

The background of the image is a photograph of The Shard skyscraper in London. The building is a tall, tapering structure with a glass facade that reflects the colors of the sunset. The sky is a mix of orange, pink, and grey. Other city buildings are visible in the background, and the overall atmosphere is that of a city at dusk.

Corporate Character

Rethinking Corporate
Ethics

Julian
Baggini

About the Author



Julian Baggini is the founding editor of *The Philosophers' Magazine*. He has a PhD on the philosophy of personal identity and is the author, co-author or editor of over 20 books including *The Ego Trick*, *Freedom Regained* and *The Edge of Reason*. He has written for numerous newspapers and magazines including the *Financial Times*, the *Guardian* and *Prospect*, as well as for the think tanks The Institute of Public Policy Research, Demos and Counterpoint. He has also appeared as a character in two Alexander McCall-Smith novels. His website is www.microphilosophy.net.

Introduction

I've been writing about philosophy and ethics in the public square for nearly twenty years. Over that time, I have often crossed paths with those engaged in what is variously called business ethics or corporate social responsibility, and which I will refer to simply as CSR. And the more I see of it, the more I become convinced that something different, and better, is possible.

This is not because, as most cynics believe, that all this talk of doing good is just PR, an attempt to slap a respectable veneer over disreputable business. On the contrary: in my experience, almost everyone involved in CSR is sincere in wanting to do the right thing, for the right reasons. The biggest mistake people outside the business world make it is to caricature those in it as nothing more than selfish, money-grabbing opportunists.

My scepticism is not based on suspicion of motivations, but on doubts about the means of pursuing them. Good ethical conduct is not the result of checklists, rules, codes. Think of a truly good person you know. Do they consult a rule book before acting? Of course not. Their goodness is more embedded in who they are. It is a matter of character. Corporate ethics must try to emulate this. What this means and how it can be achieved is the main subject of this pamphlet.

This pamphlet is my manifesto for what this better form of CSR advice should look like. It is not the kind of advice everyone will want. But if, as I believe, there are indeed plenty of people genuinely seeking to run their organisations on more ethical lines, I believe it will be an approach that many will recognise as deeper and more probing than much of the CSR consultancy that is available today.

I. Creative Destruction

In one of his sixties stand-up routines, Woody Allen apologised to his audience for not being able to leave them with a positive and asked if they would take two negatives instead. I'm going to be much less generous. Not only am I not going to start on a positive, I'm going to give you three negatives instead. But I don't apologise for this. Ethics should be about real good, not feel-good. Better ethics requires harsh truths and forthright honesty. Because this is often lacking in CSR, it will require a little creative destruction of popular assumptions before we can start to build something better in its place.

1. There is no algorithm

This is my mantra, not just for ethics, but for just about anything that really matters in life. There is no formula for the happy marriage. There is no equation for justice. You cannot paint a masterpiece by numbers.

The allure of the algorithm for success is strong, and it is particularly seductive in ethics. When people think about morality, they tend to think about rules and principles. It seems to be of its very nature *nomic*, subject to regular laws. But this is an illusion.

First of all, virtually everything that looks like an absolute moral law turns out to be nothing more than a rule of thumb. Not even the Ten Commandments provide a basis for generating clear moral principles. "Thou shalt not kill", insists the fifth, but people do kill out of self-defence, in defence of others, or even just to eat. Even a commandment like "thou shalt not commit adultery" requires interpretation: are you being unfaithful if your spouse is in the late stages of dementia, or does not even bother trying to be faithful to you?

There are indeed several kinds of act that are so clearly wrong that prohibitions against them can be taken to be as good as absolute: torture or child abuse, for instance. But in the vast majority of cases, good ethics requires making a careful judgement based on the specific circumstances. What is a fair wage? What counts as unacceptable environmental damage? Where is the line between reasonable and unreasonable adjustments to accommodate the needs of colleagues with families? How much responsibility does a manufacturer of a potentially lethal good carry for its misuse?

Since there are no algorithms for such things, we cannot expect that having a rigid code of conduct or clear policies can leave the work of ethics done. Such documents may have a purpose, serving as over-arching reminders of general commitments and providers of rules of thumb.

But no corporate entity's ethics can be guaranteed by a document, however well it is written.

2. Ethics is not just morality

People often use the terms "ethics" and "morality" interchangeably. This is understandable, given that there is no one standard way of distinguishing the two, even in philosophy. But there is a clear enough difference, and it is one that matters.

Morality is essentially about our duties towards others. We are immoral when we cause others unjustified harm, physical or otherwise, to their interests. CSR is often thought about as though it were purely a matter of morality, in this sense. It concerns itself with the obligations the organisation has to its stakeholders and society at large. Policies aim at ensuring that it does not breach these, causing harm to others in the process of pursuing its own goals.

