Is It Ethical to Use Ethics as Strategy?

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ABSTRACT. Increasingly research in the field of business and society suggests that ethics and corporate social responsibility can be profitable. Yet this work raises a troubling question: Is it ethical to use ethics and social responsibility in a strategic way? Is it possible to be ethical or socially responsible for the wrong reason? In this article, we define a strategy concept in order to situate the different approaches to the strategic use of ethics and social responsibility found in the current literature. We then analyze the ethics of such approaches using both utilitarianism and deontology and end by defining limits to the strategic use of ethics.

KEY WORDS: corporate citizenship, ethics, social responsibility, strategy

Increasingly research in the field of business and society suggests that ethics and corporate social responsibility can be profitable. Several authors have argued that social responsibility and performance are positively related to business performance (Waddock and Graves, 1997; Hosmer, 1994; Cochran and Wood, 1984). Burke and Logsdon (1996) go further to suggest specific conditions under which corporate social responsibility may be a strategic investment by the firm to create competitive advantage. Husted and Allen (1998), in a presentation at the Academy of Management, have even begun speaking of "corporate social strategy." Yet this work raises a troubling question: Is it ethical to use ethics and social responsibility in a strategic way? Is it possible to be ethical or socially responsible for the wrong reason?

In this paper, we define a strategy concept in order to situate the different approaches to the strategic use of ethics and social responsibility found in the current literature. We then analyze the ethics of such approaches and end by defining the limits of using ethics strategically.

Toward a working definition of strategy

If the literature is using ethics and corporate social responsibility strategically, we are faced with the task of clarifying what we mean by strategy. Strategy, according to military science, is an unambiguous term. Strategy is the science and art of winning at war. Winning at war, it has long been believed, requires planning. "Strategy," wrote von Clausewitz (1982, p. 4), "makes the plans for the separate campaigns and regulates the combats to be fought in each." Similar military definitions of strategy date as far back as Sun Tzu's *The Art of War* and the Greek writings on the institution of the strategos (Cummings, 1993).

Early definitions of corporate strategy from the 1960's focused on making plans to compete successfully in business. Two classic definitions were those of Chandler (1962) and Harvard Business School's "Business Policy and Strategy" Program (Andrews, 1967). According to Chandler (1962, p. 13), "Strategy is the determination of the long-run goals and objectives of an enterprise, and the adoption of a course of action and the allocation of the resources necessary for carrying out these goals." Andrews (1967, p. 14) wrote, "Strategy is the pattern of objectives, purposes or goals and the major policies and plans for achieving these goals..." Both definitions incorporate the four principal elements of what has come to be known as the "design" school (Mintzberg, 1990): strategy is long-term, requires setting specific goals, development of a plan, and commitment of resources. All these elements are found in the definitions of corporate and business strategy provided by Ansoff (1985); Bower et al. (1995); Grant (1995); Hax and Majluf (1996), as well as in most strategic management textbooks used in universities in the United States and Europe.

In this paper, strategy refers to the plans and actions taken to achieve competitive advantage and superior performance. Yet this is not enough. The plans and action taken must also lead to the creation of unique resources and capabilities (Peteraf, 1993) that leverage organizational routines (Nelson and Winter, 1982) and that are the source of *sustainable* competitive advantage and superior performance.

Our definition incorporates elements of both the design school approach to strategy and the resource-based view, providing a much fuller approach to strategy behaviors. Defining strategy in this way focuses us on the contribution of the design school in emphasizing the role of social responsibility and ethics in understanding strategic behavior. The Harvard Business School model has always included among its four key elements of strategy formulation "corporate social responsibility." This concept, with its roots in

Purtan, New England philosophy (Bercovitch, 1986) runs through much of the 20th century management literature, in works as diverse as Taylor's *The Principles of Management* (1911) and Chester Barnard's *The Function of the Executive* (1938) as well as the standard strategic management college texts referred to earlier.

