Can Ethics Drive Firms to Do the Right Thing if There Is No Business Case?

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Abstract

This paper examines whether ethics can drive good firm behavior even if no business case exists (i.e., good firm behavior will not improve financial performance). Using a version of the well-known Apple-Foxconn scenario as a test case, we first argue that the answer is no. Ethics cannot drive good firm behavior if no business case exists. This position relies upon agency theory grounded in Kantian and utilitarian ethics. We then pivot and explore arguments in favor of ethics driving good firm behavior even when no business case exists by considering moral permissibility, focusing on utilitarian, Kantian, and virtue ethics. Lastly, we examine a midway position, which rests upon the concept of moral motivation and the principle of 'ought implies can.' After laying out the different responses to the main research question, we propose paths for future research. Finally, we reformulate the main question to focus on the barriers that prevent firms from using their resources to behave ethically.

Introduction

In this paper, like the others in this special issue, we are faced with the tricky problem of transmuting what was originally a debate with audience members into an intellectual contribution that reflects a consensus position. In doing so, we have preserved the argumentative format of the original debate in the first two sections, which argue against, and then for, the possibility of ethics driving a firm to do the right thing when there is no business case for doing so. In the third section, we turn from argument to reconciliation, which contends that the question posed is fact-dependent and has no invariable answer. In the conclusion, we maintain that researchers should be less concerned with whether businesses make decisions based on the ethics or the business case and instead focus on why they do or do not use their resources to do the right thing.

To frame the question of whether ethics can drive firms to do the right thing, we introduce a well-known business ethics case concerning Apple's supply chain in Asia. Apple is an American multinational technology company that has made business deals with Foxconn, a Taiwanese multinational electronics manufacturing company, to manufacture Apple products. These business deals have been highly favorable to Apple: thin margins for Foxconn and high profits for Apple. Around 2010, a scandal arose concerning working conditions at a Foxconn manufacturing facility in Shenzhen, China, precipitated by several employee suicides.[1] The Foxconn facility manufactures many of Apple's products, including iPhones and iPads.

In part, as a result of the thin margins created by its deal-making with Apple, Foxconn imposed brutal working conditions on its employees: 12-hour shifts, six days a week; monitoring and controlling workers' every movement; corporal punishment; crowded dorm conditions; separating workers in their dorms from others hailing from the same geographic area; and prohibiting socialization among workers.[2] Such conditions have been evaluated as unethical by leading business ethicists in well-cited and widely taught articles.[3]

Because of Apple's power and size, the business case could not drive the company to negotiate a deal with Foxconn to treat workers ethically.[4] By 'business case,' we refer to the literature that justifies corporate social responsibility only in light of higher financial performance.[5] Apple had no business case to negotiate a deal that would allow Foxconn to treat workers ethically in three senses. First, Apple did not need to make concessions to Foxconn to secure the agreement. Foxconn was eager to gain the business of manufacturing Apple's products and willing to accept a thin profit margin to do so. Second, Foxconn's employees, many of whom hailed from areas of rural China and had few employment options beyond subsistence farming, were willing to accept difficult work at low wages. Hence, Foxconn could hire enough employees to execute the deal at the wages made possible by it. Third, Chinese laws permitted Foxconn to offer the demanding electronics-manufacturing work under conditions that business ethicists have shown to be unethical.

Given that the business case does not give Apple reason to intervene in Foxconn's practices (i.e., Apple will reap no financial benefit from intervening), we explore whether ethics can and should motivate Apple to 'do the right thing' and intervene anyway. First, we explore The Naysayer perspective by outlining arguments based on agency theory grounded in utilitarian and Kantian ethics. Then we present The Optimist's view, which relies on the distinction between moral duty and permissibility. We examine reasons to act grounded in utilitarian and Kantian ethics with this lens. We follow with The Centrist's arguments, which lie in the middle ground and focus on the role of moral motivations and distinctions between 'ought' and 'can.' Lastly, we consider the next steps for future research and propose a reformulation of the research question.

