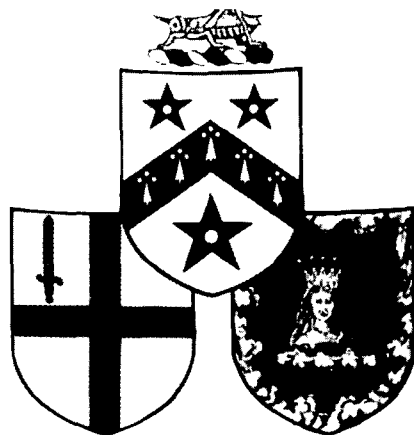


G R E S H A M *COLLEGE*



BUSINESS AND SOCIAL RESPONSIBILITY

Three lectures given by

THE REV. DR. PROFESSOR JACK MAHONEY SJ MA DD FRSA
Mercers' School Memorial Professor of Commerce

Lecture 1 - 19 April 1989
THE ROLE OF BUSINESS IN SOCIETY

Lecture 2 - 14 June 1989
BUSINESS, THE LAW, AND ETHICS

Lecture 3 - 11 October 1989
BUSINESS AS A PROFESSION

GRESHAM COLLEGE

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THREE PUBLIC LECTURES

BUSINESS AND SOCIAL RESPONSIBILITY

by

The Revd Professor
Jack Mahoney SJ MA DD FRSA

Mercers' School Memorial Professor
of Commerce at Gresham College

delivered at the Parish Church of
St Edmund the King
Lombard St London EC3

April - October 1989

- I. The Role of Business in Society
 - II. Business, the Law, and Ethics
 - III. Business as a Profession
-

I

The Role of Business in Society

This week's *Economist* (15 April) has a leading editorial entitled 'Backlash against Business' which I find strange, to say the least. Its thesis, in the opening paragraph, is as follows:

'In one country after another over the past 15 years, business has been admired, feted, given its head by politicians and public desperate for a prosperous way out of the complexities of oil shocks, inflation and unemployment. That mood will soon change. During the 1990s the business ethic is going to be questioned, criticised, sometimes even vilified.'

The editorial goes on to offer what it terms 'just straws in the wind, not solid evidence' for a coming unpopularity of business. But is its main contention true, that in Britain, for example, business has been admired, feted, given its head for the past fifteen years by the politicians and the public? It has been scolded, cajoled, picked up and dusted down, even wooed, by ten years of a Conservative administration - though if wooing is the right term, it seems

rather like what Scots mindful of Henry VIII's overtures to Scotland would call a 'rough wooing'! By the same token, 'admired and feted' by the great British public seems a strange reading of the vagaries of British business history from 1974 to the present.

Even more, however, to opine that now, by contrast, business had better watch out for a 'backlash' which is going to come in the 1990s when its conduct is going on ethical grounds to be 'questioned, criticised, sometimes even vilified' shows an equally strange disregard for recent history, and for the ethical pressures under which business is currently being conducted, pressures not only from the general public but also from within its own ranks. No doubt those pressures are already tightening and will probably intensify in the years ahead. But I can only conclude that on this occasion at least *The Economist* displays a strange blindness to the build-up in the social responsibility movement which has been affecting American business for the past twenty years and Britain for about the past seven; and that its scare tactics for an imaginary future will have little constructive effect.

I have begun with this topical comment because the overall theme which I have chosen for this series of three public lectures as Mercers' School Memorial Professor of Commerce at Gresham College is *Business and Social Responsibility*. And this first lecture is aimed at considering the Role of Business in Society. There is no need to stress or to chronicle here how society, and business itself, have become increasingly aware of the enormous and expanding power of modern business for good or ill, and of its corresponding social responsibilities in the exercise of that power. In my Gresham lectures last June, addressing the tension *Business and Ethics: Oil and Water?* I explored the history of recent events and movements which have resulted in the current acceptance by all the ethically sensitive sectors of the business community that the relationship between business and society is a reciprocal one, sometimes of mutual interests, sometimes of differing but complementary interests, and sometimes of quite distinct interests which need not, however, and should not, find themselves in stark opposition.

Overloading the system?

Given, however, that business does have a social responsibility, questions inevitably arise as to how this works out in practice and how its specific responsibilities at any given time and place are to be identified. There is much talk these days, for example, of human rights. But there is also a growing impatience on the part of some observers with the way in which claimed human rights have increased and multiplied in society, to include comparatively trivial matters such as rest breaks, or profoundly serious but misguided matters such as, in my view, euthanasia, or abortion. There is a danger of the language of rights being devalued through ethical inflation, or of their claim-value upon others being overloaded.

I wonder if the same might not apply to the social expectations of business? That is, given that business does have social responsibilities, whether its circuit of resources and goodwill is not in danger of being overloaded, even to the point of a complete blow-out of the whole system, and the extinction of whatever social enlightenment it does currently carry? A book which has appeared in the last few days appears to be making this sort of point.

Its author is Charles Handy, the well-known writer on management, well-known, that is, for both his progressive ideas and his hardheaded scrutiny of them. He has provocatively entitled his latest book *The Age of Unreason* (Hutchinson 1989). He is not, however, suggesting that we are approaching, or have entered upon, a time of chaos and irration-

ality. His thesis is that our social future, which is already pressing upon us, is so open, unpredictable, and above all discontinuous, that what we have traditionally taken for granted as the 'reasonable' course of action in so many areas of life, including business, demands radical re-examination. Professor Handy takes his title from George Bernard Shaw's observation that all progress depends on the unreasonable man who persists in adapting the world to himself, rather than upon the man who 'reasonably' adapts himself to the world. Handy's study, then, is not really an advocacy of unreason in the normal sense of the term, but more profoundly a radical and imaginative application of our reasoning capacity to traditional and conventional strategies for living in the light of increasingly discontinuous change.