We argue that the lesser weight given to social responsibility in strategic management research in the 1980's and 1990's was a consequence of the difficulties faced in doing research on the core concept of the discipline: competitive advantage. Fortunately, the re-emergence of more socially-oriented research through the resource-based view provide a framework for linking current strategy research with the social orientation of the pioneers of strategic management.

However, it would be a mistake to argue that the resource-based view is simply a sophisticated update of the design school. While the design school focused on plans (deliberate or intended strategy), the resource-based view takes a more "neutral" approach to the strategic process. As we indicated above, this is understandable given that the emergence of the resource-based view coincides with strategic management's incorporation of theories and concepts from the social and natural sciences in an effort to explain the less rational (or, at least, less transparent) elements of strategic behavior within business firms while at the same time insisting on more rigorous research paradigms. However, this "value- neutral" approach creates difficulties when we wish to ascribe to actors ethical positions which inevitably rest on intentions.

Thus, while we recognize that the social science research activity in strategic management during the last decade has brought us a broader view of management and organizational behavior, this has meant that the discipline has lost some of its prescriptive focus. A further step in the development of the discipline would be to incorporate the consensus that is emerging in contemporary cognitive science on human (organizational) intentions and the plans (actions) undertaken to fulfill those intentions (Dennett, 1987), providing us a grounding for the strategic behavior we seek to judge when we talk about ethics.

We are aware that not all researchers share this cognitive approach and that much of contemporary philosophy and culture theory has treated intentions and plans (master narratives) with great skepticism (Lyotard, 1984). The principle argument against the design school and planning (Mintzberg, 1984, 1994) resides in the difficulties we find in demonstrating causal links between stated intentions (and the plans developed to fulfill them) and the patterns of behavior shown by individuals and organizations. To put the question in terms of contemporary philosophy of language, philosophers as different in their approaches as Richard Rorty, Michel Foucault and even John Searle have spent much of their formidable intellects on pondering why we find it so difficult to sort out the "intentions" of ordinary "linguistic representations" (Rorty, 1979; Foucault, 1972; Searle, 1996).

Until recently, however, the strategic management literature rarely asked about problems of representation and social behavior. Immersed in sorting out "what is strategy?" (Hamel and Prahalad, 1994; Porter, 1996), the stated intentions, goals and plans of managers and organizations have rarely been examined. On the one hand, in the business press, in management texts, and even in the cases we teach in business schools, top managers are judged by their ability to meet stated objectives, while on the other hand, strategy research has preferred to concern itself with more tractable issues. Even the exciting research on organizational sense-making has chosen to bracket the difficult issues of intention and focus on the dynamics of the sense- making process itself.

However, ethics demands that we concern ourselves with intentions, and intentions require that we consider the plans we make to fulfill our intentions. This paper is about the representation of intentions and plans in the pursuit of gaining strategic advantage via socially responsible and ethical behavior. We do not claim to provide a recipe for deciding how to evaluate the ethical status of intentions and plans. However, we do explore what we believe are two essential elements in strategic management. We ask first what it means to understand strategic behavior in a more complete framework that includes social responsibility and ethics. And we seek the grounds of dialogue in the field of business ethics by which managers can move forward on their intentions and create plans that fulfill their objectives in meeting their social responsibilities and ethical commitments to their stakeholders.

Current ethics-based and social strategies

Ethics-based and social strategies embrace a large number of approaches that relate the firm to its social

environment. Hosmer (1987, p. 3) explains that ethical problems in management “represent a conflict between an organization’s economic performance (measured by revenues, costs, and profits) and its social performance (stated in terms of obligations to person both within and outside the organization).” He defines ethics in terms of social obligations or responsibilities. However, technically, ethics tends to focus on personal choice; social responsibility is about meeting generally agreed public expectations of firm behavior. From the point of view of corporate social responsibility, a socially responsible firm (and its members) would behave ethically as part of being socially responsible. In utilitarian philosophy, the concept of the greatest good for the greatest number tends to conflate ethics and social responsibility, but this need not always be the case. The terms are not used here in a precise way to distinguish between two different approaches, but rather as a way to describe a certain kind of strategy, which has not yet received a generally accepted name.

