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WHO'S RESPONSIBLE FOR ETHICAL BUSINESS?

Three lectures given by

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Mercers' School Memorial Professor of Commerce

Lecture 1 - 12 May 1993
INVESTORS

Lecture 2 - 19 May 1993
CUSTOMERS

Lecture 3 - 26 May 1993
SPECIAL INTEREST GROUPS

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THREE PUBLIC LECTURES

on

WHO'S RESPONSIBLE FOR ETHICAL BUSINESS?

by The Revd Professor
Jack Mahoney SJ MA DD FRSA

Mercers' School Memorial Professor of Commerce at Gresham College

delivered at Gresham College
Barnard's Inn, Holborn

in May 1993

1. **Investors**
2. **Customers**
3. **Special Interest Groups**

1. INVESTORS

Welcome to what will be my final series of lectures on business ethics as Mercers' School Memorial Professor of Commerce at Gresham College. During the six years of my tenure of the Chair and of my lectures to City audiences on business ethics I have dealt at one time or another with most of the broad topics of modern business ethics as the subject has been developing, and in the process I have been exploring the growing awareness of the corporate responsibility of business for its behaviour, rather than as in the past concentrate on how individual men and women behave in their business lives. I have also been following through on the social accountability increasingly required of business in the ways in which it behaves not simply in terms of economic and market considerations, but also in terms of wider human and social values. And I have also been aiming to analyse the power of business and its obligation to consider how it acquires and exercises that power for good or ill in society in the light of the interests, or even the rights, of its various constituencies whom we have learned to term 'stakeholders'.

In the light of that whole agenda and programme of modern business ethics the answer to the question which I have chosen as the topic of this series of lectures, 'Who's Responsible for Ethical Business?', may seem perfectly clear: that business itself, and the men and women involved and engaged in business, are obviously responsible for ethical business. I want to suggest, however, that that is not the whole answer to my question, for a number of reasons. One qualification to the answer can be expressed in a somewhat rhetorical manner, by observing that business is too important to be left to business people. In less paradoxical terms, the exercise of business is so important as a social activity that society itself has considerable responsibilities in how it regards and licenses various business activities in its midst, ranging from laying down conditions of work or trading to regulating the production and marketing of certain products in the home or overseas markets.

Indeed, one of the major ethical problems for business on the international scale can arise from particular societies being negligent, or colluding, in failing to discharge their own responsibilities to regulate the conduct of business and failing to ensure that it is not conducted against the public interest, or the interests of large sectors of society, whether in terms of allowing discriminatory working conditions or dangerous marketing procedures or bribery or whole-scale corruption at official levels. In addition to government, however, there are other groups in society which, it appears, must share the responsibility for businesses behaving themselves ethically, and perhaps the most obvious group is made up of those who invest in a particular business, or share in its ownership. Accordingly, what I propose to explore in this first lecture is the degree to which investors are responsible for ethical business.

I

To speak of investors as sharing in the responsibility for ethical business can, of course, be understood in several ways. One relates to the business of investment and whether that is conducted on ethical lines as investors buy in and out of various companies. Another concerns what responsibilities investors have for the policies and behaviour of the companies of which they are part-owners. And a third concerns the degree to which investors can ethically delegate or abdicate their moral responsibility for the governance of the company in which they share. As a prelude to our discussion on what might be generally termed investment ethics, let me open up each of these aspects in turn.

One of the major public ethical issues of the 1980s in a very active period of mergers and acquisitions was the charge of short-termism which was levelled against many investors and the way in which this was contrasted with more attractive ethical attitudes such as loyalty and concern for the various stakeholders in a weak or threatened company. The point, however, has been strongly argued that 'there is, ordinarily, no moral obligation to be, or to continue to be, a shareholder'; and, indeed, that far from shareholders having a moral duty to express loyalty to the company which they part own, the relationship of owner to property indicates that it is rather the company which owes loyalty to the shareholder.[1]

The charge of dereliction of responsibility, or of failing to stand by weak or target companies, has been mainly directed at the major institutional investors, as taking a short-term line of approach in the interests of their principals, and as neglecting the long-term interests of the companies which they simply use for their own purposes. Again, however, the counter-argument has to be recognised that institutional investors have fiduciary responsibilities to their principals or their members on whose behalf they are investing. Indeed, the view of the Institutional Shareholders' Committee is that the professional and fiduciary obligations of institutional shareholders 'must override' considerations of the public or national interests in the absence of government action.[2] What is in mind here is the action of institutional investors in hostile takeover bids, but this particular instance is broadened by the ISC statement into the general principle that 'in all investment decision-making institutional investors have a fiduciary responsibility to those on whose behalf they are investing, which must override other considerations'.[3]

The case for such realism in identifying the responsibilities of institutional investors towards the companies which they might decide to take up or drop seems a powerful one based on the one-way nature of the property relationship and on the primary duty which institutional shareholders have to those on whose behalf they are investing. However, perhaps there is more to be said by way of identifying and urging a greater duty of care on the part of the investor towards the company whose future relies on decisions taken by the investor. Take the point of 'property', for instance. To stress property rights and the powers which go with ownership is perfectly in order when one is considering the extent to which one is entitled to dispose of one's property. Yet in ethical terms ownership implies certain obligations as well as certain liberties or rights. And the question can be asked legitimately in ethical terms to what extent anyone has an absolute right to dispose of their property exactly and entirely as they want. The state can and does lay down conditions affecting the legal use and disposal of real property in terms of public safety and the public interest, that is, in the interests of other people in society. The state also intervenes to protect animals from the arbitrary decisions of their owners. And our increasing sensitivity to the physical environment and the world of nature is also giving rise, without becoming unduly romantic, to even inanimate property, including minerals, landscapes and the like, becoming recognised as imposing certain conditions affecting their use and disposal.

Within such a modern realisation that ownership brings certain moral responsibilities it would not be surprising to suggest that this certainly includes the ownership of business companies, which are so much more than their material assets and which form a focal point of a whole interlocking network of human beings: employees, dependents, suppliers and communities. To all of these, it would appear, one cannot simply shrug off one's responsibilities on the grounds that property rights are absolute and carry no duties. It can well be that one is under no obligation to invest in the company in the first place. But perhaps once one has done so, then certain responsibilities are also undertaken affecting its future as a company, and not just in terms of returns for the investor.

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1 E Sternberg, 'The Responsible Shareholder', *Business Ethics. A European Review* vol 1, no 3 (July 1992), p. 196.

2 'The Responsibilities of Institutional Shareholders in the UK', *Business Ethics. A European Review* vol 1, no 3 (July 1992), p. 201.

3 p. 201, i).