The Naysayer

Milton Friedman articulated a version of the naysayer argument when he famously held that the right thing for a business to do is to increase its profits. Friedman argues that companies should pursue business initiatives (i.e., do what the 'business case' recommends) and refrain from pursuing social initiatives (i.e., doing the 'right thing' when there is no business case). In terms of pursuing business initiatives, Friedman argues that businesses should strive to "make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom." In terms of avoiding social initiatives, Friedman argues that businesses should refrain from activities such as hiring the chronically unemployed over better qualified job candidates as a means of 'doing the right thing' by improving the welfare of those who are badly off. Friedman's view draws upon agency theory, which is supported by two ethical theories, utilitarianism and Kantian ethics. We discuss these arguments next.

Agency Theory

Agency theory is the view that corporate managers act as owners' agents, whereas owners are the corporation's principals.[6] On this view, managers are obliged to promote the owners' interests. They are not accountable for contributing to social initiatives like reducing poverty (unless the corporation's principals direct them to contribute to such initiatives). If managers do seek to contribute to social initiatives, Friedman argues that they become "civil servants" of the commonwealth rather than private employees and should, as such, be selected via a political process rather than at the behest of corporate principals.

Friedman argues that owners should *not* turn to a political process to select corporate managers or instruct managers to pursue social initiatives instead of profits. Members of a business are there to work cooperatively on a business enterprise, not a social endeavor. Instructing managers to pursue social initiatives, to which they have not consented, would undermine the idea of a "free society," on Friedman's view. In a free society, people consent to use the resources they control to support initiatives that they choose. Instructing corporate managers to pursue social rather than business initiatives undermine this idea of a free society.

Agency theory, however, is not a normative theory because it does not offer a theory of what makes actions good or bad, right, or wrong. While agency theory is not normative, it can draw normative support for its claims from utilitarianism and Kantian ethics. We discuss this normative support in the following two sections.

Utilitarianism

Utilitarianism is the view that 'good' actions are those that maximize overall utility.[7] Various utilitarian traditions define 'utility' in different terms such as happiness,[8,9] intrinsic value,[10] and profit maximization.[11] Based on the last definition, utilitarianism supports directing managers to pursue business rather than social, initiatives. Companies produce higher profits (or maximize utility) when managers seek business rather than social goals.

Friedman believes that any given corporate manager "is presumably an expert in running his company—in producing a product or selling it or financing it. But nothing about his selection makes him an expert on [reducing] inflation" or achieving other social initiatives. Corporate managers are thus well suited to seek business initiatives but poorly suited to achieve social ones. They are more likely to be successful at producing higher profits than engaging in social enterprises.

Producing maximal profits also creates the most resources. According to Friedman, those who earn profits are better able to pursue their aims, whatever those happen to be.[12] The people making profits include stockholders earning higher returns, employees earning higher wages, and customers saving money via lower prices. In addition to producing higher overall utility (understood as profit maximization), pursuing business rather than social initiatives also makes people more able to achieve their personal goals.

The Friedman-esque view of utilitarianism would defend Apple's profit-maximizing contract with Foxconn. Apple's available options include negotiating a profit-maximizing contract and negotiating a less favorable contract for itself. Because Foxconn employees do not work for Apple, paying

Foxconn employees higher wages is not up to Apple. Even if Apple pays Foxconn more, limiting the resources available to Apple shareholders, employees, and customers, there is no guarantee that Foxconn will use the additional money to increase salaries and improve working conditions. Producing company profits, by contrast, creates resources for Apple to spend in a utility-maximizing way, which is what utilitarianism would require Apple decision-makers to do.

Kantian Ethics

From a Kantian perspective, actions are 'right' when they "respect humanity" by refraining from using people as mere tools to benefit others.[13] According to this view, it is unethical for a corporation's owners to compel corporate managers to pursue initiatives, such as social initiatives, to which they have not consented. A Kantian would argue that doing so treats them like they are the mere tools of the corporation's owners rather than human beings who can make up their minds for themselves about what they choose to do. In the present context, corporate managers have decided to join business organizations to use their business acumen to pursue business initiatives.

Similarly, according to Kantian ethics, it is unethical for corporate managers to pursue social initiatives to which the corporation's owners have not consented. Friedman plausibly assumes that most people invest in a corporation to facilitate the corporation's business and profit goals. When corporate managers seek non-business ends with owners' capital, such as ethics-driven conceptions of what is the right thing to do, managers use shareholders as mere tools. As Friedman puts it, "The political principle that underlies the market mechanism is unanimity. In an ideal free market resting on private property, no individual can coerce others; all cooperation is voluntary, all parties to such cooperation benefit or they need not participate."