In the management literature, ethics and social responsibility have been linked to corporate “objectives” in various ways. As we indicated earlier, social responsibility and ethics (including personal values) have been an element of management discourse from its inception. In this section, we shall briefly review some of the efforts by management researchers to understand the role of corporate responsibility and ethics in the firm and the research streams that have been developed.

Corporate social responsibility and responsiveness

In the 1950’s, business leaders began to debate widely the social and ethical responsibilities of corporate enterprise. Not only in the strategic management literature, but also in the social sciences (Riesman et al., 1950), part of the scholarly effort in the United States was directed to understanding more fully the implications of the triumph of U.S. corporations following World War II. In this context, the corporate social responsiveness literature emerged as a reaction to the corporate social responsibility literature, which was seen as failing to provide managers with tools for managing social responsibility (Frederick, 1994). Corporate social responsibility only spoke of what obligations corporations should fulfill in order to improve their social environment, rather than how they should respond.

Corporate social responsiveness was concerned with the ability of the firm to “respond to social pressures” (Frederick, 1994, p. 154) in an apparently antagonistic environment with the “firm” on one side and the “stakeholders” on the other. Corporate social responsiveness can be understood as a way of protecting the firm’s strategy from the social issues affecting the firm.

Corporate citizenship

The concept of corporate citizenship is closely related to corporate social responsibility and responsiveness. These latter concepts emerged from the sociological literatures, while the concept of citizenship came from the political science literature. It tends to focus not only on the legal responsibilities of the corporation, but also on those actions that aim “to enhance the quality of community life through active, participative, organized involvement” (Tichy, McGill and St. Clair, 1997, p. 3). It goes beyond mere philanthropy to actual projects undertaken by the firm and its employees. Instead of the somewhat reactive approach of corporate social responsiveness, citizenship calls upon the firm to engage its social environment proactively. Although its aim is not strategic in intention, corporate citizenship may have positive consequences for the financial performance of the firm.

Stakeholder strategies

Proponents of stakeholder management have characterized the firm as a set of identifiable interest groups to whom management has responsibilities; activities undertaken by the firm vis-à-vis stakeholders are seen as reflecting values and ethical principles. Stakeholder management treats strategy in at least three different ways: it speaks of the concept of enterprise strategy (Schendel and Hofer, 1979; Freeman and Gilbert, 1988), outlines generic strategies for managing stakeholders (Freeman, 1984; Savage, Nix, Whitehead and Blair, 1991), and finally deals with specific stakeholder strategies (Freeman, 1984). Let us examine each of these in turn.

Freeman (1984, p. 91) explains enterprise strategy in this way: "Enterprise level strategy does not necessitate a particular set of values, nor does it require that a corporation be 'socially responsive' in a certain way. It does examine the need, however, for an explicit and intentional attempt to answer the question 'what do we stand for.'" Enterprise strategy thus serves to set strategic direction for the firm. In the words of Judge and Krishnan (1994, p. 168): "[E]nterprise strategy represents the firm's approach to managing stakeholders." According to Freeman and Gilbert (1988, p. 71), the test for the presence of an enterprise strategy is "a commitment to a set of purposes or values and ethical principles." They then identify seven different kinds of enterprise strategy that reflect different economic and/or ethical priorities. For example, the unrestricted stakeholder enterprise strategy holds that the firm exists to maximize the interests of all stakeholders, while the Rawlsian enterprise strategy seeks to protect the interests of the least advantaged stakeholder.