If the rights of ownership are subject to ethical qualification, what can be said of the other argument in favour of institutional investors disposing of shares entirely in the light of their fiduciary relationship and of their overriding primary duty to their members or principals? Presumably what requires to be borne in mind here, and kept continually in the forefront of one's considerations, is that institutional shareholders are agents, whose legal and moral duty is no more and no less than to carry out the wishes of their principals and to execute their decisions. It should no doubt be presumed that those on whose behalf institutional investors are acting have an overriding wish for the best return on their contribution, but it appears less than ethically sensitive to relegate to government action any expression of concern for the public or national interests, and to consider that there is no place for such concern in the views and wishes of members themselves.

One of the weakest areas of the contemporary study of business ethics as such is in the identifying and exploiting of the moral responsibilities of shareholders and part-owners of a company. The historical development of modern business ethics has concentrated on the managerial class and its ethical task, largely as a result of the way in which management and ownership have become dissociated and power has been delegated to management. The result has been on the whole to disregard systematic ethical reflection on the behaviour of two other major components of the organisation, the workforce on the one hand, and shareholders on the other.

There is thus both strength and weakness in the argument that it is not for managers to take initiatives other than in the execution of their duties as agents of the shareholders, whose major, if not only, concern is the profitability of a company in which they have for the time being invested. For the realisation is gathering momentum not only that managers in a company cannot be considered impersonal robots to be programmed by their owners, but that ownership of any property carries with it certain public moral responsibilities regarding its use or employment, or its disposal, whether it be a powerful machine or a potentially dangerous animal. Moreover, a business company is not an inanimate 'possession'; it includes so-called 'human resources', who on any ethical accounting have their own interests and rights, and who for that reason cannot be regarded or used simply and solely as means to the pursuit of other people's ends.

In other words, the consideration about property rights and the qualifications which may be made about property responsibilities when these are intimately connected with human beings is a consideration which applies in the first instance not to the institutional investors, but to those owners on whose behalf institutional investors are acting. And if it is objected that the institutional investors can be justified in presuming that their principals would clearly wish them to get the best possible return on their contributions, this is a presumption which ethically can, and in fact ought to, be questioned and checked. Particularly in today's socially sensitive climate of thought agents cannot lightly presume that their principals will be lacking in concern for the impact of their investment decisions on the public or national interests. The ethics of responsible agency appears to require that agents should be quite clear as to where their responsibilities lie and how far they extend. It also requires that agents should presume to read the minds of their principals or presume to interpret their intentions only in the absence of knowledge to the contrary. And when such knowledge is not all that difficult to obtain or ascertain then it would appear to be the agent's duty to take the steps to do so.

II

Thus far I have been considering the ethics of investment itself, and the ethical responsibilities of investors as they buy in and out of various companies in order to secure satisfactory returns on their investment. The second area which can be considered as part of investment ethics concerns not now the responsibilities which investors have *to* the compasnies of which they may be part owners. It proceeds to consider what responsibilities investors have *for* the policies and behaviour of their property, of the companies of which they are part-owners. Here, of course, is where the whole ethical investment movement finds its place and is increasingly active and fashionable, particularly through investment trusts. What is to be welcomed as the ethical basis of the movement is the increasing realisation that owners of companies have a genuine and direct moral responsibility for the policies and behaviour of management. And this responsibility can be acknowledged or exercised in one of three ways. The most obvious is to abstain from or to divest from ownership in companies of whose behaviour one morally disapproves, and this on two moral grounds. First, one does not wish to provide the capital resources which will enable a particular business to be conducted or to flourish, and secondly one has no desire to profit personally from the proceeds of such unethical business. Such an attitude is that proposed by various ethical unit trusts, and it is also one which the Cooperative bank has developed into a policy of investment and credit, with, it appears, considerable success but so far no imitators among other, larger, banks.

A second method of exercising ethical investment is to seek out various activities, products or companies of which one wholeheartedly approves and through one's investment to provide practical popularity, support and value in order to help promote or expand the activity or product in question. The obvious area for such supportive investment is the physical environment, but in a recent BBC radio discussion on the subject it was suggested that ethical unit trusts, for instance, might well consider making more use of venture capital in order to seek out and support ethically constructive products, services and ways of doing business. Such an imaginative seeking out of good causes to support seems to be the logical outcome of viewing socially responsible investment as finding ways of making as influential and constructive a use of one's wealth as possible.

Midway between ethical abstaining and ethical support there lies the third type of ethical investment activity which is both positive and interventionist, in attempting by the use of one's capital to exercise influence on the behaviour of business in certain ways. Of course, there are limits to the degree to which such investment activism will succeed. It is unlikely, for instance, that shareholders attempting to influence company behaviour will affect its central policy or activity. I cannot see a shareholder in a tobacco or armaments company managing to persuade the company or fellow share-holders to change its major product and switch to something more innocuous. It is where peripheral aspects of the business are concerned that shareholder influence is more likely to be successful, as (in the case of tobacco) in influencing its marketing, advertising or sponsorship policy, or (in the case of armaments) in bringing pressure to bear on its choice of markets. Nor need the influence brought to bear refer to the products or services produced by a company or the particular circumstances of its business activities as such. In the case of ethically neutral or good products or services investors may additionally aim to bring pressure to bear on companies to use their economic power and influence on political regimes which give ethical cause for concern. The recent founding by the British Section of Amnesty International of a Business Group of supporters for the purpose of encouraging companies engaged in overseas trade and investment to use their contacts in order to aim at an improvement in human rights can be seen as more than a suggestion to individual businesses. It can also be considered as an aim which investors in a particular business may well wish to encourage their business to espouse and take on board.[4]

III

This ethical concern of investors to take note of, and to aim to influence, the activities of the companies of which they are part-owners has received considerable publicity recently in Britain through the growing concern about the corporate governance of many companies in the wake of disasters and scandals, and as a result of the deliberations and Report of the Cadbury Committee on the subject.[5] It is not my purpose here to go into the whole Cadbury Report in detail, nor even to consider its specific reflections and recommendations to do with company auditing. What I should like to highlight for consideration, and discussion, within the context of the title of this series of lectures is the degree to which investors figure in the deliberations and recommendations of the Committee.

The Committee saw its task as 'bringing greater clarity to the respective responsibilities of directors, shareholders and auditors' (1.6). In view of this distinction of responsibilities, it may seem restrictive of the Report to explain that 'the shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place' (2.5). Structure is no doubt important, but it is not everything, particularly in the light of the Report's explanation elsewhere that 'the [*sic*] issue for corporate governance is how to strengthen the accountability of boards of directors to shareholders' (6.1). Much must also depend on the

4 See Sir Geoffrey Chandler, 'Business and Human Rights', *Business Ethics. A European Review* vol 2, no 2 (April 1993), pp. 47-49.

