responsibilities that characterize the relationship between the company and its stakeholders, it could be said that the company has a *normative* relationship with each category of stakeholder.

Instrumental relationships

Influential stakeholders, as well as being normatively important to – or having an ethical relationship with – a company, are also important in another way. Namely, their contribution is important to a company's commercial performance. This is why, in the case of influential stakeholders, Figure 1.1 shows an arrow going from influential stakeholders towards the company. This arrow denotes the influence that they have over it. In Donaldson and Preston's (1995) terminology, influential stakeholders are *instrumentally* important to a business insofar as their support is *instrumental* to corporate success. They could therefore be said to have an *instrumental* relationship with the company as well as having a normative relationship with it.

Concerning influential stakeholders: good ethics is (generally) good for business

Note that, as far as influential stakeholders are concerned, there is harmony between *normative* and *instrumental* considerations: if a company respects the rights of its influential stakeholders, this is likely to be good for business because, by respecting influential stakeholders' rights, a company is likely to retain their support. On the other hand, if a company does not respect the rights of its influential stakeholders those people may withdraw their support, which could have a damaging effect on the company. In the case of influential stakeholders, then, doing what is *normatively* important is consistent with doing what is *instrumentally* important; companies have compelling business reasons to respect the rights of influential stakeholders.

Concerning affected stakeholders: good ethics may not be good for business

As far as relationships with influential stakeholders are concerned, then, *good ethics* might be considered *good for business*. However, this is not necessarily the case with affected stakeholders. Consider the local communities already mentioned. Companies may have *normative* reasons to take these people into account on the basis that effect entails a right to consideration. However, they do not necessarily have any *instrumental* reason to do so, for the support of such people, from a purely instrumental point of view, may be irrelevant. Apart from those few local people who may buy its products, who may work for the company and so on, most local people are not in a position to influence a company's success. They are therefore of no direct instrumental importance to it. They have a normative relationship with the company but no instrumental relationship.

So, respecting the rights of non-influential, affected stakeholders is unlikely to have any direct impact on corporate success. As far as non-influential, affected stakeholders are concerned, good ethics is not necessarily good for business.

Theory in Practice

Glencore and stakeholder rights

Glencore is one of the world's largest commodity and mining corporations. Glencore was floated on the London stock exchange in 2011 at a value of £38bn (Wachman, 2011b). The flotation made five of the company's partners into billionaires, including chief executive, Ivan Glasenberg, whose ownership share was valued at £4 billion (Sweeney, 2012).

In a television interview the following year (BBC, 2012a), Ivan Glasenberg spoke of the seriousness with which Glencore treats its social and environmental responsibilities. The sustainability pages of the company's website reinforce this

(Continued)

(Continued)

commitment, stating: 'We recognise that our work can have an impact on society and the environment. We are committed to improving our performance in human rights, health and safety, environmental protection and compliance' (Glencore Xstrata, 2013).

However, a 2012 BBC Panorama documentary suggested that Glencore may not treat the rights of all its stakeholders with the same importance. One of several allegations made by the BBC relates to Glencore's copper-mining operation in the Democratic Republic of the Congo. Specifically, the programme claimed that Glencore had, for three years, pumped heavily polluted waste from its copper-refining plant in Katanga province into the Luilu River. The programme's presenter, Jonathan Sweeney, claimed that

> Glencore's acid waterfall stank of toxic fumes when I visited it a few weeks ago. Upstream, the river used by local people to wash and fish was clear; downstream of the Glencore pipe, there was brown sludge. One local complained: 'Fish can't survive the acid. Glencore lacks any respect for people. No one would do that to another human being. It's shocking'. A Swiss NGO tested the acidity of the wastewater and found a pH value of 1.9, where 1 is pure acid and 7 neutral. (Sweeney, 2012)

In Glencore's defence, Ivan Glasenberg said that toxic waste had been dumped into the river even before Glencore's arrival. On taking over the copper-refining operation, Glasenberg claimed that Glencore had undertaken to stop the pollution but admitted that this had taken three years so far and that, during that time, the pollution had continued unabated. When questioned on this, Glasenberg said: 'It was impossible to remedy faster ... What else could we do? We have 6,500 employees, the government insists we keep them employed' (cited by Sweeney, 2012).

