The Moral Mission of Business

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What purpose should business serve in society? Justice Louis Brandeis formulated his answer with characteristic clarity and resolve:

In the field of modern business, so rich in opportunity for the exercise of man's finest and most varied mental facilities and moral qualities mere money-making cannot be regarded as the legitimate end. Neither can mere growth in bulk or power be admitted as a worthy ambition. Nor can a man nobly mindful of his serious responsibilities to society view business as a game, since with the conduct of business human happiness or misery is inextricably interwoven.

Real success in business is to be found in achievements comparable rather with those of the artist or the scientist, or the inventor or the statesman. And the joys sought in the professions of business must be like their joys and not the vulgar satisfaction which is experienced in the acquisition of money, in the exercise of power, or in the frivolous pleasure of mere winning..... as the profession of business develops, the great industrial and social problems....will one by one find solution.1

Brandeis saw business as a mighty instrument which we are morally obligated to use for the purpose of advancing civilization. I agree with him. In my view, we human beings have the autonomous power to add value to the world and to remove value from it. Our moral mission, individually and collectively, is to cultivate the wisdom and to do the work which, to the limit of our creativity and ability, will make this world better than we found it. By "better" I mean, for example, safer, healthier, more beautiful, more equitable, more loving, or more knowledgeable. There are many means by which we may try to fulfill this mission-such as by raising families; by pursuits in art, science, or government; and, hardly least, by means of transacting business.

My thesis is that the moral mission of business to exercise all the imagination and initiative it can muster for the purpose of producing goods, services, and occasions for human achievement which make the world business might perform. My position involves at least two claims: (1) that business people have enough moral insight to assess the goods and services they are capable of providing and to decide specifically which ones are morally worthy (i.e., which ones would contribute substantially to making the world better); and (2) that business people ought to work to create and market the specific goods and services which are morally worthy and to avoid those which are unworthy, even if such action is not legally required and even if such action does not consistently serve the firm's profitability.

OPPOSING VIEWS

These claims add up to a view distinctly at odds with the views of many academics and business practitioners, who believe it is wrong and even foolish to ask business to exercise imagination and initiative in order to make the world a better place. Instead, they think that laws, market prices, and public expectations are sufficient to determine both what resources business ought to consume and what outputs it ought to produce in the service of world betterment. They are mistaken.
Obeying the Law Is Not Enough

It is sometimes thought that transacting business is analogous to game playing. This is consistent with the practice, in both business research and education, of applying mathematical models borrowed from game theory to problems in business decision making. Supporters of this view sometimes observe that just as the fair, orderly conduct of games requires the players to follow rules, so too the conduct of business requires laws and regulations. Among their benefits, rules and laws maintain a level playing field where competitive advantages can be gained only as a result of honest effort or honest luck.

Nevertheless, in Where the Law Ends Christopher Stone argued that law fails to provide adequate control of business behavior. He observed that, since laws are typically enacted in response to societal needs, there is often a delay between the time when social problems arise in the changing arena of business conduct and the time when answering directives are in the law books. For example, in the late 1980s, after the apparently legal sale of poison gas factory equipment to Libya by European companies, critics were dismayed to find that American export controls would probably not bar U.S. companies from similar transactions. As a result, the process of changing U.S. law was begun. Stone also pointed out that corporations routinely try to influence lawmakers by arousing public opinion, exemplified recently by the tobacco industry’s promotional campaign on behalf of free speech, clearly intended to elicit support for the industry's desire to continue advertising tobacco products. Finally, Stone noted that in order to develop regulations for vast arrays of industries, governments frequently have little choice but to rely on business's own data and advice. The pitfalls of this reliance have been noted many times, including during the recent controversy surrounding the Food and Drug Administration's regulatory review of the bovine somatotropin growth hormone for dairy cows, in which a government veterinarian publicly criticized the FDA for working too closely with industry and relying too heavily on industry's allegedly biased test data.