5 'A Report of the Committee on *The Financial Aspects of Corporate Governance*', Gee, London, 1992.

direction and actual policy directives given by the shareholders to the board of directors which should be so structured as to be able to execute that policy faithfully, accurately and openly, and in so doing to enable the shareholders, as the Report explains elsewhere (3.4), 'to exercise their responsibilities as owners'. Indeed, as the Report concludes, among the safeguards which can help reduce the risks of fraud or incompetence a key place has to be given to 'vigilant shareholders' (7.2).

Nor is this shareholder vigilance to be exercised solely by bringing pressure to bear on companies in order to hasten the widespread adoption of the Code of Best Practice which the Committee produced (1.10). The Cadbury Committee also considered various ways and proposals in which accountability might be strengthened, including the formation of shareholders' committees and the facilitating of shareholder communications. The Committee was less than enthusiastic on the possibility of shareholder committees (6.3), and even moves to improve shareholder communication it decided to refer to its successor in the light of the degree of support this might command from the shareholder body as a whole (6.4). It may be stimulating, therefore, to record recent corporate governance events in the USA as reported two weeks ago in *The Economist* (24 April 1993). As it pithily reports, 'in recent months investors outraged by lousy financial results helped to slam the door behind chief executives at General Motors, IBM, American Express and Westinghouse'. This new exercise of investor power has been helped, *The Economist* points out, by two recent procedural changes introduced by the US Securities and Exchange Commission. One, which would seem to be particularly pertinent in the UK in light of recent events, is fuller disclosure of executive-compensation packages. The second, which seems to be working effectively in the USA, whatever might be thought of its future in the UK, was to remove financial and other barriers in order to make it easier for shareholders to communicate with each other and with managers.

Communication between shareholders and boards of management is nevertheless an important subject in the view of the Cadbury Report, and it considers various ways in which general meetings can be made more effective in this regard (6.7-8). As it observes, 'if too many Annual General Meetings are at present an opportunity missed, this is because shareholders do not make the most of them and, in some cases, boards do not encourage them to do so' (6.7). Such communication with company boards concerning their stewardship and accountability is of particular significance when it comes from the more powerful institutional investors, whose exercise of their power to influence the standards of corporate governance is thus 'of fundamental importance' (6.10). In the light of my earlier comments on the ethical responsibility of investors towards the companies in which they may from time to time invest it is interesting to note the comment of Cadbury that the readiness of institutional shareholders to influence the standards of corporate governance 'turns on the degree to which they see it as their responsibility as owners, and in the interest of those whose money they are investing, to bring about changes in companies when necessary, rather than selling their shares' (6.10). And recalling my remarks on the role of institutional investors as agents rather than as principals in their own right may give added significance to the observation of Cadbury, following the Institutional Shareholders' Committee, on the importance of using their voting rights positively. As the Report concludes, 'the use or otherwise of [voting] rights by institutional shareholders is a subject of legitimate interest to those on whose behalf they invest. We Recommend that institutional investors should disclose their policies on the use of voting rights' (6.12).

By way of conclusion we might consider two particularly topical aspects of corporate governance on which investors should exercise their vigilance and be in regular communication with boards: one is the role of non-executive directors on company boards; and the other is the subject of Board pay and remuneration committees. As the Report points out in its *Preface*, the controversy over directors' pay has contributed to keep corporate governance in the public eye. The overriding principle which the Committee stresses is that of openness to shareholders, which will involve giving separate figures for salary and performance-related elements and also explaining the criteria for measuring performance (4.40). The Committee was also at pains to recommend measures which it felt would 'strengthen shareholder control over levels of compensation for loss of office' (4.41). Cadbury was, however, opposed to the idea of giving shareholders the opportunity to determine matters such as directors' pay at general meetings, considering that it was too involved a matter in particular instances for simple voting, and preferring to leave matters to be recommended, or in practice decided, by a remuneration committee consisting wholly or mainly of non-executive directors.

One of the problems which appears to emerge here is whether in fact non-executive directors will have the calibre and independence to make decisions in the best interests of shareholders and, where necessary, against the tide. One of the comments directed against the draft Cadbury Report (by me) was that it was problematic in its propensity to consign to the horny hands of non-executive directors many of the nettles of corporate governance which the Committee had no trouble in identifying.[6] And one of the criticisms of the final version of the Report has been that it has in fact watered down the role of non-executive directors in the face of complaints that it would introduce divisiveness into company boards and threaten the unitary nature of British boards.[7] Perhaps the best to be said is that it remains to be seen how remuneration - and compensation - agreements will fare at the hand of committees composed mostly of such problematic figures. Certainly, last week's *Guardian* (6 May 1993, p. 13), in the light of some recent service-contracts, had no hesitation in concluding that 'if anyone really believed that the Cadbury code would put an end to profligacy in the boardroom, they will be seriously disappointed'. It may in fact turn out that company meetings, rather than remuneration committees, are the only practicable and realistic way of satisfying the interests and wishes of shareholders and investors about how their company should be run, and their agents paid.

It remains, however, as *The Economist* concluded (April 24 1993 p. 117) of the American scene, that 'more shareholders are taking an active interest in corporate governance'. The same appears to be the case for the United Kingdom, and from the point of view of ethical business, the important thing for the present may well be simply that the debate should continue vigorously and openly. In this way more widespread acceptance may be given to the idea that ownership brings responsibilities, that business is too important to leave just to business people, and that the ethical exercise of one's investment is one essential way for society at large to monitor and guide the conduct of business in its midst.

12 May 1993

6 *Business Ethics. A European Review* vol 1, no 3 (July 1992), p. 161.

7 *The Times* 30 Nov 1992, p. 40.

2. CUSTOMERS

In the opening lecture of this series on Who's Responsible for Ethical Business? I suggested that business was too important a social activity to leave to business people so far as its ethical quality is concerned. And I suggested that various groups in society should share the responsibility for businesses behaving themselves ethically, beginning with the owners or investors in a particular company. Another major group in society, of course, which is profoundly interested in how business behaves, including how it behaves ethically, is the body of customers. John Henry Newman is reported as having been once asked what the purpose of the laity was in the church, and he replied that the church would look foolish without them. The same could well be said of the indispensable place of the customer in business. As a major stakeholder in the whole enterprise the customer has a considerable interest in the behaviour of business. But he or she also, I wish to suggest, has some responsibility for how business conducts itself, both with regard to its customers and with regard to society as a whole in seeking to satisfy its customers.