Stakeholder management contemplates a second kind of strategy in its discussion of generic strategies. These generic strategies are based on Porter's (1980) competitive strategy analysis, which examines the potential for threat or cooperation with suppliers, customers, and competitors. According to Porter (1980), industry attractiveness is determined by five forces that shape industry structure: bargaining power of buyers, bargaining power of sellers, threat of new entrants, threat of substitutes, and rivalry among competitors. Savage, Nix, Whitehead and Blair (1991), based on prior work by Freeman (1984), delineate four generic strategies for managing the firm's stakeholders based on all the stakeholders' potential for threat or cooperation with the firm. The four generic strategies are: collaborate, involve, defend, and monitor. More recently, Polonsky (1997) adds the stakeholder's ability to influence others to act as a third dimension necessary for the identification of generic strategies.

Finally, the literature discusses what may be called specific strategies for stakeholders. These strategies consist of "a statement of purpose and an action plan for each stakeholder...identified at the business and corporate level" (Freeman, 1984, p. 115). Freeman (1984) clearly states that we need to incorporate stakeholders into strategic management by thinking about stakeholders, developing a plan of action for each and allocating resources for those plans.

Ethics strategy

Frederick (1986, p. 137) writes of an "ethics strategy whose purpose would be to enhance and improve a company's ability to cope with ethical problems and issues. Central to this strategy is an understanding of the dominant values of the company's culture. Those values will determine how successful an ethics strategy will prove to be." The purpose of this strategy is to align the firm's culture with the core values of society. The ethics strategy of Frederick is very similar to the enterprise strategy of Freeman in that it provides guiding principles based explicitly on ethical criteria. But this is not the same as strategy. The ethics strategy does not require the investment of resources, is not related to financial performance, and does not involve a plan. These principles may guide the formulation of the plan and help set strategic direction, but ethics cannot be a strategy without those additional elements. Finally, if all that is involved is implementing socially-accepted ethical principles, all firms will have the same or similar "ethics strategies" and no competitive advantage will exist. Thus ethics strategies à la Frederick are not really strategic in nature.

Strategic philanthropy

Philanthropy is strategic when it is designed to create value for the firm (Burke and Logsdon, 1996). One special kind of strategic philanthropy is cause-related marketing, which is "organized around the marketing objectives of increasing product sales or enhancing corporate identity" (File and Prince, 1998, p. 1530). Cause-related marketing justifies support of nonprofit organizations by linking such support to corporate benefits (Varadarajan and Menon, 1988). One area of philanthropy sometimes associated with cause-related marketing is corporate sponsorships. In 1996, U.S. corporations donated over \$2 billion to nonprofit events such as classical music concerts, art exhibitions, golf tournaments, and literacy campaigns (Mullen, 1997). There is a fine line between such philanthropy and publicity for the firm.

Corporate social strategy

Husted and Allen (1998, p. 9) have been developing the concept of corporate social strategy, which they define as "the firm's plan to allocate resources in order to achieve long-term social objectives and create a

competitive advantage.” Some foundations and consulting firms are using the concept to draw attention to the opportunities that firms have to create value added for the firm through its social and environmental programs (Fundación Empresa y Sociedad, 1997).

Analysis

Now let us examine some of the criticisms that have been leveled against such social and ethics-based strategies that go to the ethics of such strategies. We will first look at utilitarian criticisms and then examine a deontological critique.

Utilitarianism requires us to evaluate the ethics of an ethics strategy in terms of its consequences. Although utilitarian philosophers disagree over the correct standard (whether we should maximize average or total happiness), those consequences which maximize happiness are considered to be ethical (Smart and Williams, 1973). At least five objections may be made to the use of ethics or corporate social responsibility as strategy because of its unfavorable consequences.

First, ethics may be used to create a competitive advantage by imposing the ethical conventions of one firm on an industry. In effect, business ethics creates a monopoly for those firms already in compliance with respect to those that are not, similar to the kinds of monopolies created by professional licensing requirements (Abbott, 1983). Although nothing prevents a firm from complying with specific ethics standards, the firm that already complies with those standards has a cost advantage and thus a short-term competitive advantage with respect to firms that do not comply. An example is that of Chrysler, which urged Congress to adopt higher fuel efficiency requirements for cars in the United States. Since it was already in compliance, it was further along the learning curve than its chief competitor, General Motors, which had lower costs because it did not comply with the same standards. By establishing the same standards for all competitors, the new policy created a real competitive advantage for Chrysler and other car manufacturers already in compliance (Shaffer, 1995). Similar to the argument of Wood (1986) regarding the strategic uses of public policy in the food and drug industries during the Progressive era in the United States, strategies to impose ethical standards may be used without regard to whether they are really helping or hurting society. Ethics strategies may thus be described as anti-competitive practices, which restrain other firms from competing effectively in the marketplace.