For example, in the Apple-Foxconn case, consider an Apple manager who decides to transfer the firm's capital, invested for business purposes and shareholder profit maximization, directly to Foxconn employees. Here, ethics drive the manager. Yet, it is unethical to treat shareholders like automated teller machines who serve the manager's objectives (no matter how well-intended or rightfully oriented). In this sense, it is unethical according to our Friedman-esque interpretation of Kantian ethics for businesses, to take actions for which there is a business case.

Conclusion

Thus, Friedman's view that the right thing for a business to do is to increase its profits (or, that ethics cannot drive firms to do the right thing when there is no business case) draws support from two ethical theories, utilitarianism and Kantian ethics. According to utilitarianism, it is ethical for profit maximization (i.e., the business case) to drive corporate decision-making. According to Kantian ethics, it is unethical for businesses to 'do the right thing' without a business case for it. Such actions violate agents' duty to principals to maximize shareholders' profits. In sum, our normative analysis of Friedman's famous argument offers reasonable grounds to conclude that ethics cannot drive firms to do the right thing when there is no business case for doing so.

The Optimist

This approach will highlight several features of the analysis that are pertinent to arguing that ethics can drive firms to do the right thing even when no business case exists. In this next section, we explore reasons why it is permissible under the business ethics theories of utilitarianism and deontology for managers to act on behalf of the firm by doing the right thing even though no business case exists. A key feature of the argument, which we address in the first part of this section, is that those who embrace the Friedmanite profit-maximization position explained and advocated in the last section are themselves permitted to oppose the actions of an ethically driven manager.

The Difference between a Right and a Permission

To begin, we distinguish between a moral right and moral permission, which is a critical aspect of the argument in favor of ethics driving good corporate behavior when no business case exists. The conceptual distinction between a right – which entails a duty on the part of others not to interfere – and a license or permission – which others may appropriately try to interfere with – has been well-recognized in law. Wesley Hohfeld's groundbreaking early twentieth-century work noted, among other things, that a legal permission by firms to act against labor unions did not logically entail a right on their part for courts to intervene on their behalf against unions, which had their own permission to act.[14] The crucial distinction between a permission and a right has not been widely recognized in business ethics. It should be, as this section will try to show. The distinction between a moral permission to act even when the business case does not call for it, which Apple's CEO Tim Cook has, and a moral right to have others acquiesce to one's action, which Cook does not have, is important in the present case.

As we will argue, under all major ethical approaches, Cook has a moral permission, or license, to use his power over Apple to act ethically, as he sees it,[15] even where there is no business case to do so. At the same time, there is a correlative moral permission to board members, shareholders, and others who believe differently, up to and including legislators and judges who exercise the power of the state, to attempt to prevent, reverse, or sanction Cook's exercise of his power. It is important to note that Cook does not have a moral right to act on behalf of Apple to uphold his version of ethics, which would imply a correlative binding duty on shareholders, judges, and others not to interfere with him.

To put the point about judges in practical terms: It is morally permissible for a court to follow the approach of the New Jersey Supreme Court in Smith v. Barlow,[16] (in which the Court upheld a charitable contribution by the firm to Princeton). The case emphasized the broad powers of modern corporations to act on behalf of social welfare and supports Apple taking a more generous policy towards its suppliers. Final decision-makers in a just system would have a moral permission, though not a duty, to dismiss a suit against Cook and the Apple board of directors if he paid Foxconn more. At the same time, it would also be morally permissible for a court to strike down the firm's ethically based action in response to a shareholder suit. In the countervailing case of Dodge v. Ford Motor,[17] the Michigan Supreme Court responded to Henry Ford's statements against his company's "awful profits" and his new policy of paying a much reduced, fixed dividend by ordering him to pay half the firm's cash surplus to shareholders. The decision supported Friedman's contention that managers are obliged to advance the interests of their shareholders.

If the Friedman position argued for in the last section were indeed entrenched in state corporate law, lower court judges, and arguably managers such as Cook, would be obliged to follow it. But it is not. The actual U.S. corporate law licenses broad managerial discretion under the business judgment rule[18] to act on behalf of ethics, with only occasional, rare interventions by courts against Ford and other managers. The recent statement by the Business Roundtable advances a stakeholder over a shareholder primacy approach to management.[19] It may or may not be a meaningful guide to what major corporations are doing. But with its pro-stakeholder position and its advocacy of "an economy that serves all Americans," it supports the proposition that top American executives, including Cook who signed the statement, do not see themselves as constrained by law and ethics to seek the lowest possible costs through offshoring to Foxconn and other suppliers. In a given case or as a general precept, they may choose to follow Friedman's profit maximization credo – but they rightly see themselves as not bound to do so.