I

In other words, if the power of modern business over so many people is the basic reason for developing business ethics in order to influence business in the exercise of its considerable power for good or ill, then corresponding to the power which the customer in turn possesses over business is the consideration of customer, or consumer, ethics, as identifying the moral responsibilities which customers possess by virtue of that social role. It is interesting to note that in a recent article by Martin Dickson in *The Financial Times* (14 May 1993) exploring the reasons for the development of modern business ethics, one important factor identified was that 'Companies are placing a growing emphasis on the quality of their goods and services, by focusing on customer satisfaction and close relations with suppliers'. And he added the significant comment that 'these trends carry with them implied ethical contracts between the parties involved'. One might suggest, then, as a preliminary part of customer ethics, that one moral responsibility of the customer is to see to it that the supplier lives up to the ethical contract between them in terms of delivering on his promises with regard to the quality of the goods or services on offer.

Of course, on sheer commercial grounds any business itself should want to know, and many increasingly do, if customers are dissatisfied, precisely because it doesn't want to lose sales to them or their friends. If, however, the business is also party to an implied ethical contract, it may be presumed to wish to be held to it. The idea of asserting one's moral rights may not come easily to some temperaments, and it may even sound unduly self-centred to the point almost of being unethical to suggest that the customer has a duty of self-assertiveness in the business relationship. Yet, quite apart from the responsibility we all have for the efficient management and disposal of our resources, including our finances, there is the added factor that in complaining one is public spiritedly encouraging the business to behave properly and ethically in its relationships not just with one individual but also with other members of the public.

If one applies the same considerations to services in the public sector, then of course we enter the area of the Citizen's Charter introduced last year by the Prime Minister. Promoting the idea of various consumers' charters - excluding, of course, the social charter - may seem a somewhat lacklustre idea to stir up national political enthusiasm; and many resent what they consider the marketising of other areas of life in the way in which rail passengers and health patients are now considered to be primarily customers. However, in its almost ethical principle of guaranteeing value for money, and a speedy response to complaints, the Citizen's Charter is clearly relevant to consumer ethics, and may well play an increasing part and example in them. It is ironic to note that since the Passenger's Charter was introduced, with its fairly rigid system of compensation to disappointed passengers replacing the discretion of local managers, the compensation paid out in the past year has been less than it was before the introduction of the charter. It is, however, perhaps more encouraging to note also that early complaints about its ineffectiveness or its inefficiency have been met with the launch today (*Financial Times*, 19th May 1993) of Charterline: a network of telephone hot and helplines which are aimed, initially in the East Midlands, to inform callers on what standards of service are to be expected from public services and utilities and on how to seek redress when those standards are not observed.

II

Ensuring the quality of business service may, then, be considered part of consumer ethics, but much public interest naturally focuses not just on the quality of the goods or services provided, but on the actual goods or services themselves. The most popular, and fashionable, expression of this interest for many customers and consumers is concern for the environment and for environmentally sensitive conditions of manufacturing goods 'from the cradle to the grave', that is, involving the original raw material, the production process and the eventual disposal of the product; although it is widely observed that such practical environmental concern has understandably abated during the recession, at least insofar as it entails paying more for one's shopping.

Other ethical concerns which are regularly expressed by customers with regard to manufactured goods include the use of animals or of comparatively scarce resources, but in addition to this concern for actual goods there is also sometimes considerable interest on the part of customers in the wider ethical and social record or performance of the company producing the goods.

By their market decisions and choices, then, customers can exert considerable influence and pressure on business, and can thus use their economic power to ethical purpose. Further consideration of customer ethics, however, and of the supplier-purchaser relationship seem in one way or another to call for reflection on customer autonomy and the protection of customer freedom.

The dynamics of advertising is a case in point. Commercial advertising is not simply the disinterested providing of factual information about certain goods or services; it is motivated by the desire to increase one's market share, and to that extent is the attempt to influence choice by suggestion or persuasion. How much persuasion is ethically consonant with respect for persons, and when proper attempts at persuasion become the unethical practice of manipulation, are recurrent questions in the ethics of advertising. Basically it appears to come down to what is to count as free and informed consent, and what are the requirements for ensuring such consent, including appropriate relevant information and freedom from undue emotional pressure.

One basic problem which arises from the need for appropriate information in order to make a free and informed purchase arises in connection with the market value of what is on offer, as the current controversy over the cost of compact discs shows. Members of the House of Commons national heritage committee are persuaded that in Britain CD producers are charging too much by something like more than 25%, and are in effect cheating consumers. On the other side, one defender of current practice has argued 'that production costs should not be the only determinant of CD prices and that companies could legitimately consider what consumers were prepared to pay', which in the UK is considerably more than their American counterparts (*Financial Times*, 13 May 1993). In this particular case the matter is likely to be investigated by the Monopolies and Mergers Commission, with the expectation that increased competition will serve to bring prices down. And the qualified way in which *The Economist* summed up the matter seems fair enough: 'Firms have a right to charge what the market will bear - as long as it is a competitive market' (15th May 1993).

In the meantime, however, the general ethical question remains of whether producers are entitled not just to charge for a legitimate return on costs and additional profit, but actually to capitalise on people's needs and to rely on how high they are prepared to go to satisfy them. In the luxury market, whether of CDs or cosmetics or fashion, perhaps the principle can be simply 'take it at that price or leave it'. Yet the more one approaches more fundamental human needs presumably the more call there is for customers to be aware of the risks of being exploited by being over-charged and for them to take appropriate steps to remedy the situation.

III

This reference to luxury goods which are by definition not essential raises another standard debate about advertising with implications for customer autonomy and consumer ethics: whether advertising exists to satisfy our needs or whether on the contrary it actually creates needs and engenders dissatisfaction which people then feel impelled to satisfy. The ethical objection to advertising, that it goes beyond the bounds of what is essential to human existence and survival, and simply creates dissatisfaction, does not stand up to examination. Wants, desires or needs which are newly created are not necessarily bad or ethically questionable. They can be, and in fact often are, central to the whole idea of being socialised in, or being introduced to, a particular culture. Acquiring new tastes, whether in food or drink, or in music and the arts, can all be part of human flourishing. And the fact that advertising can draw attention to their possibility, and even commend them, does not by that fact condemn advertising on ethical grounds as influencing the free choice of the customer. On the contrary, it can be argued that advertising in this respect actually enhances freedom by drawing attention to opportunities and options, and by providing information on their availability.

