

Business Ethics and Ethics of Care

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Abstract: Corporate social responsibility is increasingly being analysed through the stakeholder approach. However, great contradictions appear as soon as the number of stakeholders increases. The firm is then confronted with the dilemma of managing these stakeholders. Recent models have proposed a classification of stakeholder demands according to power, legitimacy and urgency. Indeed, these three criteria enable us to define demand groups and create lists of priorities in the classification of demands, but the problem is far from being resolved. The present article aims at analysing the problem of managing responsibility through stakeholders. It pays special attention to the classification which could result from an ethical mode of action based upon the ethics of care. As such, we shall argue that such a mode of action considerably inverts the usual order of classification.

Key words: care, ethics, social capital, stakeholders

JEL Classification: M14

Introduction

Corporate social responsibility is now analysed through the broader framework of interactions between the firm and society, as well as with shareholders and stakeholders (NGOs, consumers etc.). The firm is in contact with such parties and the latter, in turn, address their requests and even their demands to the firm. Questions could nevertheless be posed upon these demands. Which demands should the firm take into account? These demands are translated into corporate responsibility. The requests and/or demands of individuals or groups of individuals interested in the firm could be extremely varied. But the firm cannot be infinitely responsible either. The firm's responsibility and limits thus need to be clearly defined.

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If we consider that a firm is responsible, this would then imply that it must put forward various responses to meet the needs of its stakeholders. It would also have to create other programmes and policies that would conform to the demands of the interested parties. But this begs the question as to the extent to which a firm could be responsible. Said otherwise, to which demands should the firm comply and what type of policy should the firm adapt in order to be able to meet such demands?

Along such lines, we are faced with two major problems. The first problem deals with the plurality of demands and the extension of stakeholders. In other words, what demands are the most important and what is the maximum extension of stakeholders? Our first problematic hence deals with the heterogeneous nature of stakeholders and the strategic coherence of the firm (part 1). The second problem deals with the order of priority that is to be given to the various stakeholders. Some have proposed a classification, through various criteria, of stakeholders in order to determine the firm's response. Such a classification does not, however, dismiss the existence of tensions in a firm's commitments (part 2). Processes of discussion or consultation offer a means of good governance in attempting to deal with these tensions. Within the framework of this discussion, the ethics of care could play a primordial role in arriving at an agreement regarding priorities (part 3).

The Heterogeneous Nature of Stakeholders and the Plurality of Demands

Dealing with corporate social responsibility from a broad point of view which also takes stakeholders into account requires a closer analysis of these stakeholders. We are then faced with two opposing visions: the narrow vision and the broad. The broad vision of interested parties could be found in the definition: 'A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives¹'. On the other hand, a narrower version consists in defining stakeholders through categories of groups or persons who have or who demand certain priorities, rights or interests within the firm and its activities². This question takes on a whole new meaning when non-human stakeholders, especially the natural environment, are introduced into the debate. This method does not seem to be capable of satisfactorily taking various environmental problems into account³. But our interest here is not to analyse the extent to which this theory is valid, but rather, we aim at analysing the impact which a broadening of this theory could produce.

Given the diversity of the stakeholders, there is indeed a high probability that they could have differing interests and priorities. The following examples give us a clear impression of the problem⁴.

In 1999, the Bank of Scotland created an alliance with Robertson Financial Services, the financial pole of the American evangelist Pat Robertson. This alliance was announced in spring 1999. Share prices of the bank immediately dropped by 5 per cent and forced the parties to cancel this alliance. The reason for such a situation was that a certain number of stakeholders were uncomfortable with the ideas of the American preacher⁵. These shareholders reacted very strongly, which in turn led to the mobilisation of numerous trade unions, municipalities and the general public who all threatened to close down their accounts at the bank. The values held by certain groups were not the same as those held by other groups of stakeholders. Similarly, in 1989, the French bank Credit Lyonnais created a special fund named Hymnos which was monitored by a Christian ethical committee. Given the large number of Christian shareholders and the incongruence of values with other shareholders, the bank often found itself in uncomfortable situations. The Christian ethical committee also put pressure on the bank to withdraw its capital from pharmaceutical laboratories carrying out research on a pill for abortion. Along the same lines, Sister Daničle, treasurer of the Franciscan Sisters, in an interview to *le Monde* on the 2nd of June 2000 stated that she was boycotting the company Matra because of its production linked to arms. She also stated that the pharmaceutical laboratory Pfizer had been removed from their portfolio investments when they learned that its market performance was linked to the production of Viagra.