I have elaborated Charles Handy's thesis here because I shall return to it later. For my present purpose, however, I wish only to draw attention to his remarks about the current social expectations of business, since they appear to illustrate my suggestion that perhaps there are today not only great social expectations of business, but too great expectations. He writes,

'It has been made increasingly, in Britain at least, that it is the organization's job to deliver; it is not its job to be everyone's alternative community, providing meaning and work for all for life; nor is its job to be another arm of the state, collecting its taxes, paying the pensions, employing the handicapped and the disadvantaged, administering an implicit incomes policy or collaborating with an exchange rate policy. They have been very convenient, these employment organizations, as the delivery instruments of government policy but now that they employ, full-time, an ever-decreasing percentage of society's adults they have become less useful. The alternative community idea has also got in the way, some people believe, of the organization's proper job which is to deliver quality goods and services to their customers. "My social objectives add five per cent to my costs", one chief executive said to me recently, complainingly' (p 71).

'Good ethics good business'?

'My social objectives add five per cent to my costs.' Does this mean that ethics is costly for business? That there is a price to be paid for being ethical or socially responsible in business? If this is the case, then it runs counter to a groundswell of opinion within the business community that good ethics is good business, which I now wish to consider, both

for its accuracy and for its implications for business ethics.

For instance, the Chairman of the United States Securities and Exchange Commission, Mr John Shad, who made headlines two years ago as prime donor and founder of a \$30-million programme for a Harvard Business School programme on business ethics, was quoted on that occasion as saying, 'I believe ethics pays, that it's smart to be ethical'. I suppose one rejoinder is, that if it's so smart to be ethical, why sink \$30-million dollars into persuading business people to *be* ethical! But Mr Shad is not alone. Around the same time, the New York Business Roundtable produced a report on ethical conduct in business which it winningly entitled *Corporate Ethics: a Prime Business Asset*. There is no doubt, then, that in the United States the view is growing and is being urged that good ethics is a winning strategy in business. This could be because it is true, or because it is a strong incentive to make companies take up and apply ethics seriously in their philosophy and practice. For pragmatism is a powerful American characteristic in all walks of life, including philosophy.

Ethical investing

Perhaps, however, the most noteworthy social indicator of the view that good ethics is good business is to be found in the whole ethical investment movement which has grown recently in the United States and is becoming increasingly popular here in Britain. Recently the *MoneySpinner* programme on ITV's Channel 4 (18 April) recorded a growing number of ethical investment trusts in Britain (some 13 to date), and also noted that as a whole they do not suffer by comparison with other unit trusts, and even in some cases do marginally better.

Such a view confirms the conclusions of the American do-it-yourself study, *Ethical Investing*, which appeared recently (Addison-Wesley 1986), and which is subtitled prominently on the front cover, 'How to Make Profitable Investments Without Sacrificing Your Principles'. From their findings the authors Domini and Kinder claim that 'Investors who apply their ethical criteria to investments are more successful than those who do not'. Such a policy of ethical investing, then, they view as an exercise in what they call 'benevolent self-interest'. The phrase appears an appropriate summing-up also of the *MoneySpinner* programme and of Mr James Shad's views; but it is also one which can elicit a disturbed question, 'If it's self-interested, can it be ethical?'

Of course, the pursuit of ethical investment can take one of three forms, which could conveniently be called Avoidance, Reform, and Reinforcement. The Avoidance approach expresses a personal desire not to profit from business activities of which one ethically disapproves, and a social desire not to give financial support to companies engaged in such activities. The activities in question may be certain products, such as alcohol or cosmetics or nuclear energy, or the provision of otherwise unobjectionable goods or services in certain circumstances, such as those involving South Africa or some South American countries.

When avoidance takes the form not just of refusing to invest in certain companies, but of actively divesting from them, it can begin to shade into the Reform attitude to ethical investment. The point here is to draw public attention to the reasons for one's ethically motivated actions and thus to attempt to exert some measure of social pressure, akin to the occasional boycott movements which make a point out of not buying various foodstuffs from certain companies or countries. Reform has also taken a more activist and concerted approach, however, when individuals or groups either stay with, or buy into, companies of whose social performance they disapprove, and actively campaign through shareholder power and pressure to reform their policies. It was, for instance, out of such campaigns that in 1977 the Sullivan Code laying down principles to govern trading with South Africa was formulated by General Motors at the instigation of the black Philadelphia minister and director of GM who gave his name to the Code.

Does such reform-motivated ethical investment pay, so far as the investor is concerned? On the face of it, it would appear not. Part of the purpose is to expose a company to social criticism and disapproval. If it is successful, presumably a change of heart will prove costly to a company which has been resisting it for invariably financial reasons, whatever its declared reasons may be. And if any attempt at reform is unsuccessful, and the adverse publicity does no harm to the company, then the ethical investor is left with a dilemma about what to do with the profits accruing to him or her from business conduct of which he strongly disapproves.