It is perhaps not so much the informational as the emotional influence of advertising, however, which is the source of most ethical disquiet and of which the ethical or would-be ethical customer should be aware. The hidden or tacit or allusive appeal to one's need for a sense of identity, whether personal, social or sexual, or to one's self-worth and self-image or to one's sense of security in society: playing on such factors as these are all in danger of demeaning or dehumanising the potential purchaser, notably those who belong to vulnerable sectors of the population, such as children or the sick or those who are otherwise disadvantaged.

To be able to recognise the blandishments of advertising for what they are is already a considerable exercise in moral consumership, and it is interesting to note the occasional move in educational circles to teach youngsters from an ever earlier age how to be knowledgeable and discerning, that is to say, responsible, consumers amidst the ever increasing pressures of the children's and the youth markets. But knowledge of emotional pressures is not enough. It also helps if one can withstand them! And consumer ethics, like other areas of applied ethics, appears to involve a certain measure of self-control. Many philosophies of life, and many religious projections on existence, view life as not to be measured or valued in terms of possessions. And indeed some spiritual traditions are inclined to express the idea of quality of life in terms of a life-style characterised by simplicity and frugality.

Such an approach to life is obviously in harmony with the contemporary concern for the responsible use of the earth's resources, confirming the statement of one American thinker that 'the contemporary asceticism should be ecological restraint'. It is perhaps as a further expression of such ways of thinking that one hears today from time to time, particularly in religious circles, ethical disapproval expressed of what is referred to as 'consumerism' or 'materialism'. It is a disapproval which, I suggest, is to be accepted, if it is to be accepted at all, with a certain amount of reservation. Sometimes it fails to recognise that the acquiring of material goods can be a genuine enhancement of the quality of life, as in the way in which in Britain after the last war, or in Eastern Europe with the collapse of the USSR, numerous families saw an increase in their standard of living and a consequent expansion in their freedom of choice as among the social opportunities now open to them. Sometimes it may even be evidence of a puritanical or dualistic approach to life which begrudges any idea of sheer enjoyment being derived from material goods and possessions.

In the long run, in whatever way the charge of materialism or consumerism is to be understood or is motivated, it is a particularly dangerous ethical criterion to level against others in society. Simplicity of life-style is, and must always be, a relative and particularly subjective term. Individual people's sense of personal priorities in life cannot be dictated to them by some form of sumptuary legislation, or even ethically prescribed for them, on pain of being guilty of imposing on their autonomy and personal freedom of choice.

In this context perhaps a particularly thorny problem for consumer ethics, notwithstanding the freedom of the individual, centres on their personal responsibility with regard to purchases which are harmful to themselves as well as to others. One can think in particular of tobacco, and of the proven harmful effects of cigarette smoking. One can also question the ethics of smokers supporting an industry, as a recent BBC *Panorama* programme claimed to show, which is aware of the dangers of its products yet seeks to conceal or obscure them; and which also seeks to increase its market in Third World countries as well as in the Northern hemisphere, despite its implausible claims to be seeking to achieve only brand-switching among those who are already addicted.

IV

If it remains, however, that it is for individuals alone to decide what they need and how to go about satisfying those needs, it also follows that it is for individual customers and consumers to determine what they want. And it is accordingly unethical for suppliers, or business in general, to attempt to foist various goods and services on the public on the pretext that this is what they want. Perhaps one of the most frustrating replies one can receive from a shopkeeper when one asks for a particular good or type of product, is that there is 'no demand' for it. What may be ethically more disquieting is the supplier's claim to justify new products or new practices on the grounds of customer demand, when the reasons may be quite other.

One case in point may be the reluctance of some British football clubs to go to the expense of modernising their stadium, and decreasing its capacity, in compliance with the Taylor Report following the Hillsborough disaster, on the grounds that the fans don't want it. Somewhat more complex is the whole development of high definition television, which, it seems fair to say, no one actually wants, except the electronics industry and the defence establishments in various countries.[8] Not surprisingly, then, it seems that earlier this year the European Community programme to push the development and expansion of high definition TV was set for an early death, were it not for continuing attempts to subsidise it against all the market prognostications for its future (*Financial Times* 13 May 1993.)

Another possible example of a change in business practice or service which many ascribe to customer wants and which will be given yet another run for its money later this year in Parliament is the question of Sunday trading. In a recent article in *The Times* (13 May 1993) David Sainsbury, who is clearly not uninterested in the subject, argued that 'we, and other retailers, want to open our stores on Sundays because that is what our customers now wish'. On the other hand, it is interesting to note, as *The Economist* did recently (8th May 1993), that seven years ago a government plan to allow Sunday shopping was defeated by a coalition of Conservative backbenchers lobbied by the Christian "Keep Sunday Special" campaign and Labour MPs concerned for the interests of shopworkers if Sunday opening became legal.

Perhaps there are two implications of this debate which continuing discussion may make clear. One is the ethical need always to scrutinise one's motives and arguments on pain of intellectual dishonesty and even moral manipulation. And the other is to enquire whether

8 Theo A G van Eupen, 'High Definition TV in Europe', *Business Ethics. A European Review*, vol 1 no 2 (April 1992), pp.121-127

the customer really is sovereign in business, as has often been claimed. It seems clear to me, for instance, that in the debate over Sunday trading those who are most active in pushing the Keep Sunday Special argument are motivated by religious, or sabbatarian, grounds, but are faced with the dilemma that these reasons are not widely shared by others and are therefore likely to be disregarded. (I do not think I have heard anyone argue the non-business case on the grounds that this is still a Christian country, although that argument is still to be heard on other subjects such as education.) Hence there is a need for them to defend the non-trading case on other than religious grounds, and with secular arguments which may be humanitarian, industrial, social or economic. Now, those arguments may very well be impressive in their own right; but there is a risk that the private agenda of some may distort the entire public debate, as well as create an emotional atmosphere of tension which the subject itself does not seem sufficiently significant to create in its own right.

Yet even supposing a significant percentage of customers actually want to shop on Sundays, does it follow that their wishes should be automatically met with? Evidently this raises one of the weaknesses of the otherwise important stakeholder theory in business ethics. Although the theory enables us, and indeed requires us, to identify all the constituencies who must ethically be considered in any decision to be made, it does not automatically enable us to balance what may be their conflicting claims or interests.

Giving the customer what he or she wants can be translated in ethical terms to the modern form of utilitarianism which aims to satisfy the preferences of as many people in society as possible. Its strengths as an ethical theory are that it does not dictate to others what they should want and that it sees the purpose of all ethical endeavour in society as maximising human freedom and autonomy. Its major weakness, of course, is that it appears to subordinate all one's own ethical resources to the preferences of others which may take the form of behaviour which one finds morally repugnant.