Questions

1. Who would you classify as Glencore's *influential stakeholders*; that is, what groups does Glencore depend upon for its commercial success?
2. Why might the contribution these people make to Glencore's success give them a right to be taken into account by people such as Ivan Glasenberg?
3. From the above account, can you identify any people who are affected by Glencore's activities (that is, the company's *affected stakeholders*) who do not have an influence-based relationship with it?

4 What reasons might be given for the right of these people to be taken into account by people like Ivan Glasenberg?
5 In what way might Glencore be accused of not respecting the rights of some of its *non-influential, affected stakeholders*?
6 In this instance, Glencore's decision making seems to have favoured the rights of its *influential stakeholders* over those of some of its *non-influential, affected stakeholders*. Can you think of any reasons why Glencore's executives might have made that choice?
7 Glencore's decision to overlook the rights of some of its *non-influential, affected stakeholders* seems inconsistent with the claims of its web pages and its chief executive that it respects its social and environmental responsibilities. Can you think of any *instrumental* reasons why a company might want to project an image of social and environmental responsibility, even if it does not respect the *normative* responsibilities associated with this image?

Variations in stakeholder influence; variations in instrumental importance

Of course, the *instrumental* importance of taking the *reciprocity rights* of *influential stakeholders* into account will vary depending on just how influential those stakeholders are to corporate success. Not all influential stakeholders are equally influential, so while there are sound instrumental reasons to take the reciprocity rights of some into account, this may not be so with others. For instance, in the case of a company's employees, those workers who possess hard-to-find, specialist skills are likely to exercise more influence than unskilled workers who can easily be replaced. If the former decide to withdraw their support for a company by resigning, that company could be in trouble. This is not the case with the latter. Similarly, institutional investors such as pension and insurance firms, who may hold large shareholdings in a company, might wield more influence over it than private individuals who own just a few shares. Moreover, corporate customers, who buy large quantities of a company's product, will be more influential than occasional, private purchasers. And suppliers of scarce goods and services are likely to have more influence over a company than those who provide it with things that are easy to source elsewhere. Importantly, in each of these cases, it is of greater instrumental importance to keep the first group of influential stakeholders happy than it is to keep the second group happy. Companies therefore have sound instrumental reasons to respect their *normative* responsibilities to the first group but not necessarily the second group.

Now it may be that failing to take less-influential stakeholders into account will create bad publicity for a company, which might erode the support of its more-influential stakeholders. And this, in turn, may eventually undermine corporate success. In such cases, it is instrumentally important for a company to respect the rights of its less-influential, affected stakeholders. But this will only be the case insofar as such publicity reaches the company's more-influential stakeholders. Furthermore, it will only be the case insofar as those more-influential stakeholders care whether or not the rights of less-influential, affected stakeholders are respected. It is possible to envisage a situation in which corporate activity has a significant, adverse impact on the lives of many people, but in which none of its most-influential stakeholders know or care about this. In such a case, that firm would have no instrumental reason to take the rights of those affected stakeholders into account.

The implication of the distinction between, on the one hand, a firm's most-influential stakeholders and, on the other hand, its less-influential, affected stakeholders is that there are sound, instrumental reasons to take the former into account but there are not necessarily any sound, instrumental reasons to take the latter into account. In other words, taking the first into account is good for business; taking the second into account may not be. This is very important because there is a tendency in business communities and amongst some business ethics theorists to downplay tension between instrumental and normative considerations. In other words, many business practitioners and some business ethicists suggest that there is no conflict between doing what is best for business and acting ethically because if a company behaves unethically it will lose the support of its influential stakeholders, which, ultimately, will be bad for business. These commentators conclude that good ethics is therefore good for business and, conversely, what is good for business is ethically good. This may indeed be the case as far as a firm's most influential stakeholders are concerned. However, it is not always the case when it comes to its relationships with a firm's less-influential, affected stakeholders. As far as less-influential, affected stakeholders are concerned, a company may prosper – and, indeed, many have been accused of prospering – by treating them with absolute disregard.