These examples illustrate the fact that all stakeholders do not share the same interests and values, given the fact that there could be a large variety of stakeholders, varying from employees to environmental protection groups to shareholders. It is hence no surprise that their interests could be very different as well. Apart from the fact that the goals of these stakeholders are not necessarily the same (wage, employment, dividends, reduction of pollution, ...), it is also highly probable that there could be conflicting views over which certain matters gain priority over others when it comes to a firm's actions and also its responsibility. These diverging views do not only represent differences between egoistic and altruistic motivations, which could, as a matter of fact, exist, but they also represent contradictions between certain altruistic motivations themselves, should one for example impose restrictions upon fishing or choose to feed a starving population? The firm is thus obliged to make a choice and create a classification regarding its stakeholders.

These examples are mere illustrations of the problem. We shall now deal with the problem in a more general manner. The demands of the various stakeholders are heterogeneous. Some stakeholders could boycott firms that produce arms but at the same time, would not question the ethical aspect of firms producing alcoholic beverages or tobacco. Similarly, should priority be given to the protection of the environment or development aid? Saving a whale or an endangered species and guaranteeing a just price to the producers of developing countries don't always

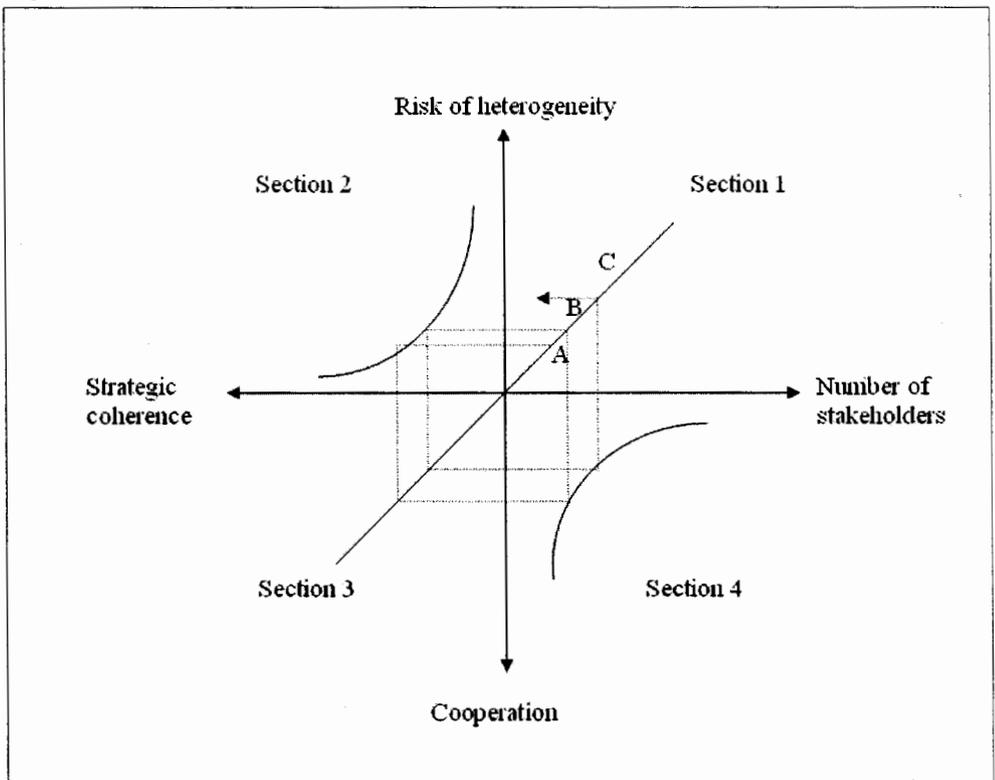
function according to the same logic. If it is not possible to carry out both activities simultaneously, the firm is obliged to give priority to one over the other.