Ethics, however, goes somewhat broader and deeper. Ethics concerns itself with how we should live so that we, as well as others, can flourish. So, for example, it is an ethical, but not a moral, question how much you should work, how many friends you should have, how fit and healthy you keep yourself.

In virtually every great wisdom tradition, including the philosophy of Ancient Greece, ethics and morality were

seen as intimately linked. You cannot neatly separate how you treat others and how you nourish yourself. It is not that self-interest and altruism always coincide, but they do more than just intersect.

CSR is not truly about ethics if it treats the question of how to treat others separately from the question of what it means for the organisation to thrive. Everything has to be integrated. But as we will now see, this is not the same as the complacent assumption that good ethics is good business.

3. Good ethics is not always good business

By the end of this pamphlet I hope to persuade you that in a sense, good ethics is good business. But it would be disingenuous to pretend this means what most people would reasonably expect it to mean. When it is claimed that good ethics is good business, it is claimed that behaving well will help your bottom line and make your future profits more sustainable. To believe that this is always true would be wishful thinking.

Take as the most obvious example all those businesses who discover that what they sell is harmful. The only ethical course of action for the tobacco industry, for example, is to severely shrink, if not put itself out of business. The soft drink industry cannot both market its

products ethically and expect to maintain its current level of popularity. Of course, businesses do alter their offerings to try to adapt to developments in knowledge. But they rarely move as quickly as they would do if ethics were as much as or more of a priority than profits.

Robust ethics sometimes requires taking a financial hit. Forced between disruption to the summer collection and maintaining production in a dangerous garment factory, an ethical fashion house accepts the loss. Forced between a less profitable, humanely farmed meat product that consumers do not demand and a cheaper, intensively reared one that will sell quickly, the ethical restaurant cuts profits. This is not the kind of reassuring message CSR consultants are usually willing to give, pressured as they are to reassure organisations they can have their ethical cake and eat it too. But it is the truth.

In a strange way, these three negatives do add up to a positive. Once we accept that there is no algorithm, that ethics is broader than morality, and that good ethics is not always maximally profitable, we become ready to take the ethical challenge seriously. Free of false assumptions, we can work on becoming more deeply and truly ethical.

II. What is ethics?

I have defined ethics as flourishing: doing well ourselves and treating others well too. That is the headline, and while it would take too long to paint the full picture, we can sketch out in a little more detail the key components of what ethics really entails.

1. Prosperity

Because the idea of ethics has been overshadowed by an often austere Judaeo-Christian idea of morality, it might come as a pleasant surprise that living well does involve a degree of prosperity – at least for many of the ancient Greeks. Few ethicists advocate excess, but many, most notably Aristotle, believed that a flourishing life was one of good health, good food, and material comfort.

This does not of course mean that the wealthier we are, the better. Just because something is good, that does not mean more of it is better. More important still is the idea that prosperity is not an end in itself and is far from the only good. Still, the idea of robust ethics is clearly more attractive if it not only allows for but encourages the idea that your own prosperity does matter.

2. Process

For me, one of the most important things to remember about living well is that it is a verb, in the present continuous tense. Living well might involve goal-setting and plans, but in essence it is about how we live each day. Events like publishing a book, hitting a target, or securing a contract stand out, but what really makes our business worthwhile is writing the book, doing all the right things that meant the target was hit, delivering on the contract.

A good example of this is how teachers, consultants and therapists often feels when a client continually doesn't show up, but still pays. From a purely economic point of view this is a bonus: you get paid for not working! But actually most people are annoyed by this. They care about how they earn their money, not just that they get it.

Organisations easily become too result-focused and forget that they need to make working for and with them attractive if they are to succeed. More than this: success is in part running an organisation that people want to work for and with. An organisation where people come to work with enthusiasm is succeeding, while a demoralised workplace is failing, even if it manages to turn a profit at year's end.

The ethical dimension also has to be there in the daily business of everyone. Ethical behaviour should be a normal part of everyday working life, not something that

only comes into focus when a contract comes up for renewal or when inspecting a supplier. The good company lives its goodness every day.

3. Pro-social

Ethics is empty unless it contains within it the moral: our duties to others. An ethical organisation takes these responsibilities seriously, knowing that they vary according to the relationship we have with others. Ethics is not impersonal: We do not have the same duties to everyone.

Our strongest obligations are to those we work with, and with whom we are therefore mutually dependent. We must not only avoid harming our staff, contractors and clients, and everyone in our supply chains, we should also do all we reasonably can to make sure that as we prosper, so do they.