Realistically, one would expect Cook to respond to the Foxconn situation by following the business case. Under a folk understanding of ethics as 'staying in your own lane' and doing what you know, we expect an experienced supply chain executive and CEO like Cook to follow standard cost-cutting precepts. Under the approach argued for here, it is not unethical for him to follow the business case. But his role also entails permission for him to override it. His job as a manager is not simply following the dictates of net present value maximization or obeying the commands of others. The relationship of a firm manager to stakeholders is not that of a technician to a policymaker or military leader to civilian authority. The technician must defer to the policymaker, and the warrior must fight or not according to civilian command. As CEO of Apple, Cook decides in consultation with others, but they do not command him. Accountable discretion, not a hierarchy in which he is subordinate, is the guiding lodestar of his role.

Utilitarianism and the Market Failure Approach

As the Naysayer argues, it is possible to advance a version of utilitarianism where firm profit maximization redounds to the benefit of society. This position would allow Cook to follow the business case. But, at the same time, utilitarianism licenses a decision to follow ethics rather than the business case. The naysayer's Friedman-esque arguments only consider Apple's moral obligations to stockholders, managers, employees, and the firm, not Foxconn's employees. Traditional utilitarianism opposes an egoistic calculation of results from the perspective of the firm or individual actors. Instead, it supports an overall weighing of consequences such as pleasure and pain in which everyone's welfare counts equally. Under such a weighing, the balance could easily tilt toward paying Foxconn more. That is especially so in the version of the doctrine associated with Jeremy Bentham, the founder of utilitarianism, who emphasized the diminishing marginal utility of income and argued that a given amount of money in the hands of a poor person produces more happiness than the same amount of money in the hands of a rich person.[20]

Joseph Heath's market failure approach offers another perspective on business ethics distinct from results-oriented utilitarianism or consequentialism. Heath's view tilts the balance of the Foxconn case in favor of overriding the business case and certainly licenses a decision to do so. Heath argues that managers should compete hard with other firms and promote shareholder welfare but also correct for market failure.[21] So, Apple's ability to pay Foxconn so little appears at least partly dependent upon market failures. Specifically, the coercive, physically punishing conditions under which the Foxconn workers toil seem to represent failures of the free exit and voice conditions for well-functioning markets. Correcting for those market failures by paying Foxconn more appears, at the very least, to be warranted under Heath's approach.

Kantian Ethics

Under the core Kantian precept of obedience to the moral law, managers have a duty to act on behalf of their firms. However, they also have an obligation to do so in a way that respects the humanity of Foxconn stakeholders. If Cook's deal with Foxconn results in the physical abuse of its workers, then Apple fails to respect the humanity of Foxconn employees. So, as a follower of Kant, Cook may pay Foxconn more. Here as before, the right-permission distinction is essential. The claim is not that Kantian doctrine mandates paying Foxconn more —instead, the claim is that there is a license in our situation to do so. Cook has permission but not a moral right, which means no correlative duties follow.

Cook might also be guided by economist David Rose's claim that the market economy depends on a sufficient number of people having a visceral, deontological, non-calculative rejection of cheating and other forms of opportunism.[22] He may reasonably understand Apple's low payments to Foxconn (and also to taxing authorities) as cheating. Feeling thus, he may pay Foxconn (and the tax authorities, too) more, subject to the usual proviso that those who see the situation differently may act to counter him.

Conclusion

Both utilitarianism and deontology would permit Cook to negotiate new contract terms that allow Foxconn to provide better working conditions. At the same time, members of Apple's board, shareholders, and others who disagree can counter Cook's actions. The key to understanding our case and understanding a range of similar issues involving management and the corporation's purpose, is recognizing the difference between a permission or license to act, which Cook and others in his position have, and a right not to be interfered with or opposed, which they do not have.