Likewise, the ethical problem which may arise for many involved in business from regarding the wishes of the customer as paramount, even within the restraints of law, is that the customer will make demands which a supplier finds it unethical to meet. Consumer sovereignty, after all, lies at the heart of the success and policy of the tabloid press. It certainly did not form the *raison d'être* of the BBC in Reith's paternalistic day; but modern moves to develop independent television and radio, as well as the impending prospect of the revision of the BBC Charter, raise serious social questions which seem not just aesthetic but also moral. What standards of culture should society permit to prevail or to predominate, simply on the grounds that many or most of its members want it?

I began by referring to the idea of an 'implied ethical contract' between customers and suppliers. It may be that this is an attractive and valid way of expressing the ethical duties which the supplier has towards customers, whether in regard to the quality of service or in regard to the types of goods and services which are on offer. And it may be a contract which certainly justifies the customer in seeking satisfaction of service and value for money. It may also point to the requirement of honesty on the part of business in not aiming to justify expansion on the pretext of customer wishes.

But the idea of an implied ethical contract between supplier and customer may also involve responsibilities which the customer has towards the supplier. At the very least this may require not asking or requiring the supplier to behave in ways which are contrary to his own principles, as in Sunday trading. And possibly even more generally it might oblige the customer to consider the wider impact of customer wishes taken as a whole on society and its standards of behaviour, and to restrain or mitigate those wishes accordingly.

However one views customer ethics, they do seem to require development in the context of the wider view of how business should behave responsibly in society; and naturally enough, perhaps, they have not received anything like the attention given to the ethics of managers and even of shareholders in a company. That, however, is what I have attempted to open up in these introductory remarks, which have concentrated on consumer ethics as exercised by individuals. In my final lecture I propose to consider how customers may band together and pool their resources and considerable power, as one special interest group among others to influence the ethical behaviour of business in society.

19 May 1993

3. SPECIAL INTEREST GROUPS

Welcome to this third and final lecture in the series on the subject of Who's Responsible for Ethical Business, and also to what happens to be my final lecture as Mercers' School Memorial Professor of Commerce at Gresham College. I shall later have more to say by way of valediction on relinquishing my Gresham Professorship, but in the meantime, having in my first lecture in this series considered the responsibilities of investors for ethical business, and having last week explored the comparatively new field of consumer ethics, I propose now to consider the role and ethical influence of special interest groups as a third possible answer to my question, and in elaboration of my initial maxim that ethical business is too important an activity in society to be left simply and solely to business people.

I

The most obvious examples of special interest groups having a particular interest in business behaviour are the various environmental and consumer groups which have become a standard feature of western society. Reflecting on the increase in their numbers in the last few years, *Business Week* remarked in 1989 (May 22) that, although not to be compared with the massive scale of political marches and national boycotts of the 1970s, there was no doubt that grass-roots social activism was back on the social scene. That, of course, was now four years ago, before recession began to hit the United States as well as the rest of the western world. Concern is still regularly expressed in Britain, of course, by some extreme groups connected with animal welfare or environmental disasters or major ecological threats, but perhaps it is fair to say that there has been some abating of activity on the part of more general consumer groups, at least in the public eye and in the media. Nevertheless the idea of the 'vigilante consumer' has, like much else in the concern for ethical business, crossed the Atlantic.[9] Though it may in the voyage have lost something of its Wild West tone it is now recognised in Britain in Business in the Community's business strategy group as identifying those who are not just concerned about particular purchases on the market, but are interested in identifying and monitoring the behaviour of particular companies in their various activities.

To concentrate on the ethical potential of environmental and consumer groups, however, is to consider only part of the spectrum of special interest groups with which British society abounds. In his 1990 study of *Morality and the Market* (Routledge), N. Craig Smith studied the way in which special interest groups can act as pressure groups aimed at influencing the behaviour of business. In so doing he recognised the standard distinction between what political science recognises on the one hand as 'sectional' pressure groups, whose aim is to protect the interests of their members, in a particular section of the population such as professional associations, trade unions, automobile drivers and so on, and on the other hand as 'promotional' pressure groups, whose purpose is to promote a particular cause, whether it be to alleviate child poverty or to work for the release of prisoners of conscience, or to save the whale.

On the whole Craig Smith concentrates less on sectional pressure groups than on promotional groups in examining the ways in which these aim to influence business by what he terms 'ethical purchasing behaviour'. Further, he sees them as doing this in a variety of ways. One is by direct impact by approaching a particular company's managers with the aim of informing, influencing or coercing them in such a way that they will change their corporate behaviour along the lines advocated. Another, when this fails, is aiming to bring about corporate change indirectly through public pressure. This is done by providing the public, notably the media, with relevant and discreditable or embarrassing information about particular companies or products which will gain support for the group's aims and will also expose the company to adverse publicity and protests until it comes to mend its ways. Craig Smith's work is basically a study of consumer pressure with particular reference to the use and effects of consumer boycotts, and so he naturally concentrates on promotional pressure groups and also on the way in which they mobilise consumer power in order to pressurise companies to respond to their demands. As he sees it, every purchase or every decision not to purchase is an economic vote for or against a product and its producer, and he quotes the activist Des Wilson to the effect

9 Nicole Dickenson, 'Catering for the Ethical Shopper', *The Financial Times*, (15 April 1993)

that 'pressure groups, offering an alternative form of expression, are a healthy component of genuine democracy' (p. 98). In this way, it is suggested, consumers can redress their powerlessness before the enormous resources of business.

II

Faced with such serried ranks of organised pressure modern business is not, of course, entirely powerless, and many large companies now prefer to be forewarned and forearmed where possible by taking the initiative and dominating the agenda, rather than wait to be subjected to attack from the moral high ground and have to spend energy and resources on damage limitation. Grand Metropolitan, for example, was featured in a recent study in *The Financial Times* (15th April 1993) for the way in which it has developed in the USA a scanning system to track a wide range of potential consumer concerns, to assess their likely emergence and to develop appropriate pre-emptive policies to deal with such concerns, ranging from changing company policy, to lobbying government, to beginning a process of re-educating the public. Another company which takes a proactive line, as was mentioned in discussion last week, not only to scrutinise itself, but also its suppliers and retailers, is Levi Strauss, which has recently announced that it will not do business with 'oppressive regimes', including Communist China. In fact, it is interesting to note that some companies have now begun to make a virtuous profit out of ethical necessity by drawing the attention of a hitherto ignorant public to their ethical policies which have been either long established or recently introduced.