Our other strong obligation is not to harm anyone. (Of course doing a good job might take customers away from competitors but this cannot be counted as causing harm in the morally blameworthy sense.) Even if we do not think we have a duty to help the wider community, we do at least have a very strong duty not to harm it.

A good organisation will not forget its capacity to impact on the wider world even if it takes a limited view of its

social responsibility. This is often a matter of doing the simple things within our power, rather than going to extraordinary lengths. If we can easily turn a private resource into a public one, by making available an attractive open space, for example, then that is what a good organisation will do. If it can allow voluntary groups to make good use of surplus or leftovers, that also should be done.

Ethics is imprecise but it is not mysterious. Living well means prospering ourselves and contributing to the prosperity of those whose fates are tied up with our own. And prospering means living well from day to day, not just hitting targets and goals. Spelled out in this way, ethics shakes off its image as the moralistic nanny, holding us back in the name of goodness. It becomes what it should be, an attractive vision of a full life which takes us, and those who travel with us, higher.

III. What matters

It sounds easy to say that ethics is about prosperity, process and being pro-social. But how exactly do we achieve this virtuous trio? The history of philosophy is littered with attempts to identify the key to living well. All along, however, the secret has been that there is no *one* secret. The great moral philosophers have all identified important ingredients to living well. But they are just ingredients: unless they are combined they cannot provide us with all the moral sustenance we need. Although the list of things that help us to live better is unending, three key ingredients stand out: duty, consequences and character.

1. Duty

Living well requires us to fulfill our duties and obligations to others. Minimally, these are captured in versions of the "golden rule" which have emerged independently in all cultures: do unto others as you would be done by (Jesus), don't treat others in ways you would not wish to be treated (Confucius), act only on rules you could consistently make universal (Kant).

In addition to these universal, impersonal duties, we also have particular, personal ones between parent and child,

ruler and citizen, teacher and student, employer and employee.

Duties are often clear. Legal duties are precisely set out while other duties are generally well-established by convention. However, in a changing and global world, much of this clarity is being lost. Conventions are changing and often in conflict, not least because they vary across the world. It is tempting therefore to restrict our sense of duty to only that which is legally mandated. This narrowing, however, is not compatible with the aspiration to be fully ethical. This means the question of duty has to be one that we take responsibility for, not assuming that the law or social conventions have it covered.

For business in particular this is a challenge. The goalposts of responsibility are constantly moving. For decades, everyone accepted that Coca-cola made sugary drinks. Today, the company is said to have a duty to reduce the intake of what was the main ingredient in its product. Such cultural shifts are often unpredictable. In order to avoid being caught out by them, we all need to think carefully about what our duties and responsibilities are independently of current conventions.

2. Consequences

A dominant force in western moral philosophy has been utilitarianism: the view that right and wrong boil down to whether what we do has good or bad consequences. As a complete moral theory, this is insufficient: few would accept that the ends always justify the means.

Utilitarian thinking can also provide a convenient excuse for wrongdoing. It is easy to convince yourself that paying bribes is the price you pay for access to markets, or that refusing full worker rights in developing countries is better than not employing them at all, when in fact the choice is not either/or. “It’s all for the greater good” has been the excuse of tyrants throughout history.

Nonetheless, consequences are a vital part of the moral jigsaw. Like duties, consequences are often easy enough to identify and anticipate. An ethical organisation will analyse the consequences of its behaviour at every level: consequences for employees, the local community, wider society, the environment. It will grasp any opportunity to make these consequences better and try hard to ameliorate or completely eradicate any bad effects.

3. Character

It might look as though duties and consequences together cover everything that matters ethically. This would be a mistake. The problem is that although we can sit down and think about both these factors, and revise our practices accordingly, such an approach confines ethics to occasional monitoring and decision-making. Living well, however, is a matter of daily conduct. We cannot expect ourselves or our organisations to be ethical if ethics becomes something compartmentalised, restricted to audits and reviews. Ethics has to be embedded in our corporate practice.

How do we do this? A remarkably similar answer was given by two philosophers two and half thousand years ago, independently and thousands of miles apart. Aristotle and Confucius both understood that goodness is more a matter of character than rules and precepts. The good person does not have to consult the company's ethics policy before deciding whether to accept a bribe, to withhold crucial commercial information from a potential client, or to realise that all colleagues need to be treated with respect. Indeed, rules are useless unless the people following them are of good character, otherwise they become hoops to jump through or obstacles to get around.

Character was for many centuries the missing dimension in moral philosophy, and it is still not given pride of place

in corporate ethics. We need now to say more about what it is.