The Centrist

Perhaps the easiest, and in the end, the best, answer to the question, "Can ethics drive firms to do the right thing if there is no business case?" is "it depends." A "yes" or "no" answer invites counterexamples and risks shortchanging practical or ethical considerations. The "it depends" answer, on the other hand, makes an argument for a different question that avoids the false dilemma of choosing between the business case or the ethics case. Business researchers tend to circumvent the business versus ethics dilemma by grabbing its horns and arguing for both. In other words, they attempt to show that doing the right thing pays. In what follows, we discuss how the "it depends" answer enables us to pursue an ethical analysis that is sensitive to the business case considerations without being swallowed up by them.

Business *in*, not *and* Society

We teach courses and write for journals called "Business and Society" in business schools. The name is misleading since business is in society. It is ethically dangerous for a company to think it is separate from society's broader interests and concerns. David Barrett, the CEO of Expensify, offers a vivid example of what it means to regard business as *in* society. Before the 2020 Presidential election, Barrett emailed his clients and business associates urging them to vote for Joe Biden. Barrett anticipated the controversy and anger of some recipients by preempting their objections in his letter.

> "Q: What gives you the right to tell me what to do?
>
> The first amendment. To be clear, you don't need to listen. But the first amendment exists to encourage people like you and me to find some way to talk about the issues that matter, set aside our differences, and find common ground on which to collectively govern 331 million citizens. Yes, democratic self-rule can be inconvenient. But a burden of democracy is that this is literally our job, so I'm asking all of us to take it seriously.
>
> Q: But you're a company, shouldn't you remain neutral?
>
> Expensify depends on a functioning society and economy; not many expense reports get filed during a civil war. As CEO of this business, it's my job to plot a course through any storm -- and all evidence suggests that another 4 (or as Trump has hinted -- 8, or more?) years of Trump leadership will damage our democracy to such an extent, I'm obligated on behalf of shareholders to take any action I can to avoid it."[23]

Barrett combines the business case with his ethical obligations as a citizen in a democracy. He may have offended some stakeholders, but he seemed to think that his ethical obligation to speak out was more important. So, while corporations must maximize their profits, there are times when harm to society or individuals, as in the case of Foxconn, supersede that imperative.

Moral Motivation

The debate over the business case versus the ethics case requires us to reflect on what motivates people and organizations to do the right thing. Philosophers suggest two ways to think about moral motivation. The first is internal motivation, or the idea that moral judgments are self-motivating. For example, if it were the case that Tim Cook believes it is wrong for Apple to profit from overworked, suicidal Foxconn employees, he would act to mitigate the problem. However, if he thinks it is morally wrong but does nothing to change it, we may consider him a hypocrite, illogical, or evil. Philosophers call the second and more common moral motivation external motivation. When moral motivation is external, we do things contrary to our ethical beliefs for reasons related to the situation, other moral considerations, and our personality and desires.[24] Cook might believe Foxconn's treatment of its employees is unethical, but business and other external considerations compel him to ignore his moral convictions and do nothing. The reverse could also be true. Cook may be internally motivated by the Naysayer's Kantian and utilitarian obligations to maximize profits but externally motivated to do something because of public outrage over the Foxconn suicides. Does it matter if the moral motivation is rooted in a business or ethical case?

When a company appears to be motivated by the business case (i.e., they do the right thing or use CSR initiatives to increase profits), they risk alienating stakeholders and the public, who see it as self-interest disguised as ethics. Cynics believe that businesses only act on self-interest, not ethics. While this may be true, we should be beware of misguided moralism about business. In the Foxconn case, the utilitarian may decide that the best way to maximize profits is to help the workers and prevent losing business because of bad public relations. However, just because they act to protect their bottom line and public image does not make their behavior unethical. We risk raising the ethical bar too high for businesses by demanding morally pure motives. When the standards of ethical conduct are too high, people and organizations give up trying to reach them. It is like asking firms to base their actions on what the Kant called a good will, meaning that to be ethical, they should only act on moral principle, regardless of the consequences, such as losing money.[25]

The moral purist's view misses the point. Apple or any business may act self-interestedly when they engage in CSR or do the right thing. However, we should not overlook the fact that even if Apple was motivated to help Foxconn workers out of self-interest, they would still help the workers. So, from a utilitarian perspective, Apple pursues the greatest good for all stakeholders. From a Kantian one, Apple acts on a good will to fulfill its duties to maximize profits and prevent harm to others, as explained in the arguments of The Naysayer and The Optimist.