It is, however, the third expression of ethical investing which can make most claim to be financially successful for those involved, the one which I have called the Reinforcement form. This is the approach which seeks out and positively approves of certain business activities, and invests in them in order to encourage and promote them. Companies whose products or services are perceived as en-

hancing the quality of life (as defined, of course, by the investor) are actively supported. This today encompasses the whole range of 'green issues', as they grow in number and gather increasing momentum and popularity.

If it is such ethical investing which pays off, it is not clear why this should be so. For one thing, it may be financially profitable either because the value of shares rises to reflect the seal of social approval on the company's activities, or because of increased sales, profits and returns on investment, or both. Or it may be a difference in the quality of management in such companies, as showing more enterprise and imaginative initiative than others. Whatever be the reason, however, the corollary of the contention that ethical investing, at least in its reinforcement mode, is profitable to the investor must be that ethically run companies do better than those which are not run ethically, that benevolence can be self-interested, in the phrase of Domini and Kinder, or that, in the words of Mr James Shad, it's smart to be ethical.

In one sense, of course, such a contention is only institutionalising the wise saw that 'honesty is the best policy'. In another sense, it is expressing traditional views on the importance of the Company Image for a business's profitability. If it is true, however, that in business honesty is the best, or most profitable, policy, this calls for two reflections, one to do with business and the other to do with ethics. As a business truth it must be a long-term one rather than a short-term consideration. If I am running a series of fly-by-night mail-order rip-offs, or selling pigeons to the gullible on a sunny afternoon just off Trafalgar Square, then long-term considerations of an ethical kind can scarcely be considered a winning strategy in those sorts of business. It is only if I or my company hope to be around for some considerable time, or if I want to be able to withstand scrutiny, either from the public or from the law or from potential customers or shareholders, that ethics can be called a winning strategy in terms of increased sales and profits. And then it quite possibly is.

On the other hand, if honesty or good ethics is considered good business this is where some moralists would experience disquiet, and express misgivings about motivation. Is one being honest, or fair, or ethical in general, *simply in order* to succeed in business? And if so, can one then be properly be called ethical? For there is such a thing as doing the right thing for a bad or questionable motive. Some years ago the fashion developed for notices to appear in *The Times* around Christmas that Mr and Mrs XY would not be sending cards this year

but would be making a donation to some charity or other. What, one asked, was the point of making such a public announcement? It came to an end, however, when one morning a notice appeared to the effect that Mr AB *would* be sending cards this year, and would *also* be making a donation to Oxfam! Perhaps T S Eliot was correct even for business transactions, when he wrote in *Murder in the Cathedral* that

'The last temptation is the greatest treason:
To do the right deed for the wrong reason'?

Mixed motives

Perhaps, however, it is possible to be too purist in ethical matters. The view that one should always do one's duty irrespective of the consequences was an ethical doctrine powerfully propounded by the eighteenth-century German philosopher Immanuel Kant, and it has continued to exert a strong attraction for certain types of temperament, as well as for some religious traditions. This is not the occasion for a philosophical seminar, so let me say simply that in my view such a forthright ethical maxim does not do justice to the common human experience of mixed motives, or of having several reasons for taking a particular line of ethical action. Kant wanted to distinguish strictly between ethics and what he called prudence. But what is wrong, for example, with a company's deciding to pay to the victims of an accident for which it was responsible compensation on more favourable terms than those decided at law, which may be regarded by the media and the public as inadequate? It may do so on ethical grounds, while also being fully aware of the goodwill this will generate among its present and potential customers?

There may be an instructive parallel in the sometimes subtle difference for a company between advertising and sponsorship. What difference is there between, say, the obvious perimeter advertising at a football ground when it is known the match is going to be televised, and a company's giving its support and name as sponsor of a league cup or a test match, or getting a mention in the programme of an operatic production at Covent Garden? Presumably it is not simply the question of taste, when sports players are fast becoming animated billboards, and at least the cast at Covent Garden do not yet wear a company logo on their costume. There is presumably an altruistic as well as a self-interested aspect to sponsorship, as distinct from advertising. And it does not seem morally mandatory that whatever good one does should always and invariably be done by stealth.

In the case of commercial sponsorship the financing of some event or activity which is acknowledged

as being socially desirable in its own right thus has a certain 'spin-off' advantage for the sponsoring body, at least in terms of public esteem. And the same can be said of various expressions of more direct social involvement on the part of business.

Various projects of urban regeneration, training schemes, and the like, are not instances of pure altruism on the part of the business community. In addition to whatever these contribute to the local and general welfare, they are also inevitably something of an investment on the part of business in terms of future markets, work force and increased affluence.

The acid test

In other words, business appears no different in principle from the rest of life, and business people are no different from the rest of humanity, when it comes to the phenomenon and experience of frequently having several reasons for choosing certain lines of action. To acknowledge mixed motives, then, is only realistic. But if so, the acid ethical test may then be which of our several possible reasons for acting is the predominant one, and which of our various motives do we consider indispensable, so that without it we would not choose to act in that way.

This I think lays bare what I consider the major danger in holding simply that good ethics is good business. What about the occasions when it may not be a winning strategy? Or at least when following the ethical line may incur the serious risk that it will be damaging to the bottom line? This may be the crucial factor in a company's genuinely embracing ethical standards. For if it determines to be ethical in all its dealings, except on those occasions when doing so is prejudicial to its profitability, then whatever its public protestations, its actual attitude is to subordinate ethics to profits. It was presumably this sort of consideration which led a nineteenth-century Archbishop of Dublin to observe that 'honesty is the best policy; but he who is governed by that maxim is not an honest man'. Or in more popular terms, as Groucho Marx is reported to have observed, 'The secret of life is honesty and fair dealing. If you can fake that, you've got it made!'