Other corporate strategies which are becoming standard in a more ethically sensitive social environment include not wasting time and energy in dissimulating or delaying. On the contrary, the received wisdom now is to take speedy action to acknowledge and remedy the situation which is proving unpopular to social activists or other concerned parties. Sometimes it also appears that businesses will not even stop to argue the merits of a case, but will simply back out or not get involved, with the minimum of fuss and adverse publicity. A more constructive method, however, of corporate social responsiveness, or processes to manage corporate social responsibility, is to be found in recent German initiatives as studied by Horst Steinmann and Ansgar Zerfass in a recent article, 'Corporate Dialogue - a new perspective for Public Relations'.[10] The new perspective for public relations has been to move away from the traditional approach of regarding PR as a means of manipulating the public, largely through the media, to viewing it as a two-way method of genuine communication. In addition, it has also moved to replace confrontation with critics with dialogue between the company and its stakeholders, and to do so in a structured manner which makes consistent use of neutral mediators.

A German subsidiary of Procter & Gamble came under fire for a hazardous product and initiated a programme to overcome the conflict with such success that it introduced the procedure as a regular way of discussing issues and criticisms surrounding its new pharmaceutical products. The initial cause for concern related to self-administered treatments for coughs and colds. The dialogue process began with an introductory stage during which the two mediators identified what seemed the problem area, and this was discussed by leading figures chosen to represent the various stakeholders. This was documented and further discussed at a two-day residential meeting away from the media, leading to a final agreed statement.

A crucial feature of the process was the procedural rules which the mediators laid down and which required three qualities: impartiality, or scrutiny of prejudices; non-coercion, or the renouncing of power and threats; and non-persuasion, or the abandoning of rhetoric in favour of presenting reasons. In other words, the process focused on argumentation; and, as the mediators report, 'the questioning of one's own interests, the pointing out of the interdependent aspects of the subject fields [represented] and the joint search for solutions led to partly surprising results' (p. 59) which moved from a cataloguing of problems by way of procedures to create solutions to the working out of actual agreed solutions. The significant advance in two-way genuine communication which emerged from this method of corporate dialogue was also to be seen in another case in Germany, again with officially appointed mediators, where a major energy supplier aimed to establish a regular discussion forum, called 'Regional Energy Days', to hold meetings within the community with the general public, including critics and pressure groups.

The authors of this study which I have quoted go on to discuss various models of cor-

10 *Business Ethics. A European Review*, vol 2, no 2 (April 1993), pp. 58-63.

porate public relations in the light of a new emphasis on corporate dialogue, but the point which I wish to make from their article is a slightly different and less technical one. It affects the ethical aspects of the activities of special interest and pressure groups as they attempt to change and influence the behaviour of business. Those three procedural rules which the mediators laid down for the discussion between Procter & Gamble and its leading stakeholders are worthy of close attention in the more general context of all attempts to exert influence on the behaviour of businesses: impartiality, or scrutiny of prejudices; non-coercion, or the renouncing of power and threats; and non-persuasion, or the abandoning of rhetoric in favour of presenting reasons. What these seem to point to are three moral risks for special interest groups of misrepresentation, bullying and over-simplification.

Of course, in responding to pressure groups business itself can resort to unethical tactics, such as fudging the issue, concealment of the truth, distortion of the evidence, delaying tactics and attempts to discredit the opposition. My main point here, however, concerns the behaviour of pressure groups and the ethical criteria which they should apply to the means which they choose in their campaigns to influence business to behave ethically itself. Bullying or physical intimidation, as contrasted with the legitimate use of economic power, is most evidently seen in the violent behaviour or threats of what most people would consider extremists in cases where animals are concerned, whether for experimentation or use of their meat or skins. Over-simplification of issues appears to me to be the occupational hazard of all reformers in society and in history. Distinctions or qualifications make bad slogans with which to win a following or to whip up one's supporters or express indignation or moral outrage. What Max Weber sees as the revolutionary role of the prophet in society is in danger of over-simplifying issues and of ignoring their complexity in favour of the clean uncompromising and satisfying sweeping away of all opposition. Bernard Levin makes the point vividly in his references to SIFs, or what he regularly calls single-issue fanatics - so regularly, in fact, that he may be considered in danger of becoming one himself on this particular subject.

Misrepresentation in the heat of the moment is understandable, although not necessarily excusable, but the same cannot apply, of course, to malicious exaggeration or to wilful selection of items of information, or even to carelessness or inaccuracy in the gathering and use of what is perceived to be or intended to be harmful information - harmful, that is, to business. The unwarranted accusation made against business, the harm done to its image and reputation and the loss to sales, the possible loss of freedom of choice to the customer, the costs involved in defending itself and rebutting accusations, as well as the loss of morale and self-esteem and even of their livelihood on the part of staff, all of these are serious ethical factors to be taken into account by anyone embarking on an ethics campaign against business. Motives and hidden agendas, and even temperaments, can sometimes throw more light on the campaign than the figures, statistics and other data produced to justify it. Selective moral indignation, even if justified, is no substitute for a strong sense of general and universal moral responsibility.

Willingness to listen is the only solvent for prejudice, and scrupulous accuracy is morally indispensable in all hot-blooded and emotionally satisfying campaigning. For instance, in a discussion on corporate social responsibility published last year, the Group External Relations Director of Grand Metropolitan issued a warning about the accuracy of some of the information published very briefly in handy format by special interest consumer groups concerning the behaviour of various companies over a whole range of possible issues. As he said, 'It's condensed into a tick or a cross or maybe a question mark if you're lucky. An example: it doesn't matter if you are a model employer, if you have operations in South Africa you will get a cross, just because you are there'.[11] As another writer observed, reviewing a recent book offering guidance on social and environmental policy and practice in Britain's top companies, 'the check lists have to be read cautiously'.[12]

III

These ethical considerations, however, apply not just to those 'promotional' pressure groups which Craig Smith identifies as aiming to promote particular behaviour on the part of business. They also apply in a slightly different manner to those other 'sectional' pressure groups, whose aim is to protect the interests of their members, whether in political, economic or social terms, or in

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11 *Business Ethics. A European Review*, vol 1, no 1 (January 1992), p. 42.

12 Ibid, p. 69.

straight commercial terms. Of course, there can be a certain amount of overlap between the two types of pressure groups, so that, for instance, a consumers' association which exists as a 'sectional' group to promote and protect the interests of the section of society which comprises consumers does so to a large extent by also being a 'promotional' group, that is, by working to persuade businesses to act in certain ways or to dissuade them from acting in other ways.