The utilitarian John Stuart Mill makes a distinction that helps us sort out cases where public relations, strategy, or profits are the motivators for doing the right thing. He says the ethics of an action depend on whether its ends serve the greatest good, regardless of the agent's intent.[26] Yet, suppose the motivation for doing the right thing in a particular case is a blatant attempt to improve a company's image or make more money. In that case, the motivation tells us about the leaders' or decision makers' ethics and values. As Mill notes, "the motive has nothing to do with the morality of the action, though much with the worth of the agent."[27] While businesses and corporations are legal entities, their moral agency comes from leaders and other decision-makers. Hence, from a utilitarian perspective, companies motivated by the business case may behave ethically, and those inspired by ethical concerns may behave unethically, depending on the outcome. Nonetheless, it is not easy to separate motives from consequences when it comes to ethics. If the business case is the only motivation for doing the right thing, its leaders and the business may appear to engage in social enterprises to gain publicity or exploit it to sell more products, which is why internal moral motivation also matters.

Ought Implies Can

Earlier, the Optimist said that business leaders like Cook have moral right or moral permission, to use their power to take ethical action. Philosopher Peter Singer takes goes beyond this view. He argues that we all have a purely ethical obligation to aid those less fortunate. He takes the internal moral motivation argument a step further. He says if you're living comfortably and other people are hungry or dying from easily preventable diseases, and you do nothing, there is "something wrong with you"[28] and amiss about your basic humanity. The same is true on a business level. Suppose a highly profitable organization does nothing when they discover that their profits rest on the backs of overworked and suicidal workers, as in the Apple scenario. Singer would conclude there is something wrong with the business and its leadership. The behavior is more than unethical; it is inhumane and repugnant.

According to Singer, the obligation to assist assumes that individuals have the power and resources to help without sacrificing anything of comparable moral worth. Ethics usually does not require us to aid others by harming ourselves. A struggling company should not spend its money on the community if doing so puts its employees out of work. Kant takes a common-sense position on this, often summed up by the phrase 'ought implies can.' A person who cannot swim is not obligated to jump into a pool to save a drowning child; however, she is obliged to do what she can. The choice between the business case and the ethics case for social initiatives depends on what the firm is able do without harming itself. The catch is that businesses sometimes lack the will or moral imagination to think about what they can do to aid others or do the right thing. Business ethics and business ethics courses can help in that regard—or so we hope.

Can Implies Ought

Singer's argument about the obligation to give aid is relevant to business because companies often possess the resources and know-how to help others. When Merck scientists discovered Mectizan, a drug that would cure river blindness, they realized that their potential customers could not buy it because they were among the poorest in the world. Merck's CEO, Roy Vagelos, and Merck's leadership team decided to donate the drug instead. Their ability to do something good for others in need motivated them. In this case, can implied ought.[29] According to Singer, there would be something wrong with a company that could cure a debilitating disease and did not feel obliged to get it to the afflicted.

Merck's drug donation also demonstrates that when a business does the right thing, aids others, or engages in CSR, it can take industry leadership and raise the standard of behavior for other companies. After Merck's initiative, Glaxo, Dupont, American Cyanamid, and others made similar types of donations.[30] They may have done so with a good will, they may have been primarily motivated by the business case, or perhaps they did not want to look bad in comparison to others in the industry. Whatever their reasons, they helped those in need.

Conclusion

The centrist position takes seriously the Naysayer's obligation to make profits and the other moral obligations of businesses. Profits and ethics do not have to be an either-or proposition. What motivates a company to do the right thing depends on its resources, imagination, and ability to act effectively. Ethics requires businesses and individuals to do the right thing when possible because 'ought implies can.' 'Can' suggests a question that we might answer with empirical research. So next, we offer suggestions on how to explore it.

Future Research

To make progress in determining whether ethics can drive good firm behavior even if no business case exists, we recommend assessing what the 'business case' entails from the perspective of businesspeople as a starting point. Next, we recommend identifying the tipping point where ethics outweighs financial considerations in managers' minds and systematically examine past business decisions motivated by ethics rather than economic outcomes, especially those where firms chose financial bankruptcy over moral bankruptcy.