Video Activity 1.4

The following Australianetworknews video, 'Australian banks sending jobs offshore despite healthy profits', is critical of the practice of offshoring Australian jobs; that is, transferring work overseas, where it can be done more cheaply, and therefore making those who had previously carried out that work in Australia redundant.

www.youtube.com/watch?v=5tmOHk4Yugo

Questions

1. Can you identify any *influential stakeholders* whose *reciprocity rights* are served by the practice of offshoring jobs?
2. Can you identify any *less-influential stakeholders* whose *reciprocity rights* are not respected and who are adversely affected by offshoring?

3. The 'local labelling system' discussed in the video is designed to make one group of highly influential stakeholders aware of where corporate work actually takes place. Which *highly influential stakeholders* are these?
4. How do you feel about the ethics of offshoring as described in the video? Do you think such offshoring is ethically justified or not?
5. Do you think your views on the ethicality of offshoring would change if you owned a large number of shares in one of the corporations discussed in the video? What about if you were an Australian former-employee of one of these corporations who had lost their job as a result of offshoring?

Property rights

This chapter has so far explained how various sorts of right may be relevant in business contexts and how these rights might create responsibilities for companies and the people who run them. The notion of stakeholding has been offered as a framework for considering these rights and responsibilities. This last section of the chapter will consider one particular branch of rights that has received a lot of attention from philosophers over the last few hundred years, which continues to figure prominently in contemporary rights talk, and which has particular relevance to business ethics. These are *property rights*.

When people speak about the rights associated with property they are talking about more than the land and buildings that we often think of as property. To think purely in terms of land and buildings is to employ a narrow definition of property. A broader definition embraces everything that we own, including, for sure, our houses and our land but also including things like clothes, smartphones, cars, furniture, pets and the money in our wallets and our bank accounts. A broader definition also includes any investments we make. After all, by buying shares in a company, we become a part owner of that company. It, or at any rate a part of it, thus becomes our property. As I will explain shortly, some people also include our bodies and what we do with them under the heading of property. And, of course, it is customary to think of the products of our creative intellect as our property. Indeed, many nations today recognize intellectual property rights, which respect people's ownership of the ideas they have, the music and the literature they produce, and the things they invent.

Property is very important in business contexts. This is partly because the value of a corporation's property is usually taken as the key indicator of its prosperity. The buildings, fixtures and fittings, land, machinery, raw materials, products, cash reserves, investments, patented inventions, trademarks and copyrights that belong to a company therefore tell us a lot about whether that company is thriving or not. Moreover, the people who own a business – those people who have shares in it – are usually depicted as the indirect owners of all those things, and their ownership is widely considered to bestow on them certain important rights.

But property is also important to business in more fundamental ways. The capitalist system within which most contemporary business is conducted is generally understood as a set of economic arrangements that revolve around the exchange of property between stakeholders. In other words, the modern business model is usually depicted as a complex interplay of voluntary property exchange, in which corporations, consumers, investors, suppliers and employees exercise their right to exchange property with one another in the form of money, goods and services, labour and a range of derivative forms of ownership.

Given the significance of property to contemporary business, it is unsurprising that the right to accumulate, hold, transfer, and generally do as we wish with our property is taken very seriously in corporate environments. But where do property rights come from? Why do individuals and corporations have a right to own certain things and do with them as they choose? What justification can be given for this cornerstone of modern ethical understanding and contemporary business thinking?

This section will consider some responses to questions such as these. It will introduce an influential account of the origin of property rights: that offered by the seventeenth-century political philosopher John Locke. Although Locke wrote over 300 years ago, his ideas still resonate in the way we think about property today. Moreover, versions of Locke's ideas are often drawn on to justify the importance given to property rights in contemporary corporate environments. After outlining Locke's account, I will introduce an alternative perspective on property rights and business, which was offered by the nineteenth-century economist, philosopher and social theorist, Karl Marx. Marx's perspective offers reasons to be wary of placing too much emphasis on property rights in business ethics. In particular, it highlights tension that often occurs between the interests of two particular sets of stakeholders: shareholders and employees. It also draws attention to the possibility that employees will be exploited in the process of serving the property-related interests of shareholders.

