The Task of (Business) Ethics

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Prelimininary Remark:

The following short reflections are to be seen as rather preliminary and work in progress. During the elaboration of the main thesis various unsettled conceptual questions arose. Still I believe that the basic idea is already sufficiently worthwhile to be discussed.

Main Thesis:

The task of (business) ethics is to elucidate systematically those focal points which foster sustainable social cooperation for mutual advantage.

Explication:

1. Individuals are gifted with freedom, which means that every person, in principle, is able to develop and, as far as this is possible, realize their own intentions.

2. Individuals are embedded in reality, starting with the fact, that they are empirical beings who are subject to physical, biological, psychological, sociological and other constraints. As a consequence, freedom, or intentionality, too, has empirical preconditions, but cannot be reduced to it.[1] Furthermore, actualizing freedom comes with empirical consequences, most of which are unintentional[2] and sometimes detrimental (to the acting individual or others). Put differently: The *fact of embeddedness* implies that intentions, which aim to be realized – and this is true by definitions for intentions –, need to deal with reality. This embeddedness includes, amongst others,

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[1] In a similar way as the meaning of a speech cannot be reduced to its words or syntactical properties although it is based on these. I owe this image to Polanyi 2009: 41.

[2] Every action does not only have specific, intended results, but contributes also to human history. Wouldn't Adolf Hitler's parents have met, history would have developed differently. It would be unreasonable, however, to attribute to them the outbreak of World War II. This example is supposed to indicate that the delineation of causes and effects, reasons and responsibilities, and so on, are (not only, but also) contingent and dependent on our mental models – which can be seen as a hint for the relevance of (ethical) focal points.

− the necessity to have or develop individual capabilities[3] (again subject to empirical circumstances, but partially steered by the individual free will);

− the time dimension, which means here the fact that every action has to start with given (empirical) conditions of action and will itself cause / contribute to future conditions of action; and especially

− the social dimension, that is, the existence of other actors, equally equipped with freedom and at the same time being subject to their (empirical) human nature.

3. Ethics basically deals with the question of aligning, sort of, individual intentions and ways how to realize them in a "good"[4] way, that is, in a way that fosters sustainable social cooperation for mutual advantage.[5] This is done by providing arguments (reasons, concepts, etc.) that aim at resonating with the individuals' mind sets and giving them reasons to act morally. As indicated before, this has somehow to include considerations about the *realization* of intentions under the concrete empirical circumstances.

4. Methodically, the most elementary criterion for this alignment is *consistency*.[6] This criterion is relevant on two levels, the level of actions, and the level of mental models which is the realm of decisions, (behavioral) expectations and judgments.

5. Accordingly, two frameworks can be identified which can be interpreted to have the social function of establishing and maintaining consistency and create the prerequisites for successful sustainable social cooperation: (i) *rules* as the order which coordinates individual actions and (ii) *culture* as the order of social communication or collective beliefs, respectively.

6. Without rules, no social cooperation can take place (Buchanan 1975). This is the foundation of their moral substance. However, rules are bound to individual mental models, that is, the meaning and legitimacy of rules is dependent on the individual perceptions and interpretations – including individual assumptions about how others may perceive and interpret the rules: „But in order to form society, `tis requisite not only that it be advantageous, but also that men be sensible of its advantages" (Hume 2000: 3.2.2).

7. Focal points[7] are basic elements of the order of communication.[8] They constitute the base of *mutual behavioral expectations* as prerequisite for successful cooperation. In order to fulfil this

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[3] This is the basic reason for virtue ethics.

[4] An essential part of ethics is to clarify directly or indirectly the meaning of what is meant by "good". Presumably, "good" or "right" are the most basic focal points of ethics.

[5] This formula encompasses the time dimension ("sustainable"), the social dimension (" social cooperation" and "mutual") and the personal dimension ("advantage" in the sense of "good life").

[6] Kant's categorical imperative can be interpreted as expression of this criterion with regard to individual maxims as the subjective principle of action.