Other 'sectional' groups however, which have a wider agenda of protecting and promoting the interests of their members in general can also at times find their activities being directly interventionary with regard to the conduct of business. Probably the most notorious in Europe at present is the sectional group of French farmers, and the way in which their interests are being pushed against the EC's CAP and the current GATT talks; but it is commonly charged that even in Britain the National Farmers Union has too much influence with the Department of Agriculture, to the detriment of the latter's statutory concern for the general population in terms not only of prices but also of public health. Similarly the question is regularly asked whether the British Medical Association and other professional associations such as the National Union of Teachers which campaign for government funding and favourable treatment for their members are acting out of a sense of concern for the common good of society, or whether they are motivated by their own vested interests and the sectional concerns of their members. The ethical challenge is as extensive as the spread of sectional interest groups, ranging from the trade unions to the CBI and the Automobile Association: how to contribute fairly and constructively towards a publicly agreed sense of social priorities, including business priorities; and how to conduct oneself and one's own case justly in the event of opposition from other quarters.

In my last lecture I suggested that in the area of individual customer ethics there was a place for ethical restraint, and this seems to apply even more to the case of special interest group ethics. For it entails not only ethical restraint in the methods chosen and used to press one's case and to overcome opposition, but also ethical restraint in situating one's possibly quite justifiable case within a wider social context. Here again, as we have seen is central to the form of corporate dialogue being introduced by some German businesses, there can be no civilised substitute for renouncing prejudice, bullying and emotional blackmail and for resorting to a mutual appeal to reason, which is perhaps best and most simply summed up in the maxim *audi et alteram partem*: listen continually to the other side.

As one moves out from the influence exercised on business by promotional pressure groups and also at times by sectional interest groups to consider the general place and role of special interest groups in society, the question inevitably arises of what social legitimacy such groups possess, and what ethical basis they can claim for acting in what is already a democratic society. This was a subject which clearly exercised the outgoing editor of *The Economist*, Rupert Pennant-Rea, on his appointment as next Deputy Governor of the Bank of England, for it provided the subject of his farewell article of 27th March 1993, which also occasioned some subsequent correspondence. He noted that with the demise of communism as an external threat which had ensured some form of general interest and internal unity in the west there had been an emergence into prominence of various special interests, to such an extent that what he called 'the power of lobbies' on governments has become an insidious change which raised fundamental questions about political power and influence. It is not my intention to dwell on Mr Pennant-Rea's general political reflections, but only to note his comment that 'the aim of most lobbying is simple: to get preferment', the alternative of getting more via success in competitive markets is regarded as just too difficult. As he continued, 'whenever politicians rather than markets control economic access - to import licences, to planning permission for buildings, to the award of government contracts - there you will find the special interests, trying to get control of this non-market power, ideally without being noticed'. Not unnaturally, the departing editor of *The Economist* saw the best remedy against such aims of unrestrained privilege and protectionism as lying with journalists possessed of the ability and the courage to resist special interests, to defend competition and thus also to defend political pluralism. A correspondent, however, was not slow to point out *ad hominem* in a later issue (24th April 1993) that *The Economist* itself had been founded in 1843 as a lobby group to campaign for free trade. More substantively, another took issue with the anti-lobbies editorial on the grounds that 'people who lobby are exercising their democratic rights', including 'their right to petition for the redress of grievances, and to do so in an organised and effective way'.

I have to say that in general my sympathies go along with the people who lobby, as an unavoidable element of our rather messy form of representative democracy. And I also think that the power of business in society, which - as I have observed - can be used for good or ill, is such that society and individual consumers, whether individually or in concert, need countervailing forces to protect other interests than those of business. At the same time I should want to add that the way in which they may exercise this right should not be just 'in an organised and effective way' but also in an ethical way. Indeed, in considering in this series of lectures 'who's responsible for ethical business' I have been exploring the power of various stakeholders in business and the ways in which they, whether investors, customers or special interest groups, can use their economic power to best ethical effect. Two major American writers on business ethics, Evan and Freeman unconsciously perhaps identified the strong case for this arising from the stakeholder approach to ethical business when they wrote that 'the very purpose of the firm is, in our view, to serve as a vehicle for coordinating stakeholder interests'.[13] In other words, what stakeholder theory does is not just to alert management and ownership to realise that other constituencies have interests which must ethically be taken into account in business decisions. What it also does is legitimise those other constituencies to take appropriate action to protect or promote their interests, particularly when they may be under threat. But, of course, what the theory does not, and cannot do, as I have suggested, is absolve any one of business's stakeholders from behaving themselves and protecting their stake according to ethical principles and restrictions.

IV

There is one special interest group connected with ethical business which I have not yet mentioned but with which I may fittingly conclude, and that is, in the homely phrase, the likes of us here, people who have this special, one might almost say peculiar, interest in the ethical conduct of business in general. It includes, of course, individuals like myself who belong to the group of business ethicists who have a particular professional, not to say vested, interest in promoting the idea of ethical business. And in addition to my audience both this evening and on the previous thirty-five occasions when I have addressed City audiences on the subject over the past six years, this special interest group also notably includes the Old Mercers' Club which founded the chair which I am about to relinquish, and Gresham College under whose aegis and in whose premises this particular Chair was instituted and is occupied.

I have many happy memories of the past six years as a Gresham Professor, delivering my lectures first to the passing trade in Lombard Street and latterly more to the carriage trade in Holborn. And I have greatly appreciated the reception given them by my audiences, particularly in the experienced discussion which I have always considered a major feature of each occasion. I am therefore grateful to those who have attended and participated in my lectures including you who are here this evening, and particularly Mr Michael Jepson who has not only written the definitive history of this chair but also regularly and faithfully attended the lectures of its present occupant. I also, of course, wish to pay tribute to the Council of Gresham College which first appointed and then reappointed me, for their farsightedness and confidence in giving a special business ethics slant to its Chair of Commerce and so discerning what was only six years ago something of a pioneer subject in Britain; and for their encouragement of my attempts to put the subject on the map in the City, not only for those who have been able to attend my lectures, but also for the considerably larger number who regularly receive transcripts of them.

Within the Mercers' Company itself I cannot but single out for my gratitude its Clerk, Mr Michael Wakeford, who was my first contact in the joint venture which led to my appointment. And within the Council of Gresham College I am particularly beholden to its Chairman of the time, Mr David Vermont, for his continual interest and unfailing support. Now that the College is securely established here in Barnard's Inn, and has at last a local habitation as well as a name, its influence and its potential, with its new sense of corporate identity and growing self-confidence, have begun to blossom even more than heretofore, particularly with the accession of Professor Peter Nailor as its Provost. And I shall observe with interest and affection not only

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13 Evan and Freeman, in T L Beauchamp & N E Bowie, *Ethical Theory and Business*, 3rd edition, 1988, p. 103.

the future of the College, but also the future of my successor in this particular Gresham Chair, whom I can do no better than wish the same generous measure of support, encouragement and understanding which I have invariably experienced during the past six years. Thank you.

26 May 1993