Of course, the firm is capable of eliminating certain responsibilities by itself. Although it is possible to request a firm producing vehicles to ensure that its products do not pollute, we cannot ask it to take up its responsibilities insofar as illiteracy is concerned. However, such a delimitation of a firm's responsibility does not remove all discrepancies.

It is not hard to imagine that the heterogeneous nature of the stakeholders would be even greater when the number of stakeholders itself increases.

In a more general manner, the following relationships could be put forward. When the number of pressure groups or groups of shareholders increases, the risk of heterogeneity increases while at the same time reducing the strategic cohesion of the firm. This lack of cohesion is translated in a level of reduced cooperation or even increased tension between the stakeholders and the firm. As such, expected profit could decrease and management costs could increase. These relationships are illustrated in figure 1.

Figure 1.: Heterogeneity and Strategic Coherence



In section 1, the relationship between the number of stakeholders and the risk heterogeneity is positive. Section 2, meanwhile, traces the negative correlation between the risk of heterogeneity and the firm's strategic coherence. Section 3 illustrates the relationship between strategic coherence and cooperation between and with stakeholders. Finally, section 4 brings together the amount of cooperation and the number of stakeholders. The logic of an increase in stakeholders could be interpreted through this figure as an increased risk of strategic incoherence and thus a decrease in cooperation and profits which could have been gained. Initially, at point A, the firm seeks to develop its relationship with the stakeholders in order to favour cooperation and the anticipation of demands. However, such a strategy implies an increase of heterogeneity which in turn brings about a decrease in strategic coherence and induces a reduction in cooperation, moving from point A to B and then to C etc. The development of such a strategy could indeed produce results which are contradictory to the ones sought for by the firm. As the firm seeks to enlarge its network, heterogeneity increases and the strategic coherence of the firm becomes ever more weak, thereby reducing possibilities for cooperation.

This heterogeneous nature of stakeholders compels the firm to establish a classification of its replies to various demands emanating from stakeholders. Mitchell, Agle and Wood (1997) have already proposed a model where stakeholders were classified according to the following criteria: legitimacy of demands, the power exerted upon the firm by these stakeholders and the urgency of the demand. Heterogeneity reinforces this type of model. If we extend our reasoning, we notice that each firm has its own structure of relationships corresponding to the pressure exerted by stakeholders and involving tensions and means of resolving such tensions.

Priorities and Tensions in Commitments

As highlighted by Sharma (2001), the conflicting demands of stakeholders should hence be taken into account and integrated in such a manner so as to enable the firm to meet these demands in the best possible manner. However, a firm cannot meet all demands, it should instead make a choice and create priorities in managing its stakeholders.

The model often referred to in these circumstances is that of Mitchell, Agle and Wood (1997). According to this model, the management of stakeholders is based on three criteria: power, legitimacy and urgency. As such, the importance of the stakeholders is positively correlated to the cumulative number of criteria present. This implies that all stakeholders do not have the same importance between themselves. Those stakeholders who possess a single criterium amongst the possible three, the latent category⁶, would only have a restricted role, limited to the model's

outer layers. As a result of this lack of criteria, these stakeholders have to be content in starting things, without however having the certainty of being heard by other stakeholders. This category thus involves power, legitimacy or urgency in being perceived as a condition which is necessary but not sufficient to make a firm react. The second category is the expectant category. Here, the stakeholders possess an extra criterium in comparison to the previous category. Strategically, this additional identification opens a large variety of options to the stakeholder, especially in terms of dominant coalitions, whether it be at a managerial level or with trade unions. The final category, the ultimate stage of identifying stakeholders is known as the highly salient category. Since it possess all three criteria, the stakeholder belonging to this category has demands which are not merely legitimate but also urgent. It also possesses the capacity of carrying out its actions. The firm's survival depends on this category of stakeholders.

Apart from taking these three specific criteria into consideration to ensure the classification of stakeholders, the aforementioned model has the advantage of presenting us with a dynamic classification, especially through the criterium of urgency.