IV. What is character?

1. Habits

Aristotle and Confucius understood that to be good we had to practice good habits. By doing this we would build good character. Ethical training is like any other kind of training: you need to practice it daily so that it becomes second nature.

A good analogy is with diet and exercise. Some people go off for occasional detox weekends, but we know that this is no substitute for having a good daily eating and training routine. When it comes to ethics, however, we too often act as though the occasional "detox" – in the form of ethical audits and policy reviews – is enough. It isn't. Right conduct has to be embedded in our regular routines for it to really take root.

But how do we do this? Confucius emphasised the role of *li*, usually but somewhat misleadingly translated as "ritual". *Li* includes formal rituals but also etiquette and personal habits: anything that we do with deliberate repetition for the sake of cultivating virtue. Such practices have a "holographic" purpose: each small, individual act is meant to reflect and reinforce virtue in the whole. The corporate challenge is to find appropriate forms of *li* to promote. It's about embedding an ethical mindset, a

default way of approaching work where doing rights is an integral part of doing well.

2. Practical wisdom

Part of good character is developing the ability to make wise decisions, not just relying on rule books that only ever provide broad rules of thumb. Aristotle calls this ability *phronesis*, practical wisdom. Practical wisdom is not algorithmic but nor is to some kind of completely mysterious intuition. Those who have it will be able to explain why they make the choices they do in ways that account for the particularities of the case and not just generalities of principle.

Developing practical wisdom in corporate environments means developing individuals' capacity and authority to make decisions for themselves. The more routinised procedures are, the less scope there is for the practice and hence development of *phronesis*.

3. Deeds not words

Actions, not words, distinguish a person or corporate body as virtuous. The good person is thus an exemplar: not necessarily perfect but someone whose goodness is recognised and taken as a model for others. In an

important sense this reverses the usual idea that a good company must measure up against some kind of ethical yardstick. On the contrary, a good company must become itself a kind of yardstick against which others measure themselves.

An important feature of the moral exemplar is that their goodness is evident in what they do. If you have to look hard to see the goodness, there can't be enough of it there. Hence care must be taken not to judge ethical performance by audits and quantitative measures alone, but to stand back and ask honestly: can we see the good exhibited in everything we do?

V. Building a good business

A good business is a profitable one but it doesn't make the pursue of profit its sole goal. Some think this is absurdly idealistic but in fact this is as descriptive as it is prescriptive. There are whole industries people would avoid if their sole concern was profit – including the ones I work in: journalism, publishing, education. Yet people want to work in them and lead them. If profit were all that mattered we'd all be in the business of online pornography!

You know you have a good organisation when people want to work in it, with the people in it, and are pleased with what it achieves. Hence good corporate character is manifest in part by good corporate spirit.

How do you nurture this character? The question cannot be properly answered without understanding of the specifics of the organisation. In general terms, however, we can say that a good organisation

- Lives its values from top to bottom
- Promote good habits
- Cultivates practical wisdom

Afterword:

The role of the ethical consultant

A difficult issue that cannot go unmentioned concerns the practice rather than the principles of CSR. This is the problem of conflicts of interest. What corporate entities (including public bodies as well as businesses) need from ethicists is impartial, disinterested advice. They need challenge. But the CSR industry by its nature creates a convergence of interest between client and advisor.

This is largely because, unfortunately, the most disinterested and most rigorous ethicists are also usually the most uninterested ones. They do not pursue the corporate dollar but work away in libraries and seminar rooms. Unfortunately, those who set themselves up as CSR professionals are often undistinguished philosophically and have a strong interest in building a good client base. To do this they must to a large extent tell people what they want to hear, not what they ought to be told. Of course, most CSR professionals will say that they ask “uncomfortable questions” but the degree of discomfort cannot be too great, or else their contracts will soon be terminated. I’m not suggesting that people deliberately make their reports more palatable, but strong evidence from social psychology tells us that these pressures to please are very strong and often work unconsciously.

A better form of CSR would start from the principle that the ethicist's job is to speak truth to power. It is not to provide the advised with something that can be paraded as proof of virtue: it is to provide advice on how to be more virtuous. The corporate client must use this advice to take more responsibility, not to outsource it. This requires a certain distance between the ethicist and the corporate body. To be able to retain integrity and honesty, the ethicist must be able to speak openly and confidentially, leaving it to the corporate body to decide what to do on the basis of this. In no way should the services of the ethicist require certifying or vouching for the ethical credentials of the client: when the teacher has an interest in a student's good performance, the teacher cannot also be the examiner.

Contact

julian@julianbaggini.com

www.microphilosophy.net