Stone's points are practical. They suggest that it is unwise to count on the law to define a worthy, impartial social mission for business. A more fundamental conceptual point also applies: The preeminent concern of law is to mitigate harm. Hence, the law characteristically does not tell us what to do; rather, it tells us what not to do. Law draws the line between acceptable and unacceptable conduct and specifies ever greater disincentives for crossing ever farther into the domain of the unacceptable. However, law typically does not tell business people who stay within the domain of legally acceptable conduct what acceptable actions to perform nor does it provide guidelines or incentives for distinguishing between minimally acceptable and highly meritorious actions. Before the law, scoundrels, stinkers, and triflers who do nothing illegal are at one with the most industrious humanitarians. For these reasons, the law is not enough to stipulate, in any important affirmative respect, what the mission of business ought to be.

Heeding the Market Is Not Enough

Economists and other business thinkers sometimes see the market picking up where the law leaves off. While law concentrates on identifying the kinds of behavior which
business should avoid, the market provides positive guidance concerning specifically what goods and services business should produce. Here is an outline of this concept of enterprise:

Reduced to its most fundamental elements, the economic world consists of two principal kinds of entities-firms and individual human beings (who are also called householders). In a free society, firms and householders interact by means of markets. There are two principal kinds of markets: (1) the market for the factors of production, in which firms buy such resources as labor, material, capital, and knowledge from householders, and (2) the market for products, in which householders buy goods and services from firms. The function of the firm is to receive as input the resources it buys in the factor market and efficiently transform them into the outputs it sells in the product market.

To perform this function successfully the firm can seek guidance from market prices. In both markets, householders are assumed to have preferences which affect their choices. It is further assumed that householders will demand the lowest prices for the factors of production they most prefer to part with and that householders will pay the highest prices for the products they most prefer to consume. Hence, prices communicate preferences. A successful firm is precisely one which takes the resources people most prefer to give up (and, therefore, will give up most cheaply) and transforms them into the goods and services people most prefer to consume (and for which they will, therefore, pay most dearly). Such a firm accomplishes two things at once: it maximizes its profit and it maximizes the Satisfaction of human preferences. Profit therefore measures not just economic success, but also the firm's success in producing human satisfaction. This is the reasoning behind Adam Smith's famous observation that the he firm which maximizes profit also creates social well-being, as surely as if it were guided by an invisible hand.

For the proponents of this concept of business, the ideal firm is in itself a purely preferenceless mechanism, efficiently responding to market prices in all of its decisions to buy and sell. It is a mathematical entity working on the mathematical problem of optimizing the diverse preferences of distinct sets of householders-workers in the labor market, vendors in the materials market, customers in the product market, and investors in the capital market. Because the whole responsibility of the firm is to respond faithfully to these human preferences, it would be irresponsible and undemocratic for the firm to develop its own independent preferences concerning the rightness or wrongness of using particular resources or of producing particular products. In the marketplace, the mission of business is to be a heeder, not a leader.

This vision of business has had far-reaching influence. It is widely accepted among business theorists. In politics, it has shaped the policies of a succession of U.S. administrations and internationally it has undoubtedly furthered the spread of free market practices along with the decline of communism.

An important implication of this view is that business should not directly consider moral issues when it makes decisions. The reason for this is that the moral preferences of workers, investors, vendors, and customers are already factored into market prices, along with all their other preferences. Milton Friedman, a persuasive champion of the free market, illustrates this point with the example of an industrial chemist who quits her job
because she prefers not to provide labor to help manufacture napalm for incendiary weapons like those used in the Vietnam and Persian Gulf wars. "If many, many people feel that way," he says, "the cost of hiring people to make napalm will be high, napalm will be expensive, and less of it will be used. This is another way in which the free market does provide a much more sensitive and subtle voting mechanisms than does the political system."

Hence, morality is already in the market—even the market for napalm—and business should not try to exercise any independent moral judgment. I believe that this concept of the mission of business is mistaken in at least two respects.

First, the free market model takes human preferences as "givens" which markets express through prices and satisfy through exchange. However, this understanding of preferences strikes me as a serious oversimplification. I am not convinced that householders enter the marketplace with sure, ready-made preferences; human aims are not so clear and imagination is not so perfect. Customers, workers, vendors, and investors may not have settled, unequivocal notions of what constitutes good work, a good product, or the good life. For many people, the marketplace may function more as a testing ground, an experimental theatre, in which they seek completion of their incipient wants through work opportunities and product offerings which they envision only imperfectly, and which they look to business to define and create. In this vein, W. Edwards Deming, the quality control authority noted for his considerable influence on Japanese business philosophy, has expressed the sentiment that the consumer invents nothing. "New product and new types of service are generated," he states, "not by asking the consumer, but by knowledge, imagination, innovation, risk, trial and error on the part of the producer."6