I would conclude, then, that it is potentially misleading to consider good ethics good business. In some respects, and in the long term, it may well be. But how long is the long term? Two contemporary issues which may well show up the bankruptcy of profit-driven ethics are to be found in the current EEC insistence on the fitting of catalytic converters to cars in Britain, and the tragic loss of almost a

hundred human lives in the recent Hillsborough football disaster.

The resistance of some British car manufacturers to moves in the European Parliament to regulate the exhaust emission from cars under 1400cc is based on the estimate that the fitting of filters to soak up engine gases would raise car prices by something like £600. It is difficult to consider this objection entirely an altruistic one argued solely in the interests of car-purchasers, and it would inevitably result in a loss of sales and profits. If the environmental factor is considered an ethical argument, however, in terms of significantly decreasing the emission of noxious fumes into the atmosphere, how long would it take car manufacturers to recoup not only their lost sales but also their investment in adjusting their products to new European regulations?

Again, whatever conclusions are arrived at by the public enquiry into the Sheffield football disaster, and however many the contributory factors may have been, one aspect of the tragedy appears clear. It would probably not have happened had the match been played at an all-seater stadium. Not only have the present congested terrace arrangements given the appearance at moments of excitement of fields of hay swaying in the wind. They have also contributed to turning rivalry into tribal warfare. And they have been a potential death trap for years. Yet major football clubs have equally for years resisted improving ground safety by introducing all-seat accommodation, partly on the pretext that 'the fans don't want it' but largely, one cannot avoid thinking, because it would result in a massive financial expense compounded by up to a 50 per cent loss in gate receipts. As Robert Kilroy-Silk commented in *The Times* (21 April), 'Money, not sensitivity for supporters' idiosyncracies, was the determining factor'.

And that raises the question, if ethics is not after necessarily or inevitably good business, what then is its point in business? Many considerations can be proposed in response. One is that the ethical conduct of business brings its own kind of satisfaction, making doing business a genuine pleasure to all involved. Personal integrity in management and personnel, and the special peace of mind which goes with being able to live with one's own conscience - these for many people are much more important in their lives than making a dishonest profit or becoming more and more entangled in a web of deceit. In this sense, it seems true that virtue is its own reward, and that being moral in business is even worth paying for, in terms of possible lost opportunities or at the price of deferred profits.

Rather than ethics being judged a winning strategy, then, it should be viewed more as a critical question to be addressed to all other candidates for that title.

The social dimension

But the final answer to the question, why be ethical in business, raises a deeper issue about why anyone engages in business at all. Obvious answers to this fundamental question include making a living, exercising one's talents, and getting enjoyment and satisfaction out of a job well and successfully tackled, often in concert with others. Alongside these reasons, however, is also for many people the wish to pull their weight in society and to provide a service to the community. This, after all, is perhaps the ultimate dehumanising feature of finding oneself unemployed, apart from its economic consequences, that one is bereft of any sense of having a contribution to make in society or of being of value to the community of one's fellow human beings.

And this sense of social worth, or of good citizenship in its broadest aspects, brings us back to the question with which I began. Given that business men and women as individuals and collectively in the business enterprise have social responsibilities, how precisely are these to be identified in the concrete and in given circumstances, not only for individuals but also for companies and corporations?

If we have eliminated out as the *primary* criterion of choice that of what is also profitable for business, as I have attempted to do, then perhaps a further refinement can be introduced in terms of the standard ethical distinction between the contrasting principles of non-maleficence and beneficence. Surely the minimum in social responsibility for business must be what is also the maxim of the medical profession, *primum non nocere*, above all do no harm.

Even here, of course, a further distinction calls to be made, between on the one hand the deliberate inflicting of harm on others through callousness or sheer indifference to their wellbeing, and on the other hand what could be termed 'collateral harm', or the harmful side-effects of an action which in itself is ethically justifiable and also has ethically good, or beneficent, consequences. I suppose the outstanding recurring instance of this dilemma is the unavoidable laying-off of staff in the interests of the survival of a company and of its remaining workforce. To practical ethicists it is a familiar problem, to which they have traditionally applied 'the Principle of Double Effect'; that is, realistically accepting the fact that most right ethical actions have some undesirable spin-off, and attempting to assess when the undesirable becomes ethically un-

acceptable, or at least trying to mitigate the harmful side-effects.

To avoid unjustifiable harm, then, must be a prime social responsibility of business, about which there can be little debate. It is when one turns to the more positive principle of beneficence, that is, of actively doing good, that the debate for business must lie. Some would take a very restricted approach to this, and in this context reference is invariably made to the principle of Milton Friedman, as expressed in the title of a famous article, that 'the social responsibility of business is to increase its profits'. It might appear, in fact, that Professor Handy is moving in that direction when he stresses, as we have seen, that 'it is the organization's job to deliver', rather than to offer an alternative meaningful community to its members or to be an agent for implementing the government's social policy.