However, this model implicitly presupposes that the mere definition of priorities would suffice to solve the problem of managing a firm's corporate social responsibility. This is an oversimplification. The simple fact of defining priorities in order to manage demands does in no way remove the tensions which could surface between stakeholders and which could in turn have consequences upon the firm's management.

Although experience plays an important role in knowing that the firm can withdraw social interactions with stakeholders (Amburgey, Dacin and Singh 1996, Anand and Khanna 2000), this however does not suffice in the management of priorities. The firm thus has to develop a procedure of governance which would enable it to reduce tensions when managing the commitments it has undertaken. Tension within the management of commitments could be defined as a situation wherein a particular firm finds itself when, as a result of satisfying the demands of one stakeholder, it finds itself unable to meet other commitments.

The problem faced by the firm lies in determining priorities in its responses to stakeholder demands. But there is no guarantee that all its responses will be compatible with each other. For example, are the stakeholders' demands for dividends compatible with social action for employees? Is environmental preservation compatible with the creation of extra jobs for persons facing difficulties? etc.

Two possible solutions exist in reducing these questions. The first implies modifying the order of responses. Of course, such a solution is possible only if all stakeholders are put on the same footing and if no single stakeholder has more power

than the others which would enable it to pressurise the firm to take its demands into consideration before those of the other stakeholders. This solution then stands little chance of being employed since the very classification of responses depends on the order conferred upon the demands of the stakeholders and the importance attributed to these stakeholders.

The second solution proposes to soften the response which will be given to certain stakeholders. It also implies that the demands too will be softened so as to enable the firm to gradually deal with all demands. A relaxation of constraints/obligations would thus permit the firm to obtain compatible responses.

However, this second solution requires a certain procedure of consultation or discussion with the stakeholders, i.e. it requires a mode of governance which involves the stakeholders in a collective decision-making process regarding suitable responses. Froger (2001) distinguishes two main categories of governance. The first lies on authority. The second category is associated to the paradigm of mutual trust. Governance corresponding to the paradigm of authority hides important problems in situations of complexity and loss of social trust. Interpreted in the present context, it would imply that the firm takes a decision by itself as to what ideally should be done. Within the context of stakeholders where social capital has an important dimension of trust, this mode of governance runs the great risk of bringing about a failure in the relationship between the firm and its stakeholders. Governance relying on mutual trust, could probably achieve the objectives in time. It nevertheless presupposes the setting up of procedures of discussion and negotiation with stakeholders which involve the latter in the decision-making process and which in turn will help them move over from an immediate and rigid demand to a more flexible and less immediate one.

Such a procedure leads us to consider the firm as an intermediary between various stakeholders. The problem no longer is to convince the stakeholders of the acceptability of a firm's action, but rather, it lies in the fact that the firm now has to unite all stakeholders in spite of their diverging interests. Consultation and discussion between stakeholders should then result in an agreement on the priorities to be given to action and the intensity of the response.

Such an agreement could probably occur in a situation where we observe the presence of the criterium of urgency. However, in the model of Mitchell, Agle and Wood (1997), this criterium is used within a purely managerial perspective and does not actually take the ethical dimension into account. Nonetheless, a reading of these criteria through the ethics of care implies a concept which is radically different from the management of stakeholders. The firm is no longer a mere organisation carrying out a cold and disinterested calculation which enables it to ensure the support of the stakeholders with whom it has to deal, but rather, the firm now takes on a more human face.

The Ethics of Care

The works of Carol Gilligan, presented in her best-seller titled 'In a different voice'⁷ largely contributed to the development of a particular notion of ethics now commonly referred to as the ethics of care. Initially proposed within a feminist context which opposed Kohlberg's⁸ theory of moral development, this genre of ethics is gradually spreading unto other, more general fields. However, its integration into corporate social responsibility still remains at its early stages.

Caring for the Other lies at the heart of this analysis. This genre of ethics particularly offers answers to a certain number of fundamental problems in our society such as isolation, oppression and suffering. The ethics of care is characterised by the attention paid to the Other and compassion and solidarity which is shown towards other individuals. It is moral sensitivity that counts above all, rather than the great principles of justice which are often not applicable to particular contexts.