In business, like art, there is no escaping the need to create things that are more detailed, more explicit, more real than anything the market can specify in advance. The resplendent images of heaven, hell, and things between which Michelangelo Buonarroti recorded on the Sistine ceiling did not and could not rise impeccably out of the collective preferences of his employers, assistants, admirers, and critics. It takes originative insight, initiative, and a difficult process of creatively grappling with the raw materials by the producer to introduce new goods, new services, and new experiences. So too home builders, computer makers, and restauranteurs are in the business not simply of heeding their respective markets, but of using their own imaginations to clarify, to concretize, and, inevitably, to affect the preferences operating in those markets.

I am proposing that there is a dialectic, a dynamic two way relationship, between house-holder preferences and business offerings. Business develops offerings in response to householder preferences, but householders also develop preferences in response to business's offerings. Moral insight and moral initiative are needed on both sides of this mutually creative relationship, if the overall outcome is to be morally worthwhile. The producing firm is not simply a machine transforming incoming wants into outgoing products. It has original, discretionary power to define what will be offered in the marketplace and it is therefore obligated to think about what ought to be offered. To resume Milton Friedman's earlier example, it is not enough for a chemical company to
maintain its own moral neutrality in deference to the supposed moral democracy of a profitable market in napalm, where the customer pays well and where only a noncritical number of workers, vendors, and investors refuses to participate. The doer of a deed has a responsibility to ask the self-referential moral question, "Is what I am doing honestly worth doing?" Maybe the decision makers at the napalm producing firm could, in the words of Control Data's Bill Norris, "check their gizzards" and in good faith answer "yes." Maybe not. But free market advocates are wrong to hold that the market system relieves that firm's leaders of the responsibility to subject their offerings to moral scrutiny.

The second respect in which I believe the free market model is mistaken is in its acceptance of market prices as reliable measures not simply of economic value but also of moral value. Even if we were to grant that prices do sometimes adequately communicate well-defined house-holder preference, prices still prove nothing concerning how morally worthy those preferences are. It is harsh reality that nasty preferences will engender nasty markets and that there is, therefore, no dependable connection between the economic value signified by market prices and the kind of value which makes the world a better place. Tobacco products, dial a porn services, handguns, and chemical warfare agents may be both profitable and legal market commodities, but they are at best of dubious social value and at worst genuinely decivilizing. Regrettably, the economic viability of nasty markets is only increased by technological advances, which typically allow production to be accomplished with less labor, material, or capital and thereby reduce the number of consenting human beings (workers, vendors, or investors) required to produce nasty products.

There is also a prospering marketplace, whose pageantry fills malls and radiates from TV screens, in which many offerings seem to be aimed only at indulging our unedifying but presumably harmless appetites for short-term comfort, peer attention, and mental reverie. This is the everyday realm of morally trivial products and services of gossipy news, nutritionless food, escapist drama, and fashion accessories without end which are easy to make and easy to sell in a society where consumption has itself become a recreational activity. In such a society what meaning or moral content can market preferences be trusted to have? Do the prices we find ourselves willing to pay for the latest vogues in jeans and jogging gear, high-tech sound systems, plastic turtle warriors, plush toys, prestigious cars, or closet loads of ties, belts, blouses, sweaters, and shoes provide an accurate measure of their contribution to the advance of civilization? I doubt that they do.

In the last analysis, it is a category error to reduce business morality to marketplace "voting." There is no guarantee that the morally optimal mix of goods and services will be found at the point where society's economic preferences converge, because there is no guarantee that those preferences aspired to world betterment in the first place. For business people committed to doing their moral best, market messages are not a useful substitute for their own moral insight and effort. They must look and decide for themselves where the best opportunities are for creating authentic civilization-building value.
Responding to Public Expectations
Is Not Enough

Some thinkers have recognized that the market -- at least the market as traditionally conceived - is not a satisfactory guide for business conduct and have proposed that business should also respond systematically to demands from its non-economic environment. There are two approaches to this: (1) the public policy approach, which holds that firms should take their social guidance from the expectations of society at large, and (2) stakeholder analysis, which urges each firm to be responsive in particular to those constituencies who are liable to be affected by the firm's actions (including, but not necessarily limited to, the firm's owners, employees, customers, suppliers, and the immediate community).