John Locke's account of property rights

John Locke's justification of property rights is presented in his *Two Treatises of Government* (1988/1690). In this work, Locke put forward the view that the earth has been given by God to all humankind in common 'to make use of … to the best advantage of Life, and convenience' (Locke, 1988/1690: 286/II.26). In other words, as Locke saw it, the earth and all the resources it contains did not originally belong to anyone in particular; they belonged to us all. Nevertheless, Locke observed that we have moved from this state of common ownership to a state in which specific things are owned by specific people. He set out to explain how this transformation from common ownership to private ownership can be justified.

The merits of productive labour

Locke's explanation begins with the observation that if we are to make productive use of the things that have been given to humankind in common we must, as individuals, take control of them. In Locke's words, 'there must of necessity be a means *to appropriate* them some way or other before they can be of any use, or at all beneficial to any particular Man' (1988/1690: 286/II.26). Another way of putting this is to say that somebody must take hold of the things that nature has provided and work on them if they are to serve a useful, human purpose.

Self-ownership and the ownership of one's labour

To this, Locke added what he thought was a self-evident truth: that of self-ownership. It was obvious to him that each and every one of us owns our own self, and that it makes no sense to think of human beings in any other way. As he put it, it is clear that 'every Man has a *Property* in his own *Person*. This no Body has any Right to but himself' (Locke, 1988/1690: 287/II.27).

Since each one of us owns our own self, Locke believed that we must also own our own labour. In other words, since our bodies are ours, what we do with them must also be ours. For each person, then, 'The *Labour* of his Body, and the *Work* of his Hands, we may say, are properly his' (Locke, 1988/1690: 287–88/II.27). Therefore, as Locke described things, any effort that I choose to expend on tasks such as picking apples, digging metals out of the ground, drawing water from a well, hunting deer in the forest, or catching fish from the ocean belongs to me and to no one else: that labour is my property and I have a right to do with it whatever I wish.

Property as the outcome of application of one's own labour to common resources

Now, if we mix our labour, which is our own property, with the fruits of nature, which are our common inheritance, we can turn that common inheritance into something useful. As Locke saw it, we thus come to have a right of ownership of the outcome of this productive endeavour. In his terms, the apples that I gather, the metal that I dig, the water that I draw, the deer that I shoot and the fish that I catch transfer from being part of *everybody's* common inheritance to being *my* private property as a result of the application of *my* labour. And once these things become my property, nobody else has a claim to them. In Locke's words:

> Whatsoever then he removes out of the State that nature hath provided … he hath mixed his *Labour* with, and joyned to it something that is his own, and thereby makes it his *Property*. It being by him removed from the common state Nature placed it in, it hath by his *labour* something annexed to it, that excludes the common right of other Men. (1988/1690: 288/II.27)

Locke believed, therefore, that the common goods that we appropriate through the application of our labour are properly ours, since it is our labour that makes those things useful. As he put it, it is our labour that adds value to them: 'tis *Labour* indeed that *puts the difference of value* on everything' (Locke, 1988/1690: 296/II.40). And since we have acquired a right of ownership of these things through the application of our value-adding labour, Locke thought that no one else has a right to take them from us.

In this way, Locke suggested that the improvement of common resources, which is ultimately to the benefit of everybody, necessarily entails private property. If people were not able to own things, they would have no reason to appropriate them and make them more useful. And if this were the case, the things that have been given to us in common by God would remain forever in an unproductive state. Locke concluded that 'the Condition of Humane Life, which requires Labour and Materials to work on, necessarily introduces *private Possessions*' (Locke, 1988/1690: 292/II.35). Indeed, for these reasons, Locke considered the existence of private property and recognition of ownership rights to be essential features of a civilized and prosperous society.

Contemporary relevance of Locke's rationale

Aspects of Locke's justification characterize the way that we often think of property ownership today. We tend to believe that the things we acquire through our own endeavours are rightfully ours. We assume that we have a right to those things and that nobody should take them from us. For instance, if I study hard at school and university to gain the qualifications needed for a well-paid job, and if I then apply myself diligently to my career so that I get promoted and earn a good salary, I assume that I have a right to the money I earn and to the things that I buy with it. Furthermore, I assume that nobody should be allowed to take that money or those things from me.