Possibly, however, the general thesis of Handy's latest book is pointing in a different direction. His main point appears to be, not that business ought not to be performing these wider human and social functions, but that it is fast becoming incapable of acting in this way. As he explains, the reason why businesses can no longer undertake such functions is because now 'they employ, full-time, an ever-decreasing percentage of society's adults', with the result that society and the state must make alternative arrangements and not overload a slimmed-down business with such great human and social expectations.

If that be so, then perhaps at the same time it serves to identify what may be the major social contribution of business for the future, in addition to its non-maleficently getting on with its job and without prejudice to that primary function of business in society. Whether it like it or not, business today is an important social agent in society. Like the state, the educational system, and (once?) the churches, its social influence is pervasive and incalculable. And if we are on the verge of incalculable and unforeseeable social changes, calling for imaginative reassessment of work and life patterns, this will certainly affect business and its bottom line, as Handy observes it is already doing. But if business itself adapts and moves forward creatively into what Professor Handy terms 'the age of unreason', then it could act as a pioneer for society at large, positively accepting change while softening its undesirable impact, and seeing itself as perhaps the most dynamic agent for social change - in its own interests interlinked with those of society.

Such might be the best future role for business in society and its most crucial positive social responsi-

bility for the 1990s. It is not, then, a question of business's choosing as its motto, 'What's good for General Motors is good for society', with its at best paternalistic overtones. Nor is it a question of submerging business in social goals on the principle whose ethical ambiguity we have examined, that 'what's good for society is good for business'. What seems more called for realistically is not a motto but a question which recognises the symbiosis between society and business, 'What is good for both business and society?'

II

Business, the Law, and Ethics

In my first lecture in this series of Gresham Lectures on *Business and Social Responsibility*, I considered in general The Role of Business in Society. In this lecture what I propose to address is the more specific question of whether, and if so, how, society should attempt to regulate the activities of business in its midst.

Law and the individual

Let me begin with the question, Why is government regulation of business in Britain regarded on the whole with hostility in many quarters in the business community? I suggest there are two basic answers to the question, the first of which is that any outside regulation of business is considered harmful to the free play of market forces. If one subscribes to the creed proposed by Adam Smith, the purpose of government is to maximise the freedom of business transactions, and to favour free competition in a free market. Then if everyone is allowed to pursue their own individual interest in as untrammelled a manner as possible this will in due course, by the working of some 'hidden hand', result in the general welfare being secured. In other words, the pursuit of personal gain will balance out to the general good.

Added to this positive consideration, those who oppose government control of market forces point to the sorry effects of such state intervention in those countries in which it has been systematically practised - the USSR, Poland, and Eastern Europe in general; countries, moreover, which, now that 'Socialism has failed', are endeavouring to introduce a more liberal attitude to capitalism and the free market economy. The conclusion is that when government does intervene it upsets the delicate equilibrium of demand and supply - and all the more so when it does not possess full knowledge of

the facts and the complexities of much modern business.

One basic line of objection to government regulation of business, then, is an economic one. But there is another more fundamental consideration underlying the demand for as free a market as possible: the deeper philosophical objection arising from the British passion for political and social freedom in general and in all walks of life. The primacy of individual liberty is a trait of the British character and a strong thread running through British history, witnessed to by Magna Carta, the English Reformation in some aspects, the Parliamentary victory in the Civil War and the Bill of Rights. And it can be witnessed today in the resistance in some quarters to what is perceived as a loss or diminution of 'national sovereignty' entailed by Britain's full participation in the post-1992 EC and the Single European Act. One of the most eloquent rhetorical statements of the English passion for liberty is to be found in John Milton's attack on censorship in his *Areopagitica*, but by far the most influential source of modern British political and social philosophy in this regard is John Stuart Mill's *Essay on Liberty*, which underlies most contemporary legislation in Britain and was the subject of a famous debate in the 1960s between Lord Justice Devlin and Professor L H Hart on the function of law in society.

The firm conclusion of both these arguments in favour of the primacy of individual freedom in general, and of economic freedom in particular, is that law and the public regulation of conduct are viewed as necessary evils. As such, they should be kept to an absolute minimum, and when they are introduced the burden lies on them of proving the need to curb the free play of individual freedoms in society.

This approach to law is also confirmed for many people in Britain, as well as complicated, by religious factors. Within the Christian view of life, one powerful religious current in its history stresses the inherent proneness to sin and personal wrongdoing which is believed to affect every human individual as a consequence of the 'fallen' state of humanity resulting from a primordial, or Original, Sin on the part of our human forebears. One of the Creator's remedies to stem the flood of evil which would then have overwhelmed society was to introduce the institution of law into society, as providing, in the view of the sixteenth-century Reformers, a bulwark, or a 'dyke', against sin. The powerful force of the metaphor can best be understood in the context of the Low Countries and the function of dykes and breakwaters there to protect the hard-won land

from being again inundated by the perpetually threatening waters. In this Protestant view of human nature, then, law is again viewed as a restricting of individual freedom, but more precisely as a necessary curb on the destructive licence of which sinful men and women are all too capable.

Law and the community

Interestingly, however, there is in Western thought another and more positive view of law, which stems from a different and rather more optimistic reading of human nature. In this broadly Catholic approach, to be found in mediaeval and Roman Catholic tradition and in part of the Anglican tradition, the inherited state of individual humans as sinful and prone to evil is not as sorry as the Protestant tradition would maintain, and the primacy of the individual and of his or her personal freedom is tempered by a positive concern for human community. In this view, society is not viewed primarily as a collection of egotistic individuals who find themselves thrown together, and who have to find ways and means of co-existing without reluctantly surrendering too much personal independence. The stress is rather on a human natural propensity to live in society, and on the enrichment which such life in community can bring to individuals. In this belief human beings are dependent on each other and flourish most precisely as individuals when they cooperate in joint pursuit of their common good.