A classic advocacy of the public policy approach was provided by Lee Preston and James Post, who wrote that "guidelines for managerial performance are to be found not in the personal visions of the managers themselves . . . but rather in the larger society." Stakeholder analysis is a more recent development and is sometimes championed by authorities on strategic management.

Most of us would likely have little respect for business leaders who failed to consider societal expectations or the concerns of their fellow stakeholders. However, these approaches tend to go beyond this, by supplanting the moral imagination and initiative of business people with an impersonal process of input, adoption, and response. Although their focus is not economic, these approaches are variants of heeding the market. "The organization should analyze and evaluate pressures and stimuli arising through public policy," acknowledged Preston and Post, "in precisely the same way that it analyzes and evaluates market experience." Hence, proponents of both approaches typically apply empirical market survey techniques to the task of ascertaining society's or stakeholders' expectations and they often suggest organizational designs capable of adjusting efficiently to changing expectations.

If survey and response techniques are used simply to measure which way the social winds are blowing and to bend mechanically with those winds, then they are a miserable substitute for moral initiative. The winds of societal expectation, after all, blew strong and with a clear heading in Nazi Germany, but the firm which yielded unthinkingly to the Nazi concept of suitable business conduct did so at its moral peril. The moral mission of business is not fulfilled simply by doing what is required in order to survive in the social environment. A business must deserve to survive as a result of its honest choices and deliberate accomplishments.

The law, the market, and public expectations are inadequate substitutes for the moral imagination and initiative of business people because each of these proposed guides for business conduct still requires an appeal to a moral sense to fulfill it. Laws can be bad or good; markets can be bad or good; and public expectations can be bad or good. Ultimately, the only guide for righteous conduct is our irreducible moral sense and our power to act upon it with initiative. Advocates of obeying the law, heeding the market,
and responding to public expectations have difficulty appreciating moral initiative, because they all conceive business as reactive, as a mechanism in a legal, economic, or social environment. Their thinking reflects the conceptual bias of the scientific world view, which dominates much of business theory and which models human behavior in terms of stimulus and response. Stimulation and response constitute an amoral process, and amorality is the common, troubling characteristic of all of the guidelines for business conduct which have been considered above and repudiated.

VALUE CREATION AND MORALITY

A few years ago, I saw a cartoon depicting a business school classroom. In it, the professor at the blackboard is drawing diagrams explaining the principles of production management; meanwhile a student in the back leans to another and says, "Things! I don't want to make things. I want to make money!"

This student, who may not be an entirely unfamiliar figure, would not have appreciated Justice Brandeis's earlier statement that "mere money making cannot be regarded as the legitimate end" of business. The student naively failed to grasp the essential dependence of making money on making things. In a world without productive achievement, money would have no meaning. Our productive achievements come first and matter most. Brandeis intimated this at the outset when he said that the achievements of business people ought to be comparable to those of artists, scientists, inventors, or statesmen. An accomplished artist might create works of insight, beauty, or novel vision. A productive scientist might increase our understanding of how the world operates at the molecular or cosmic levels. A capable inventor might provide society with technical advances which promote healthier or more constructive living. A successful statesman might be a designer or implementer of a responsible, beneficial system of governance. Brandeis was saying that the success of business people should be measured, as it is for these other types of professional people, not by the quantity of their accumulated wealth, but by the quality of what they create and add to the world.

This concept of the moral mission of business has a number of features in its favor.

First, this concept places the focus of business morality at the center of business's native function, the production of goods and services. Much that has been written about business ethics depicts moral business conduct in terms of negative criteria or "extracurricular" contributions, such as avoiding criminal behavior or providing community service and charitable donations. There is no reason to dispute the merit of such conduct; however, those who emphasize it are overlooking the area where business has the greatest potential to produce positive moral achievements. Through the production of goods and services, business answers the call of the side of human nature named in the classical expression, homo faber--literally, man the maker. For many classical thinkers, our moral mission was to fulfill our human nature in the worthiest ways possible. By making worthy things, we makers make ourselves worthy people. Everyday as they work, business people choose how well or how poorly they will fulfill
the "maker" inherent in their natures, and, in so doing, they inevitably make an ongoing series of morally significant choices.