The Business Case and Ethics

The initial question, "Can ethics drive businesses to do the right thing when no business case exists?" assumed that ethical decisions are separable from decisions related to the business case. Our Naysayer analysis explained how the distinction between ethics and the business case might not exist because upholding financial duties (i.e., the business case) could be considered ethical according to some philosophical traditions. We did not, however, consider precisely what the business case entails. What if the business case is more than financial goals? Here we probe how interpretations of the business case itself expand to include more than financial considerations.

The Nature of the Business Case

Do managers believe the business case only encompasses profit maximization, or do they think the business case includes a broader set of considerations such as societal impact? This is an empirical question that researchers can gauge through interviews with managers. Recent trends suggest that the conceptualization of the business case is expanding to include stakeholder interests and ethical concepts. As mentioned in The Optimist's arguments, the Business Roundtable acknowledges that stakeholder, not shareholder, management is the dominant paradigm. This perspective suggests firms judge success by considering the well-being of others, not solely the financial well-being of their shareholders.

Even if we narrowly focus on satisfying the interests of shareholders, the rapid growth of socially responsible investing[31] suggests that shareholders want societal interests included in the business case. We expect this trend to increase because the two youngest generations in the workforce possess high expectations regarding corporate social responsibility.[32] The rise in socially responsible investing, in turn, has created a demand for corporate social responsibility reporting. Recent reporting trends show that the business case is shifting towards firm performance that extends beyond financial profitability. For example, some firms have started publishing integrated annual reports in which social responsibility reporting occurs alongside standard financial annual statements, thereby elevating the importance of social responsibility data to that of financial data.[33] In the summer of 2021, we also saw shareholders demanding more reporting on a broader range of topics, including more meaningful data related to firms' diversity, equity, and inclusion initiatives.[34]

Tipping Point

Throughout this article, we made distinctions that rely upon managers' perceptions of their priorities. Future research should explore how managers assess when an action shifts from permissible to required. We consider this a tipping point when ethical action shifts from voluntary to mandatory. It would be necessary to empirically examine if the size or nature of the ethical violation tips the scale. Many types of ethical violations may occur (employee safety risks, environmental damage, product flaws, etc.), and these violations may range in severity. If these attributes of an ethical violation matter for deciding what action is required, then focus should be given to ensuring managers accurately assess these aspects of a business decision. Are the Foxconn employee suicides enough to trigger an action that favors ethics over profits? If a trade-off exists between ethics and the business case, at what point do managers feel like they *must* respond, and how can organizations better calibrate managers' sense of the tipping point?

Moral versus Financial Bankruptcy

In a related vein, is there a tipping point for ethical infractions such that certain types of ethical violations are never acceptable, no matter how dire the financial repercussions? We can imagine circumstances where firm leaders cannot tolerate anything but the moral choice, even if it means the firm will suffer financially or even fail. When financial viability is in opposition to ethical behavior, looking at the extremes is one way to study whether ethics can drive good firm behavior even if no business case exists.

Researchers could start by studying successful and unsuccessful firms along different dimensions (e.g., morally successful, financially successful). Importantly, researchers should focus on firms that went bankrupt because they were not willing to cross moral boundaries (e.g., employing sweatshop labor or engaging in environmentally dubious production practices) to remain financially viable. We might compare these cases to firms that chose ethically questionable practices to stay financially viable (i.e., went morally bankrupt). For example, we could compare a firm committed to certain production practices (e.g., no environmental footprint) over financial success to one that chose to lose environmental certification or weaken its sustainability commitments to pursue profits. Examining firms that have picked financial bankruptcy over moral bankruptcy is a fruitful way to understand if ethics can drive good firm behavior even if no business case exists.

The New Research Question

In our final section, we ask the question that we believe is more relevant to this discussion. We believe that "Can ethics drive firms to do the right thing if there is no business case?" is not the best question to pose to managers and students. Rather than create a largely false dichotomy between the ethics case and the business case, it would make more sense to ask, "Why don't firms use their resources in a particular case to do the right thing or help others do so?" Answering this question teases out the limiting business conditions for doing the right thing. Is it the case that a firm does not know how to help, or cannot afford to help, or the facts do not make a compelling case for ethics-based activism? Our question also highlights the limiting ethical conditions. These may include a paucity of moral commitment and moral imagination, or perhaps the business and its leaders just do not care. In highlighting these limiting conditions, the new research question also offers resources to begin to overcome them.

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Endnotes

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