This way of thinking also seems relevant to business ownership. We might characterize corporate activity as the productive application of a company's labour to pre-existing resources, which creates goods and services that people need and which thus become the property of the company. Companies then exchange that property for money (that is, for the property of their customers), which makes life better for everybody. A successful business might therefore be depicted, in a Lockean sense, as one which has productively applied its labour to humankind's common inheritance, and which has thus turned that inheritance into something useful; something that people need; something that makes everybody's life better. On this Lockean-style rationale, the benign consequences of this appropriation of common resources would justify a company's right to the property that it thus accumulates and its right to exchange that property as it chooses. Moreover, those people who facilitate this whole process by investing their money (their property) in a company, in the form of share ownership, and who therefore come to own the company, might be understood as having a right to the returns that they receive from their investment.

Video Activity 1.5

Watch the following two videos.

www.youtube.com/watch?v=jnjPFZV8Wqo

www.youtube.com/watch?v=lDMenqKCXdw&list=PLFA50FBC214A6CE87

The first video, entitled 'The Power of Property Rights', comes from Learn Liberty. In this video, Tom W. Bell offers a Lockean rationale, suggesting that property ownership is essential for the productive use of resources and that the acknowledgement of property rights is an essential feature of social and economic organization.

The second video, entitled 'Boundary Issues', which is taken from the film *The Corporation*, offers some different perspectives on property rights. In this video, several philosophers, economists, and public servants challenge the philosophical rationale for property rights and suggest that it is not good for everything to be privately owned. Rather, they suggest that it is better for everyone if certain things remain in common ownership.

This second video ends with economist Michael Walker offering a contrasting view. Walker suggests that it would be better for us all if absolutely everything, including the sea, the air, and all the earth, were privately owned. He suggests that only by becoming somebody's property will such resources be properly cared for.

Questions

1. From these videos, from the foregoing discussion of John Locke's account of property rights, and from your own reflections on this topic, how do you think society might benefit from the recognition of property rights?
2. What arguments might be offered for limiting private ownership of property?
3. Do you think that the provision of *all* goods and services should be in the hands of privately owned businesses, or should some goods and services be controlled by publicly owned and publicly run institutions?

John Locke was by no means an unreserved advocate of property rights. He believed that property rights should be subject to certain conditions. For instance, he suggested that each person's right to take common resources into private ownership should be conditional on that person only taking as much as they need. He also proposed that nobody should be allowed to take so much from the common store that others are deprived. Moreover, Locke suggested that property ownership places on owners an obligation to consider the needs of those who are less fortunate than themselves. Nevertheless, despite the conditions that he placed on the appropriation of common resources, Locke vigorously supported the notion of private property. In general, his theory of property offers an intuitively appealing justification for people's right to own those things that they acquire through the application of honest, human endeavour.

Karl Marx's critique of property rights

In contrast to Locke's generally supportive account, a less-supportive discussion of property rights was offered two centuries later by the influential German theorist, Karl Marx. Marx was critical of rights in general as a basis of ethical evaluation. He took the view that, by focusing our ethical attention on rights, we come to think about ethics purely in individualistic terms. That is, we are thus encouraged to think of people as separate, independent entities who need rules, based on individual rights, to govern interactions that come about as they pursue their separate, independent agendas. Like many philosophers, Marx saw this as a fundamentally misguided way of thinking about people. As he saw it, humans are essentially social creatures who depend on social interaction in all sorts of complex ways. He believed that the individualistic mindset that is associated with an ethic of rights diverts attention from that social interdependence. It encourages us to focus solely on personal entitlement instead of thinking about what we can do to contribute to social cohesion and to promote the common good. As Marx saw it, 'none of the so-called rights of man goes beyond egoistic man, … namely an individual withdrawn behind his private interests and whims and separated from the community' (2000/1843: 61).

Marx was particularly critical of property rights in this respect. In his view, to place too much emphasis on property rights is to create a society in which each person retreats within their separate domain, taking pleasure in their own possessions, and giving little thought to how this impacts on other people. In Marx's words, 'the right of man to property is the right to enjoy his possessions and dispose of the same arbitrarily, without regard for other men, independently from society, the right of selfishness' (2000/1843: 60).