Second, this concept of the moral mission of business facilitates the integration of moral conduct with effective strategic management. Just as goods and services should not be produced in ad hoc or haphazard ways by an organized, strategically managed firm, so too the moral contributions of that firm should not be devised ad hoc and delivered haphazardly. Critics of moral initiative by business sometimes assume that would-be morally engaged business people must be Lone Ranger types, who try single-handedly and, of course, most unsuccessfully to implement ad hoc solutions to sweeping social problems like inflation, unemployment, poverty, illiteracy, pollution, or racism. Actually, there is no good reason why moral concerns need only be the pet agenda items of lone executives and "loose cannon" do-gooders. In its mission statement, standing policies, and long-range objectives, a strategically managed firm is expected to identify the kinds of goods and services it intends to offer and the market it intends to service. If the firm also intends those offerings to reflect moral imagination and initiative, then expression of this intent also belongs in the mission statement, policies, and objectives so that this intent can be built into the official agenda through all the subsequent stages of strategy development, revision, execution, and control. A company's moral initiatives in its choices concerning responsible resource consumption, philanthropic involvements and, above all, product characteristics can thus be conceived, articulated, budgeted, and implemented in the normal process of strategic management and can thereby represent the informed common will of the voluntary associates who comprise the business.

Third, this concept of the moral mission of business recognizes the moral relevance of a firm's product knowledge. The extensive knowledge a firm already has about its market offerings is precisely the knowledge which the firm requires and ought to use as a base for cultivating the moral insight needed if it is to contribute in its own distinctive way to world betterment. No one is likely to know more than the producing firm about the potential benefits, hazards, and stakeholder concerns, associated with its goods and services. When I was a child, one of the few pairs of shoes my father owned came unstitched. He took them to an elderly shoemaker in our neighborhood, who examined them and then tapped one of the shoes disapprovingly with his finger. "Bad work," he said. "But if they knew how to make them bad, they knew how to make them good." I think that the incident has stayed with me because I was struck by the moral indignation the old shoemaker felt toward the people who had made those shoes. In his view, those people had failed to live up to their business responsibilities; they had failed to use their knowledge to make their own small contribution to a better world.

Additionally, no one is better situated than the firm's decision makers to gather information and make a realistic assessment of the likely uses to which customers will put the firm's goods or services. Moral responsibility does not end at the shipping dock or retail counter, especially if it is possible to look beyond that point and anticipate with reasonable assurance that a product or service will be put to harmful use. The store clerk who sells a shotgun to a wild-eyed customer who is loudly voicing negative opinions about other people commits a morally significant error of judgment. A similar moral error is committed by weapons manufacturers when they are fulminating dictators whose past
behavior has shown a distinct propensity for waging war on their own subjects and immediate neighbors.

I am not claiming that business people can develop an infallible seer-like power to discern on every occasion which business choice is morally correct. However, I believe they are in a reasonable position to cultivate enough moral insight to assess their prospective offerings and decide which of them would substantially add value to the world and which of them would subtract value from it.

PROFIT AND MORALITY

In free enterprise, a morally proactive firm needs and deserves to profit, because profitability empowers it to continue working at producing goods and services which make the world better. However, there is no denying that business people who choose their market interactions and product offerings based on a criterion of moral worthiness can run a greater risk of economic failure than business people who base their decisions directly on economic criteria. For one thing, morally committed business people may deliberately pass up some market opportunities. A publishing house, for example, may choose to avoid developing a line of third party reference manuals for popular software products, like those found in the computer sections of most bookstores, because it is not comfortable with the fact that the robust demand for these manuals is due largely to the proliferation of illegal copies of software. After all, if a friend gives someone a disk containing WordPerfect, the recipient still needs a reference manual. Even though producing stand-alone reference manuals is perfectly legal, the publisher may decide it would be wrong to abet software piracy. That forsaken opportunity could translate into some forsaken profits.

Nevertheless, it would defy common sense to think that principled business people are obligated to operate with absolutely no regard for economic survival. Not even the most morally dedicated business people can feasibly fill their whole range of goods and services with morally exemplary offerings which generate no market interest, nor are they likely to make a lasting contribution to world betterment by selflessly "giving away the store" and running their companies into ruin. Moral initiative by business requires a balance between moral and practical considerations. The firm's challenge is to develop offerings which is honestly considers to be morally worthy but which the market will also appreciate, or can be educated to appreciate, sufficiently to allow the firm to survive.