[7] Focal points as a theoretical concept were introduced by Thomas Schelling (1980) in his book "The Strategy of Conflict" as a solution to a particular problem in pure coordination games, namely, how to coordinate expectations about others' behavior, more precisely: in a situation where players aim at cooperation and accordingly need to coordinate their actions. This, in turn, presupposes some alignment of the individual assumptions about the others' behavior. Schelling describes focal points accordingly as elements „of each person's expectation of what the other expects him to expect to be expected to do" (1980: 57), that is, a "point of convergence of expectations" (Sugden/Zamarrón 2006: 610). The challenge is to have a cue on which the

function, a sufficiently shared understanding not only of the focal point itself, but also about its meaning in specific situations is needed.[9]

8. Not all focal points might foster social cooperation for mutual advantage, although they might create a set of shared beliefs how to act in particular situations. Tyrannic leaders might create focal points which effectively coordinate expectations, and hence actions, but in an unfair, irresponsible etc. way; a particular event between two persons or groups may create a focal point which creates deep and enduring mistrust. In contrast, (business) ethics should focus on those focal points which foster sustainable social cooperation for mutual advantage.[10] These (ethical) focal point (should) provide orientation what one can reasonably expect from others to do[11] and correspondingly what one should reasonably take into consideration in one's own actions in order to realize gains from social cooperation and avoid undue harm.

9. Most ethical theories share the assumption in one way or another, that only certain actions – as well as the according behavioral expectations or the underlying rules – are *legitimate*, namely those which are universalizable[12], that is, which can be accepted by those who are concerned by these actions (stakeholders).[13] Furthermore, only those expectations toward the behavior of others are legitimate, which in turn can be seen as legitimate or justified and do not put an unreasonable burden on the actor. Accordingly, (business) ethics should elucidate[14] focal points which are, or should be, constitutive elements of mutual behavioral expectations and, hence, serve, or should serve, also as orientations for (reasonable) actions. In other words: those focal

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actors can orientate their behavior, building on the expectation that the other actor(s) share the knowledge about the particular focal point *as a focal point*, that is, the focal point is "common knowledge".

D. Kreps (1990) developed the concept further to reconstruct corporate culture in economic terms as a set of focal points which are used to deal with unforeseen contingencies, which cannot be stipulated by definition. In this interpretation, focal points are basic principles or values, which establish a shared understanding between the interacting partners how to deal with situations that offer one party an opportunity of realizing benefits at the others' expense. Here, focal points are generalized from being a cue for (a particular equilibrium in) coordination games, a rather specific type of interaction, to an element of shared mental models in mixed-motive games where they provide some kind of reliable structure for behavioral expectations and thus the basis for a mutually beneficial cooperation. Put differently, focal points become elementary means of mutual confidence.

[8] As a rule, there is an intimate relationship with the order of actions, where focal points might be explicitly mentioned or implicitly referred to.

[9] Note, however, that the causes or reasons for a focal point to serve as a focal point can be individually different. One may follow the law for a variety of reasons: out of routine, the wish to avoiding sanctions, (possibly different) religious beliefs, (possibly different) ethical reasons etc. This complicates the task of (business) ethics, but allows to reap the benefits from pluralism.

[10] Examples for according focal points are moral principles, norms, or values such as the Golden Rule, the norm "do no harm", the categorical imperative, values like respect or fairness, human rights, the concept of common good, etc.

[11] More precisely: what to take appropriately into consideration. This implies, that ethical focal points are less of an equilibrium in a coordination game than a (focal) principle which may contribute to reliability in mutual behavioral expectations by constraining the set of presumable actions.

[12] This corresponds to the aforementioned criterion of consistency.

[13] It is an interesting question as to whether the shareholder value principle can be seen as such a focal point. This example demonstrates the challenge to specify focal points: their use is always *embedded* in contextualizing structures of mental models which are often not shared by others.