In this view of things law is seen as a positive means to achieve this common end. It is in principle viewed with less suspicion as the reasoned expression of a shared mind rather than as the coercive expression of a common will. As a matter of interest, I suggest that it is this alternative and more positive philosophical and religious attitude to society, and to the positive role of law for shared social ends, which underlies the approach in other parts of Europe to 1992, including the formulation of a 'social charter' and the political aim of a united Europe, projects which are greeted with such disfavour, and indeed distaste, in parts of Britain.

Of course, the perennial challenge for any society is how to balance the claims of the individual and the claims of society, for they can easily polarise towards extreme individualism on the one hand or extreme collectivism on the other. There are those who fear that Britain today has gone too far in the direction of the individual, or in favour of one privileged economic group of individuals, in an 'enterprise culture' which would extend the economic virtues of self-reliance, independence and initiative (reminiscent of the 'Protestant work ethic') into all areas of society, including the provi-

sion of health care, housing and education. On the other hand, others fear the allurements of a 'dependency culture' with its stress on welfarism, and the loss of individuality and the sapping of personal responsibility and initiative, to which this can lead in its claims for equality and community.

The role of law in business

Against this background sketch of social and political philosophy we may now look more closely at the role of law as it applies in business. The extent and scope of governmental regulation in business is as wide as business itself, and probably just not quite as old in society as business activity. Public monitoring and control of weights and measures, including coinage; laws of contract; factory legislation in terms of hours, wages and working conditions; the prevention of monopolistic activities and restrictive practices; consumer protection, patenting, financial services, environmental regulations; right up to intellectual property rights - the list of laws and regulations is almost endless, and by no means complete, particularly in the light of 1992 and the full implementing of the Single European Market. And what does it all add up to?

Basically it has to do with the controlling of power and with the social attempt to direct the power possessed by, and in, business away from areas in which its exercise, or its misuse, will inflict serious public harm. The purpose of such interventions is described by one writer as 'to support certain socially approved goals', but, at least in capitalist economies, it does this mostly in a negative rather than a positive manner, not by propelling business along certain paths, so much as by foreclosing certain other directions and by declaring certain 'no go' areas for business activity and the exercise of power in business.

It would be mistaken, of course, to view all government intervention and control as in principle repressive and restricting for business. Obvious cases of legislation favourable to business in general include not only the protecting of small businesses against larger monopolies by laying down rules for competition and mergers, but also tariff or quota protection from foreign competition, favourable rates of corporate taxation, enterprise schemes, and the like.

And preventive legislation can also favour business. For one thing, it can enhance public confidence in the conduct of business in general in terms, for instance, of mandatory safety and quality control. And probably the most obvious instance is in the field of environmental protection and waste discharge and disposal. Companies which might well

wish to respect environmental values could find this prohibitively expensive vis-à-vis their competitors in terms of costs and the pricing of their product. They are at a competitive disadvantage, with the playing field tilted against them. But legislation can raise the level of the whole field by making equal environmental demands on all competitors so that none has an unfair advantage in the competitive market.

Regulation of business by government also carries certain genuine disadvantages, of course, when it might result simply in a bad law or one which is over-demanding or discriminating in its requirements, or complicated and wasteful in the resulting bureaucracy and litigation.

Moreover, a major defect in regarding law as the best regulator of business in society is what Christopher D Stone refers to as 'the time-lag problem'. As he sees it, law is primarily a reactive institution. In other words, it responds to damage already done or harm inflicted, and additionally, in the time needed to formulate, debate and pass a law to outlaw the harmful behaviour, further, perhaps irreversible, damage can well be perpetrated. To this I would add the scale-of-damage problem, for law rightly reacts only to major or widespread actual or foreseen social harm, and this is of little comfort to individuals or a minority who have no legal redress or protection until they constitute a sufficient number for the legislature to take note of them and their suffering.

Self-regulation

Such objections to, and disadvantages of, law as a regulator of business bring us to consider the major alternative to regulation of business by government, that of business's own self-regulation. There are obvious good reasons why this form of controlling the power of business is preferable, quite apart from the motive of putting or keeping one's house in order to prevent a more demanding regime, or one perceived as more restrictive, being imposed from outside. One positive social advantage is to remove or reduce the adversarial or confrontational tension between business and government, and also between business and the rest of society, while at the same time improving the public image of business. Another advantage is that business is better informed and more aware of trends and developments in its activities, and perhaps more likely to comply willingly with standards which are arrived at internally. A third advantage of self-regulation is that it exemplifies the desirable social principle of subsidiarity, whereby larger and more powerful agencies in society do not gratuitously absorb the powers and

activities of smaller and more specific sectors, but respect their integrity and autonomy of action - so long, of course, as these smaller bodies are capable of discharging their own responsibilities.