Business school educators usually have little to say about persuasive selling and persuasive advertising. Persuasion, after all, attempts to influence our preference functions, and it is not consistent with the mechanistic vision of firms outlined earlier to concede that they might have a rightful power to lead the market by actively working to create demand. However, for an innovative firm taking moral initiative, the selling function may properly involve morally educating the market by awakening an appreciation of the civilization-building value of the firm's goods or services, selling not simply the product, but trying to persuade market participants that the qualities of this product are the sort of qualities which right-minded people ought to prefer. This is a
justifiable use of persuasion. A firm which commits to the extra effort and extra risks associated with trying to produce morally worthy products is a pioneer in the ongoing quest to better our world. Such a firm is entitled to attempt to increase the economic value of its goods and services, and hence the prospects for the firm's profitability, by advocating an enlightened change in the preference functions operating in the marketplace.

Hopefully, we are moving toward a world where, someday, market value will reliably express moral value. If we are to get there, moral education of the marketplace is needed, and, in a free society, this education is best administered in large part by business itself, which should take the initiative in showing the world that products and services which enhance civilization are preferable to those which are morally trivial or overtly harmful.

CONCLUSION

Justice Brandeis had high hopes for business's prospects for achieving its moral mission. "The great industrial and social problems," he predicted, "will one by one find solution." There are good reasons to share his optimism.

Even with its Malthusian population increases and periods of backsliding, the historical progress of civilization has on balance been for the better. The world is going, fitfully to be sure, through a long process of what social economist Kenneth Boulding calls "gentling," as a result of which "societies increasingly are held together not by threat but by exchange."9 William Baumol has provided helpful measurements of the remarkable transformation of quality of life in the United States:

From 1870 to 1979 U.S. output per work-hour increased by an astonishing 1100 percent. This was enough to permit the average number of hours worked per year to fall by some 40 percent while per capita output increased eight fold. To dramatize what such an explosion in living standards means we note that this implies... that our ancestors spent well over 90 percent of their incomes on food, clothing, and shelter, that vacations were virtually unknown, that the typical meal consisted of a "one-pot stew," shared by the entire family, and that home heating was so primitive that ink wells routinely froze in winter. Productivity has also exploded in agriculture. As late as the 17th century, some 90 percent of the European work force was engaged in agriculture, out-puts were still so small that regular famines, with widespread death by starvation, continued to be common. Today, the highly agricultural United States employs only 3 percent of its labor force in the production of farm outputs, usually providing a considerable overabundance.10

In this transformation, business, whose concern is economic exchange, has emerged as one of the world's principal civilizing influences. Business has been the implementer and often the author of the advances in labor utilization, shelter, and agriculture alluded to by Baumol, along with world-building improvements in the whole sustaining infrastructure for health and education. Business is now the repository and activator of much of our human creative energy and of our technical capacity for production. In our time, it is probably the greatest arena of human achievement.

The next step is for business leaders to recognize explicitly that world betterment is their true function and moral mission, and for them to pursue it with imagination and
initiative. It is sometimes naively thought that business ethics is all about the choice between being a crook and not being a crook. Actually, crooks are not the most serious threat to the pursuit of business's moral mission. Rather, the major obstacle to be overcome is the wide-spread influence of the thinkers criticized earlier, who champion amoral and mistaken guidelines for business conduct. Their vision of business has lost sight of the moral mission of humankind and of the quest for its fulfillment inherent ill business life.

Endnotes


2 See Christopher Stone, Where the fare Ends: The Social Control of Corporate Behavior (Evanston, IL: Harper and Row, 1915), pp. 93-96. The points in this paragraph are summarized from Stone's highly regarded book: the examples are derived from more recent events.


7 L. E. Preston and J. E. Post, Private Management and Public Policy (Englewood Cliffs, NJ: Prentice Hall, 1975), p. 102. In 1988 the abiding influence of this book was recognized when its authors were given the Howard Chase Book Award by the Social Issues in Management division of the Academy of Management.

8 Ibid., p. 143.