Pause for Reflection

If Karl Marx were alive today, he might have described many of the conflicts that occur between neighbours as the outcome of the anti-social selfishness that is encouraged by our preoccupation with property rights. For instance, he might thus have explained the fact that some people feel entitled to grow trees on their land that block their neighbours' light; or that some choose to block roads and footpaths that cross their land, which provide access that others depend upon. He might have said that these problems occur because people believe that they have a right to do whatever they want on their own property, regardless of how this affects other people.

Can you think of any business practices that you are aware of for which Marx might have offered a similar account? That is, can you think of situations in which corporations use their property in a selfish manner which benefits them but which causes problems for others?

Marx also had a lot to say about the relationship between labour and property. You will recall that John Locke's account of property suggested that our right to enjoy our possessions was fair reward for the labour that we have invested in appropriating those possessions. Marx offered a contrasting perspective on the relationship between labour and property in capitalist business settings. Rather than seeing property as just reward for labour, he pointed out that capitalism tends to oppose labour to property. As Marx saw it, our preoccupation with property, along with the rights associated with it, has created a situation in which the owners of property and the providers of labour stand in opposition to one another. In order to appreciate how this opposition occurs, it helps to have some familiarity with Marx's explanation of how surplus value, or profit, is created, and how this entails the exploitation of workers.

The creation of profit, or surplus value

Marx saw business as a process of drawing together a range of resources – such as land, buildings, materials, machinery and labour – and using those resources to create products. He pointed out that each of those resources has a value, and a business has to pay a price which reflects that value. A business makes profit – or creates 'surplus value' (Marx 2000/1867) – when the value of the things it produces is greater than the combined value of all the resources used to make them. This enables the business to sell its products at that higher value and retain the difference.

Consider the generation of surplus value in relation to the activities of a clothing manufacturer. A clothing manufacturer gathers together all the resources that are needed to make and sell clothes. Those resources probably include: a factory in which to carry out production; some clothes-making machinery; some fabrics and other raw materials; electricity to power the machines and light the factory; perhaps some advertising space so that the manufacturer can tell people about its products and encourage them to buy them; and so on. The manufacturer also needs to hire people to work in its clothing factories. All these resources previously belonged to somebody else; that is, they were somebody else's property. Even the labour that the clothing manufacturer uses is the property of the factory workers, and it has to be purchased from them. The manufacturer pays for all these resources and combines them in order to make clothes, hoping to sell those clothes for more money than the combined cost of the factories, machinery, fabrics, electricity, advertising space, wages and so on. If it succeeds in doing this, it makes a profit or, in Marx's terms, it creates surplus value.

Exploitation of labour

Just as Locke believed that labour is the vital ingredient that turns God-given natural resources into something that will serve a useful purpose, Marx believed that labour is the most important component in the creation of surplus value. As he saw it, the labour provided by a clothing manufacturer's factory workers is the key element that enables all the other resources to be made into something of greater value. However, despite the contribution of labour to the creation of surplus value, Marx pointed out that the providers of labour (in this instance, the factory workers) usually receive very little for their efforts. Indeed, they are usually paid no more than a subsistence wage, which enables them to buy only the bare necessities of life. This ensures that they have to spend a substantial portion of their lives at work in order to earn a living. Meanwhile, most of the surplus value created by business activity, thanks to the input of workers, goes to those who own the business. The result of this is that business owners get richer and richer while their employees are locked in poverty.

To express Marx's account in contemporary terms, he would say that it is employees that enable businesses to make profit. However, despite the significance of their contribution, most employees in most businesses receive very little in return for their endeavours. In capitalist enterprise, the profits made by a business go mainly to those who own it; that is, to its shareholders (although senior managers usually get a substantial portion of surplus value nowadays). Meanwhile, most employees are paid as little as the business can get away with paying them, which is usually just enough for them to live on. This means that they have to work long hours to earn a living, which, in turn, ensures that all the necessary work gets done.