[14] "Elucidate" may mean, amongst others: describe, explain, justify, clarify, convey, reinforce, maintain, etc.

points are, or should be, basic elements of shared beliefs regarding common interests and their realization.[15]

10. As mentioned before, intentions, and legitimate behavioral expectations as well, have to deal with reality. Accordingly, focal points, as a coordinating 'mechanism' between expectations and actions, need to be enriched with knowledge about empirical facts, laws, structures etc. in order to become applicable and meaningful. The expectation of person A that person B should perform a specific act according to a moral norm, might be inappropriate, and therefore not legitimate, e.g. because B cannot fulfil it, or only at prohibitive costs, or with consequences which are counterproductive. That is, the meaning or interpretation of focal points need to be enriched in a way that all actors share – to a certain degree – the beliefs about what is appropriate in a particular situation; put differently: it is not enough to share an abstract focal point, say a value like fairness; to a certain extent it is also necessary to have a shared understanding about how to specify it in concrete situations.[16]

11. Focal points, and still more their concrete application, rest on reliable regularities (laws, patterns, etc.). It takes time to build focal points by reinforcing them, thus making them a token of trust, as it were.

12. (Ethical) Focal points should have the following qualities; they should be

   – consistent with other perceptions, as far as these concern other universally accepted principles/norms/values or generally recognized facts and patterns about reality,[17]

   – understandable, that is, the ideas and arguments of (business) ethics should have the potential to resonate with ordinary people,[18]

   – robust, that is, they should be comparably stable and retain their meaning throughout time since drastic changes imply an enormous loss of familiarity, which is the base for the focal points' function,

   – self-enforcing, that is, actors should in general have incentives – including reasons – to stick to the particular focal point.[19]

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[15] The implications of the property to be a *shared* belief can easily be underestimated. Thus, it does not suffice to find an ultimate ethical focal point which serves as an absolute foundation for legitimate expectations or moral judgments (assuming for the sake of argument, that it exists). Even if a "philosopher-king" might have a deep insight into its meaning in the sense that she knows how to apply it in concrete situations, for others it may be a mere word – which implies that it doesn't actually serve as a focal point!

[16] Admittedly, I am unsure regarding this last assertion, since it is obviously possible to coordinate actions between persons with very different mental models.

[17] Obviously, most norms and values as well as assertions about reality are disputable. This presents an interesting theoretical challenge, since as a consequence the attempt of an all-encompassing ethical theory goes hand in hand with an insurmountable hurdle, namely the question how to become a *shared* mental model.

[18] This is a very demanding property, since ethics is often seen as trivial – which is actually a positive thing, since people perceive the according assertions as self-evident and therefore acceptable – or abstract – which is, to a certain extent, inevitable, but complicates to contribute to good focal points.

13. Over the last years the causes and reasons, respectively, exploded as to why the interpretation of focal points like fairness, respect[20] and the like has become more different as well as difficult. Not only globalization and digitization contributed to the "VUCA world"[21], but also new insights from behavioral and other sciences increased the complexity of the application of generally accepted standards of right and wrong.

14. Therefore, it is an important task for (business) ethics to consider how new developments in society and theory are related to ethical focal points in a way that the latter are maintained and not undermined. This includes the task of keeping them present in a dynamic, complex world where it is easy to become distracted or lost (with regard to ethical standards). Actually, it calls for a cooperation between (business) ethicists, irrespective of the inevitable competition and conceptual differences,[22] with regard to the search for common ground of sustainable social cooperation.

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[19] This is often observable in public speeches where speakers emphasize values like responsibility, integrity, and the like, even if they are not following them. However, pure lip service undermines the value of a focal point since after a while they do no longer serve as an element of individual *behavioral* expectations.

[20] An example: one elementary form of showing respect is observance of human rights. The global expansion of markets and especially supply chains, combined with high pressure of competition, led to an increase of the number of people who could escape poverty, but was presumably also accompanied by an increase of violations of human rights; at least it increased the worldwide interdependency of actions. What, then, is a legitimate expectation toward a customer of a smartphone, a new shirt, or a piece of chocolate, since often they are indirectly involved in the violation of human rights?

[21] "VUCA" stands for volatile, uncertain, complex, ambiguous; see, e.g., Bennett/Lemoine 2014.

[22] Including the fact, that these differences may be reasonable, cf. Rawls' "fact of reasonable pluralism" (2001: 33f. and passim)

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