According to this form of ethics, moral considerations cannot merely be based upon each person's rights, but rather, they require the recognition of the specificity of particular needs which correspond to particular situations. Impartiality based upon equity in rights and non-obstruction in obtaining these rights is far from being sufficient. Each situation requires a certain dose of specificity. As such, the ethics of care could be applied to both circumstances defined through intimate relationships between persons where the needs and the special characteristics of the others are better defined and recognised and applied to circumstances characterised by the lack of knowledge about these needs and characteristics. The ethics of care is not limited to anonymity and distance. According to its defenders, including individuals suffering from hunger at the other end of the world, the ethics of care is better adapted to define the mode of action required than a form of ethics based upon abstract principles of justice. Moral sensitivity could be applied to both intimate and anonymous relationships. Here we do not aim to brush aside the usefulness of principles or rules of law, but rather, our aim is to merely highlight their insufficiency.

Principles of justice present us with a vision of the world founded upon equality where each person, including oneself, is treated in the same manner and where equity and justice reign. The ethics of care, meanwhile, offers us a vision where interdependent relationships guarantee the satisfaction of each individual's needs, where no one is left alone.

The dilemmas are no longer about how to make others respect rights – the rights of others and his own – but rather, it deals with the question as to how one could lead a life of obligations towards oneself and the Other. In a more schematic manner, we would be dealing with a particular vision of the world based upon obligations and another based upon rights.

This opposition implies that principles of justice propose a moral reasoning which revolve around 'indifference' and non-interference, relationships with the others are most importantly relationships which have rights as their go-between. The respect of rights is primordial, irrespective of the fate of the Other. The moral person is the person who brings assistance to the Other. Interdependency between persons then presupposes goodness, kindness and compassion⁹. Interference is no longer a question since interdependence already presupposes intervention.

The ethics of care is thus adapted to concrete situations whereas principles of justice, on the other hand, elaborate modes of reflection which are more often than not out of context and hypothetical.

Such differences permit us to oppose the notion of ethics of justice, founded upon reciprocal respect and equal rights to each individual, to a notion of ethics of responsibility elaborated through interdependence, recognition of one's differences and involving compassion and care. This ethics of care is a notion of ethics of responsibility. Its application to firms introduces a revision in the management of stakeholders.

Let us not forget that, within a purely managerial and instrumental perspective, a firm applies its responsibility according to categories of stakeholders and gives preference to those who possess the three criteria of power, legitimacy and urgency. Power and legitimacy greatly determine this classification since they are perceived as essential criteria whereas urgency presents us with the dynamic nature of the response and the selection of the stakeholders whose demands are to be met by the firm. In other words, the urgency of a response is conditional. An urgent situation will be taken into account only if the stakeholders involved already possess the two criteria of power and legitimacy. As such, a firm would not normally take events which take place outside its capabilities into account. A firm producing automobiles would, for example, not have to worry about famine in the world. If there is a great famine in a far-off country, European firms producing automobiles usually are not obliged to intervene. The urgency of the situation hardly concerns them at all since starving individuals neither have the power nor the legitimacy to exert a demand for assistance upon these firms. The managerial model thus presupposes that urgency is a secondary criterium in relation to power and legitimacy. It merely helps classify the many stakeholders who possess power or legitimacy and determine whose demands should be given priority. As such, if the State requests an improvement in the conditions of security in cars and if, at the same time, some other activists request an increase in the power of cars, firms producing automobiles would have to choose between the two according to their power and the legitimacy of their demands. This choice would be made according to the criterium of urgency if the two other criteria are equal. On the other hand, if one stakeholder possesses much greater power than

the other as well as a largely legitimate demand, urgency would most certainly not be taken into account and becomes a mere secondary criterium.