Marx believed this to be an exploitative system. Rather than being fairly rewarded for the application of their labour, workers are forced to sell it at a very low price so that the owners of businesses can build their own stash of property. Rather than being in harmony with labour, then, property ownership is in opposition to it. Marx thus noted that

> modern bourgeois private property is the final and most complete expression of the system of producing and appropriating products, that is based on class antagonisms, on the exploitation of the many by the few… But does wage-labour create any property for the labourer? Not a bit. It creates capital, i.e., that kind of property which exploits wage-labour, and which cannot increase except upon condition of begetting a new supply of wage-labour for fresh exploitation. Property, in its present form, is based on the antagonism of capital and wage labour. (Marx and Engels, 2000/1848: 256)

For reasons such as this, Marx considered the deference accorded to private property in modern society to be misguided. He pointed out that those who own property control businesses. Those owners tend to use their control purely as a means of further enriching themselves while keeping the working classes – those who have nothing to sell but their labour – in poverty. Thus, as a result of the primacy of property rights over most other ethical considerations, property owners are able to ratchet up their wealth and their power while the workers upon whose labour their affluence is built receive just enough to get by. This, as Marx saw it, leads to a situation of ever-increasing inequality and ever-increasing unfairness.

Theory in Practice

A living wage for fast-food workers?

Clause 3 of Article 23 of the *Universal Declaration of Human Rights* states that 'Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection' (United Nations, 2013b). This clause places a responsibility on employers and on national governments: it impels employers to pay their workers a living wage; and, where this is not possible, it obliges governments to augment wages to a level 'worthy of human dignity'.

Given the record-high levels reached repeatedly by the US stock market during 2013 (Rushe, 2013a, 2013b) it seems reasonable to suppose that the government would have little need to augment wages in the USA. Since the commercial performance of American corporations is generally strong, enabling substantial returns on investment for the owners of those corporations, one might expect employees to be well rewarded for their contribution. Given the vibrancy of American business, it seems reasonable to assume that corporate employees would have little trouble sustaining themselves and their families, and that they would have little need for state handouts.

It is surprising, therefore, to learn that employees of American fast-food corporations, including McDonald's, Wendy's, and KFC, participated in city-centre marches and strike action during 2013 to protest about low wages. Many of those workers receive no more than the minimum wage of $7.25 an hour, which they say is not enough for them and their families to survive on. Many claim that they need to apply for state aid to supplement their meagre earnings in order to live (Gabbatt, 2013; Helmore, 2013).

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Fast-food employees are not alone in their belief that it is not possible to live on the current minimum wage in America. Indeed, American President Barack Obama is among those calling for an increase: Obama has suggested that the minimum wage needs to go up to at least $9 in order to return to the value that it had 30 years ago (Gabbatt, 2013).

The campaigning organization Fast Food Forward has been active in organizing protests about low pay. The Fast Food Forward website claims:

> In America, people who work hard should be able to afford basic necessities like groceries, rent, childcare and transportation. While fast food corporations reap the benefits of record profits, workers are barely getting by – many are forced to be on public assistance despite having a job. (Fast Food Forward, 2013)

Questions

1 Which group of stakeholders would you consider to be the owners of fast-food corporations such as McDonald's, Wendy's and KFC? In other words, whose property are these companies?
2 If the campaigning group Fast Food Forward is correct in its account of industry profits and employee wages, how might this support Karl Marx's contention that people who work in businesses are exploited so that those who own those businesses can get rich?
3 It could be suggested that if fast-food industry employees are unhappy with their wages, they should go and work somewhere else. Why do you think they do not do this?

Conclusion

Rights occupy an important place in contemporary ethics discourse: when we talk about ethics, we often do so in terms of rights. As such, the notion of stakeholder rights offers an intuitively appealing way of thinking about business ethics. It encourages us to consider the rights that stakeholders might have as a consequence of their relationship with a firm. It also highlights the responsibility of businesses and businesspeople to respect those rights.

However, thinking about business ethics in terms of stakeholder rights does not provide clear-cut prescriptions for practical decision making. This is because the rights of different stakeholders may entail conflicting business responsibilities. It may therefore be necessary to balance conflicting rights in order to identify ethical courses of action. Unfortunately, there are no simple formulas that we can use to help with this task of balancing stakeholders' rights; conflicting rights cannot be fed into some sort of ethical calculator that delivers precise answers. Consideration of rights is a qualitative matter rather than a quantitative matter and, in carrying out qualitative evaluation of conflicting, rights-based claims, different people may arrive at different conclusions. However, although it is hard to say, definitively, whose rights-based ethical evaluation is the correct one, it seems sensible to suppose that comprehensive consideration of rights is likely to deliver a more well-founded evaluation than limited consideration of rights. In other words, ethical evaluation that gives full consideration to all relevant rights is better than evaluation that only considers some rights.