However, ethics-based and social strategies are not limited to the construction of ephemeral entry barriers that benefit one firm in detriment of a larger, stronger rival. Though industry ethics codes may acquire a semi-mandatory nature, social and ethics strategies are not focused on minimum standards of conduct, but on a consummate performance that goes beyond minimums. No firm is prevented from finding a unique niche within the panoply of social projects that are available to business. In fact, social strategies require firms to carefully think about their own unique capabilities to craft strategies that will enable them to make unique contributions. Ethics and social strategies are kinds of differentiation strategies (in the terminology of Porter (1980)), and thus require each firm to look upon its particular situation. In a sense, each ethics or social strategy should create a kind of mini-monopoly for every firm, but each firm needs to do the difficult work of finding its own way in developing projects that take advantage of its core competencies.

A second objection raised against social and ethics-based strategies is that business is ill-equipped to solve social problems. Few firms have the expertise necessary to attack such problems as poverty, illiteracy or AIDS. Like the proverbial elephant in a china shop, many firms are insensitive to social realities (Peel, 1998) and make a muddle of their excursions into the task of helping remedy social ills.

The response to this concern lies, as Logsdon and Burke (1996) argue, in the recognition that a firm is more likely to create value from social projects that are highly central to its mission and objectives than from projects that are not central to its mission and objectives. If a firm is involved in a project that is central to its mission, then it is more likely to have the knowledge necessary to solve a particular problem. We argue that firms that do not have a strategic perspective are more likely to become involved in problems that are not central to their objectives – where they have neither the expertise to make significant contributions nor the commitment to work through problems should they arise. Non-strategic approaches are thus more likely to fail to achieve any real improvement with respect to a given social

problem.

A third difficulty is that ethics strategies may subvert ordinary democratic processes. Nobel laureate Milton Friedman (1962, pp. 133–134) asks pointedly:

If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is? Can they decide how great a burden they are justified in placing on themselves or their stock-holders to serve that social interest? Is it tolerable that these public functions of taxation, expenditure, and control be exercised by the people who happen at the moment to be in charge of particular enterprises, chosen for those posts by strictly private groups?

As companies become involved in social problems, they begin to make decisions that may not be in the best interests of society as a whole. Only freely elected representatives should be involved in decisions that affect the public interest. For example, in many countries corporate philanthropy is tax deductible. Instead of directing resources to areas that will most benefit the public good through government, tax-deductible philanthropy allows the firm to decide where to direct those resources in terms of its own interests.

Yet the involvement of firms in social projects does not leave the government without means to influence the direction of private investments to serve the public interest. Fiscal policy can still be used to motivate corporate social investments in areas that are particularly important to a nation— drug abuse, racism, poverty, support for the arts, etc. Elected leaders can provide the signals for the kinds of social investments to be made by firms and let firms work with competitive NGOs to achieve their social goals. The U.S. experiment with tax breaks for business development in enterprise zones in inner cities is an example of how government can provide positive incentives for specific kinds of social investments made by the private sector.