And there, of course, is the rub so far as self-regulation is concerned. Does it work? And what is necessary in order for it to be effective? This is where the institutionalising of behavioural activities and expectations is usefully expressed in company mission statements and codes of conduct for the members of the company. The advantages and the growing popularity in Britain of corporate codes of conduct are usefully documented in two recent studies, reviewed in the *Financial Times* of 22 July 1988, one from the London-based Institute of Business Ethics, and the other from the Business Studies Department of Edinburgh University. Such codes can provide consistent inspiration and guidance for the conduct of current and new members of a company, as well as affording some measure of protection or appeal against activities or practices being urged upon subordinates within the company. They also afford the occasion for a company's giving explicit ethical consideration to its policies and activities, particularly if such statements are regularly reviewed and updated to meet new conditions and developments. Their weaknesses are also equally clear. They can be window-dressing or lip-service, leading to disillusionment at best and cynicism at worst. They can be either too platitudinous to be genuinely helpful, or too detailed to leave room for moral manoeuvre on the part of individuals. They can gather dust in a person's drawer or be 'more honoured in the breach than the observance'. And if they are not backed up by some form of sanctions, in terms of reward and support for observance and/or penalty for non-observances, then they are worse than useless and are potential breeders of bad faith.

Encouraging legislation

Moreover, of course, if self-regulation is proposed by business as a preferable alternative to government regulation, then it cannot be exercised simply by many or most companies. It must be industry-wide, to embrace the activities of all the relevant bodies in the field, and again it must have effective sanctions. Deterrence, like, beauty, is in the eye of the beholder. The toothless and ineffectual nature of the Press Council in the past is perhaps the most glaring public example of this, exemplified in the recent two parliamentary private member's attempts to curb press abuse, and the promise of a government enquiry. And the current plethora of government regulations on the production of food, ranging - if that is the word - from eggs to milk, to beef brains, provides at least plausible evidence of

another industry incapable of keeping its stables clean!

The matter, of course, does not stop at a particular industry. For if business as a whole wishes to create and maintain a climate of public trust and a social willingness to respect business's aspirations to self-regulation, then the entire enterprise of business in a society is required to promote acceptable standards in every one of its manifestations, and to have a care for its reputation and standing as an important and essential activity within society.

Paradoxically, to conclude, this care for self-regulatory ethical standards by business and within business as a whole might be powerfully stimulated and encouraged by one particular piece of legislation. In 1973 the Council of the CBI endorsed a Report of its Company Affairs Committee entitled *The Responsibilities of the British Public Company*. As that Report observed, 'What we believe we are all seeking to do is not to accuse industry of malpractice or incompetence, but to raise the general level of business conduct to that already practised by leading firms large and small'. And among its conclusions of means to bring this about it included a recommendation affecting Company law that the Government might consider as a general legislative encouragement for companies: 'to recognise duties and obligations (within the context of the objects for which the company was established) arising from the companies' relationships with creditors, suppliers, customers, employees and society at large; and in so doing to exercise their best judgment to strike a balance between the interests of the aforementioned groups and between the interests of those groups and the interests of the proprietors of the company'.

III

Business as a Profession

In this third and final lecture in my series on *Business and Social Responsibility*, which was regretfully postponed on account of a transport strike, I wish to move beyond the ideas of law and of self-regulation as more or less necessary social controls on the conduct of business, which I explored in my previous lectures, to consider the idea of regarding business as a profession in society. And I wish to begin by considering what is usually meant by the term 'profession'.

Professional expertise

One common understanding of the term 'professional' is by contrast with the idea of the 'amateur' in any particular activity, whether it be in sport, or in the arts, or in any other area of life. Our expectations of the amateur are not so great as those we entertain of the professional, whether in terms of knowledge, skill, experience, standards or rigour in training and performance. One of my memories as a youthful amateur pianist was coming across the observation that in music-making the amateur practises until he can do it right, but the professional practises until he can't do it wrong! And perhaps something of this lay behind the comment of *The Economist* some little time ago that British business suffers from what it characterised as enlightened amateurism.

Something of this understanding of professionalism also lay behind what is popularly called 'The Handy Report' produced by the National Economic Development Council in 1987 on *The Making of Managers*, in which Professor Charles Handy recorded the strong desire of many business people for the professionalisation of business, on a par with other professions in society, such as medicine, the law, and teaching. What was desired here was not simply the professionalism of the accountant or the lawyer whose chosen field of activity is in business, but bringing into the practice of business and management itself those standards of behaviour which are associated with other professions in society.

It is recognised that such a professionalisation of business would entail introducing various structures, to give recognition to the need for training and entry standards, to require appropriate qualifications of professional knowledge and skill, to supervise training at its several stages, and to apply sanctions in the event of unprofessional behaviour on the part of individuals. It is interesting in this connection to note that within the British Institute of Management, for example, with its more than 70,000 members, and its Professional Standards Committee, there is a growing interest in promoting the assessment and recognition of professional development and competence among members.

At the same time, of course, there are various practical and organisational problems connected with the whole idea of professionalising management, and *a fortiori* of introducing considerations relating to professional qualifications, recognition and sanctions into the wider practice of business. For those reasons what I wish to consider in reflecting on business as a profession is not so much the introduction of professional structures into business as the identification and promotion of the

spirit of professionalism in business, and that in a particular manner.

The professional spirit

Important although the whole area of specialised competence and expertise is where business is concerned, there appears to be more to it than that in our understanding of what it means to be a professional. In exploring this further I suggest it is useful to distinguish between what we ordinarily understand by the terms 'job', 'career', and 'profession', since we tend to apply them in different ways. The idea of having a job, for instance, seems often to concentrate on simply being employed, or having a source of paid income. In itself the activity resulting in the regular income may be given little attention. By contrast, to enter upon a career, or to pursue a career, is a richer idea. It obviously contains the minimum idea of employment, but to this it adds other considerations in terms of fulfilment, satisfaction, advancement, and status in society.