This chapter has drawn attention to two particular points that should be kept in mind when trying to arrive at a comprehensive evaluation of rights in a business context. The first is that we should take into account the rights of *all* relevant stakeholders. In particular, we should be alert to the possibility that businesses may prioritize the rights of their most influential stakeholders while overlooking the rights of other people who have less influence over corporate performance but who are nevertheless affected by corporate activity. Although a company may have sound instrumental reasons to privilege the rights of its most influential stakeholders, normative – that is, ethical – considerations require that they also consider the rights of their less influential, affected stakeholders.

A second point that needs to be kept in mind when comparing rights is that we should not accord too much significance to any particular set of rights, for doing so might cause us to overlook other rights that are equally deserving of attention. In particular, we should remember that property rights are important, but they do not necessarily trump all other rights. Property rights are taken very seriously in contemporary society and in the contemporary business world. Moreover, there is a sound ethical rationale behind our preoccupation with property. Nevertheless, property is not everything. Property rights are only one set of rights; and property owners are only one set of business stakeholders. A comprehensive appraisal of the rights pertaining to any business situation may need to go beyond property rights, considering stakeholders other than shareholders. In particular, Marx's critique of capitalist enterprise highlights the possibility that privileging the rights of property owners may lead to exploitation of workers. In prioritizing the rights of property owners, then, we may fail to respect the rights of those people who, according to Marx, make the most significant contribution to corporate success; that is, its employees.

Discussion questions

1. Consider an ethically contentious business scenario that you are familiar with. Identify any political, social and cultural rights that are relevant to this scenario. What responsibilities might these rights entail for the company or companies in question? Do these responsibilities call for similar courses of action or are there conflicting responsibilities? Taking account of all relevant stakeholder rights and associated corporate responsibilities, what do you think would be the most ethical resolution to this scenario?
2. Discuss the following statement: Respecting the rights of stakeholders is good for business.
3. Watch the following video about the John Lewis group, entitled 'John Lewis Partnership Model Explained': www.youtube.com/watch?v=kDBbglknn9M. How might the partnership model outlined in this video address Karl Marx's concerns about the exploitation of labour by owners? In what ways might such a model also serve the political rights of employees?
4. In August 2013, demonstrators who were protesting against the establishment of hydraulic-fracturing oil-extraction ('fracking') operations by the company Cuadrilla in the UK blocked access to Cuadrilla's property in Sussex, preventing the company from carrying out its activities for a short while. Read the Guardian report and view the video of this incident, both of which can be found at: www.theguardian.com/environment/2013/aug/19/caroline-lucas-arrest-balcombe-anti-fracking. Drawing on the ideas introduced in this chapter, can you identify ethical arguments in support of and against the protesters' action?

Further study

Brenda Almond's (1993) chapter on rights offers a clear and concise discussion of some of the issues explored in this chapter as well as a few further aspects of rights theory.

A more detailed discussion of rights theory can be found in Tom Campbell's (2006) book, *Rights: A Critical Introduction*.

A discussion of stakeholder theory, and how it offers a basis for various ways of thinking about business's relationship with its stakeholders, can be found in Thomas Donaldson and Lee Preston's (1995) paper 'The stakeholder theory of the corporation: concepts, evidence and implications'.

John Locke's (1988/1690) account of property rights is laid out in Chapter V of the second treatise of his *Two Treatises of Government*. Copies of this work can be downloaded from the internet.

An exposition of Karl Marx's ideas about the relationship between labour and private property can be found on pages 273 to the end of page 284 under the heading of 'Wage labour and capital' in *Karl Marx Selected Writings* (2000/1849).

Jonathan Wolff's (2002) small book *Why Read Marx Today* offers a concise and accessible introduction to Marx's work, which draws out the contemporary relevance of Marx's writing and puts his ideas about property and labour into the broader context of his social and economic theory.