This modality of classification is contrary to the ethics of care. According to such a form of ethics, the criterium of urgency has priority over all others. The firm's field of action regarding responsibility is immediately widened. If, for example, there is a famine in a far-off country, nothing should stop a producer of automobiles in responding to this famine through any form of aid offered to humanitarian organisations working on the fight against famine. The firm could for instance offer vehicles which could transport food. Not only does this go beyond the firm's field of intervention, but the urgency of the situation could push the firm to act and give priority to this situation over other more legitimate demands from its stakeholders who have greater power. This however implies that such a choice could be explained to the stakeholders and that the latter themselves consider this choice as legitimate, given the urgency of the situation. As such, the ethics of care, through the inverting of perspectives presupposes that the firm should have a more human face and that it should consider urgent situations above all. It also presupposes that the stakeholders themselves are more human and that shareholders, for example, understand this intervention and consider it to be legitimate. The ethics of care pushes for an ethics of society where each person plays a role and assumes his responsibilities, either by acting or by giving up certain demands. Although such a notion of ethics requires us to rethink the model for managing the firm's responsibilities, it also presupposes placing this responsibility within a broader context which is society and where each individual is responsible, be it by the simple fact that he abstains from taking action. As such, it is probable that the criterium of urgency can play an important role in the decision-making process set up by firms to cooperate with its stakeholders. The ethics of discussion and the ethics of care seem to be two facets of decision-making which enable a firm deal, at least partially, with tensions in its commitments to responsibility.

Conclusion

Taking stakeholders into account within the framework of corporate social responsibility poses several problems. The present article has presented two of the most important problems. The first is the heterogeneous nature of stakeholders. It then seems that a firm's strategic coherence could be greatly disrupted by an increase in stakeholders. The second problem deals with the presumed solution to the first problem. It would suffice to classify stakeholders according to certain criteria which help in managing their demands. This however is not a true solution. Although it permits us to classify the stakeholders, this model does not, however, take away the

tensions that exist between various stakeholders as well as the corresponding tensions weighing upon the firm in the management of its commitments to responsibility. Finally, we explored a new method which would help resolve these tensions- the ethics of care. This method enables us to conclude that the criterium of urgency, considered as secondary in managerial models could, as a matter of fact, turn out to be a criterium of great priority.

NOTES

¹ Definition given by Freeman in 1984.

² View is held by M. B. E. Clarkson (1995).

³ We have dealt with this question in a previous article entitled 'Corporate Social Responsibility: the Natural Environment as Stakeholder', *International Journal of Sustainable Development*, 7(1): 59-75.

⁴ The following examples do not imply that certain values are better than others. Nor do they attempt to impose any judgement upon the chosen values. They merely serve in highlighting that all stakeholders do not have the same interests.

⁵ The ideas of the American evangelist were often considered as homophobic and sexist by some shareholders. This is a mere narration of events and the authors are not passing any judgement whatsoever.

⁶ Depending on where a stakeholder situates itself, each stakeholder could play an 'awaiting' role (criterium of power), a 'discretionary' role (criterium of legitimacy) or an 'active' role (criterium of urgency).

⁷ Carol Gilligan, *In a Different Voice. Psychological Theory and Women's Development*, Cambridge, Harvard University Press, 1982. We refer here to the French version, published in 1986 by Flammarion. Although the works of Gilligan created a great development in the field of research and had a large amount of success, her works are mainly based upon previous works, especially by Nancy Chodorow, *Family Structure and Feminine Personality*, in M.Z. Rosaldo and L. Lamphere (ed.), *Woman, Culture and Society*, Stanford, Stanford University Press, 1974 ; and Jean Baker Miller, *Toward a new Psychology of Women*, Boston, Beacon Press, 1976.

⁸ In 1981, Lawrence Kohlberg developed an idea in one of his works which gathered more than 20 years of research. He divides the moral development of individuals into 6 stages and regroups them into three levels- pre-conventional, conventional and post-conventional. Each level corresponds to a higher degree of moral development. The ultimate level corresponds to the understanding and application of rules of justice founded upon individual rights and impartial equity.

⁹ Norma Haan in 'Hypothetical and Actual Moral reasoning in a Situation of Civil Disobedience', *Journal of Personality and Social Psychology*, 32, p. 255-270, 1975, and Constance Holstein in 'Development of Moral Judgment: A longitudinal Study of Males and Females'. *Child Development*, 47, p. 51-61, 1976, had already come to the same results.

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