However, even the idea of having or pursuing a career, like getting or having a job, concentrates on the individual and his or her needs; whereas the idea of entering a profession introduces a social dimension to one's activity. To profess medicine, or teaching, or the law, seems implicitly to undertake to provide a service to others. The Latin word *profiteri* means literally to speak out, or to make a statement, or further, to give an undertaking to others. The American writer, Gaylord Noyce, explains this well in his *Pastoral Ethics: Professional Responsibilities of the Clergy* (Abingdon 1988, 18) in a way which applies to much more than the clergy, when he writes that 'accepting a professional role is unavoidably a promise-making act'.

In that respect being a member of a 'profession' is in some important respects similar to the old religious idea of following a 'vocation', or 'calling', from God. In mediaeval times the term was applied only to monks, nuns and the clergy, and it invariably carried the idea of being called out of 'the world', or secular society, and into the religious sphere, whether literally by entering a monastery or a convent, or at least in one's way of life by entering the Church's ministry and foregoing such secular activities as marriage and business. It was unfortunate, but inevitable, that such an understanding of a vocation as applying only to an élite tended to depreciate in religious terms the value of ordinary people's occupations in life. And part of the powerful Protestant Reform movement in sixteenth-century Europe was to sweep aside such an apparent class-distinction among Christians by insisting that every one received a 'calling', or in German

Beruf, from God. Now, however, it was not a calling to leave normal society, but a calling to remain within society and to lead a godly life in one's everyday occupations.

One result of such a switch in the understanding of vocation was, of course, to lead to the development of the Protestant, or Puritan, work ethic. Another, however, which is more relevant to my purpose was to inculcate and stress the idea that as a result of one's religious calling in society one was committed to the service of others in the community. This idea of a 'secular vocation' of service has remained particularly in such social activities as teaching, nursing, and 'being a wife and mother'. It may be noted that continuing to describe these occupations as vocations, in which people were recognised as 'not in it for the money', has had often unfortunate consequences, even today, in that such individuals do not receive remuneration appropriate to their vital contribution to the welfare of society.

Apart from these particular occupations, however, it seems true to say that the general idea of one's vocation in society, at least in the strong sense of service to others, has dropped out of sight, probably along with the demise of religion in society. And there are those who lament the idea of one's vocation in society being lost. Alistair MacIntyre, for example, in his influential study of contemporary ethics, *After Virtue*, has deplored the disappearance of the idea of vocation in modern society consequent upon the general development of individualism.

It would probably, however, be trying to put the clock back to attempt to reintroduce the idea of vocation as I have described it and to apply it in the conduct of business. It can no doubt continue to have meaning and significance for those who are religious and for whom it expresses a profound appreciation of the human community and one's place in and for it. Others, however, for whom it might convey little, might be more disposed to consider the idea sentimental or even simplistic in today's competitive society.

Professing to serve

I am inclined to wonder whether what for many may today be an outmoded or illogical expression in referring to one's 'calling' in society without any clear idea of who might be doing the calling can be more appropriately expressed in terms of one's profession, or statement of being personally dedicated to service in society. In this connection I find it interesting that the BIM defines a professional as 'a person with a sense of vocation and with high ethical standards...who accepts the duty of special

trust to apply knowledge with conscientiousness in the interests of the client, the employer, the profession of management and the wider public'.

What this approach to professionalism does is to add to the standards and expertise we have already considered as central to the idea of a profession a strong ethical dimension. And I find it interesting that Norman Bellah, in his powerful study of modern American society, *Habits of the Heart*, concludes that 'Among other things we need to reappropriate the ethical meaning of professionalism, seeing it in terms not only of professional skill but of the moral contributions that professionals make to a complex society'.

At the heart, then, of the idea of business as a profession, I would conclude, is the theme of the professional spirit of contributing to the community. As such it goes far beyond the idea of one's 'job' and of one's 'career' to take on a social dimension and to accept a wider role in society. To develop this aspect of professionalism would widen the horizon of business men and women beyond any purely self-regarding preoccupations with social status and social remuneration, while not discounting these. It would also do much, I surmise, for the self-image of many business people in affirming that the conduct of business in society is an honourable and creative profession.

The aim of these three lectures has been to explore the social responsibility of business as this has taken on fresh urgency and wider application in the conditions of modern living. One conclusion is that if business does not respond from the inside, as it were, to such new and increasing expectations, then society will, and indeed must, impose restrictions from the outside, in the interests of the public welfare. We have also seen, however, the deep-rooted preference in the British character for freedom and a minimum of regulation from others, and have concluded that the best response on the part of business would be, so far as possible, that of self-regulation, whether of single companies or of particular industries or aspects of business as a whole. From many points of view, including the ethical, the best approach of all would be to instil and to promote in the business community a spirit of professionalism in the sense in which I have analysed it - the staking out and accepting of a particular role of service in society, in one's own interests, but also in that of the public or common good.

The consideration of the social responsibility of business has thus led us gradually to focus on the spirit and approach of individual members of the business community as at least one indispensable condition for the ethical conduct of business. What the implications are for the individual will be the subject of my next series of Gresham College lectures, *Personal Morality and Business Morality*.