A fourth question revolves around the strategic nature of ethics and corporate social responsibility. Given the fact that these strategies must produce value for the firm, corporations tend to be conservative and direct funds toward popular and politically correct causes. Controversial causes do not receive support. Estimates are that 80% of corporate philanthropy is directed toward “safe issues” (Peel, 1998). For example, AIDS has been long neglected by government, science, and business because of its relationship to the, for some, politically unpopular topic of homosexuality (Shilts, 1995). This concern assumes that supporting controversial causes is a necessary objective of social and ethics-based strategies. We would argue that the utilitarian should be concerned with the net increase in strategic social projects, rather than the distribution of causes. It may well be that companies, already somewhat conservative in their choice of social projects, may be even more inclined to choose safe projects if strategic social strategy were to be widespread. On the other hand, social strategy will probably cause an increase in the total number of social projects. It is quite likely that the total number of “unpopular” social projects will increase, even though the average number of such projects per firm would decrease. Thus, the strategic orientation satisfies the utilitarian requirement that seeks to maximize total happiness (Smart and Williams, 1973).

Finally, and possibly the mirror image of the last issue, those firms that are willing to risk support for unpopular or controversial causes risk becoming involved in issues that may be highly distasteful to some sector of the public. For example, Adolph Coors used Coors Brewery to pursue his personal, unorthodox, conservative agenda. It may be better, some may argue, to have companies meet the statutory minimum ethical standards, and let people as individuals decide what is best for them.

However, pursuing “unpopular” causes may provide both utilitarian social benefits as well as profit to the firm. Moreover, there may even be a positive relationship between the two.

One way to look at this surprising result is to consider the utilitarian benefits of social strategy in conjunction with action theory (Argyris, 1993). The commitment to social involvement (social responsibility) in a democracy implies action. *Intentional* social strategies permit firms (and firm members) to extend and focus the already considerable impact they have on the communities to which they belong.

Moreover, those firms that pursue social strategies directly linked to their product offerings and customer base, are actively pursuing the creation of competitive advantage and additional value- added for the customers. As a result, effective social strategy enables competitive success that in turn enables social action.

In such cases, the separation between social strategy and business strategy tends to disappear. For social scientists such as Argyris, Lewin and Drucker, the contemporary firm can best be understood as a purposeful social institution that responds as fully as possible to the needs of its stakeholders, increasing, in utilitarian terms, the total good created for those stakeholders. Of course, this good (or value-added) may not be understood as such by the *entire* society. In fact, the social-value added pursued may even raise controversy. The value-added, however, must be measured in function of the relevant stakeholders (shareholders, employees, customers) who find themselves happier.

Both action theory and stakeholder theory remind us that we must measure the greatest good in function of the importance given by those who consider themselves directly affected. This helps us to understand phenomena such as Benetton. While offending some, Benetton defends its social practices, apparently satisfying those stakeholders essential to the company's profitability and continued survival. If all firms were to pursue social strategies under this dictum, we could then sum the value added of all firms' social strategies with the expected result that we would achieve a new kind of competitive behavior in which the total "social value added" is greatly increased. It is possible that there may be more cases of negative "social value-added," but given that the vast majority of firms look for value-added projects that present low risk, our hypothesis would be that the more firms view social strategy as a positive contribution to overall corporate strategy, the more social value-added we are likely to create.

As regards the argument that social issues should be the domain of individuals rather than firms, it is difficult to see the difference between support by an individual for a cause (radical or otherwise) and support by a corporation. Some may object that the latter case involves the use of stockholder funds, but in cases of publicly traded companies, it is unlikely, though not impossible, that funds would be diverted to a radical cause. In addition, the strategic focus should increase social projects of all kinds, increasing the likelihood that some of these projects will be greeted with approval by certain people, while others are greeted with disapproval. A true utilitarian analysis would measure the benefits of "agreeable" projects as well as the disadvantages of the "disagreeable" projects.

Deontological ethics is concerned with a different kind of problem that may plague ethics and social strategies – the issue of motives. Doing the right thing for the wrong reason is still morally objectionable. Kant (1964) argues forcefully that good actions that arise out of self-interest or immediate inclination are not morally praiseworthy. Only those actions done from the motive of duty are morally laudable. Corporate intentions with respect to social projects are questionable at best, and outright self-interested at worst. By its nature, a strategy seeks to increase value for the firm by the creation of competitive advantages. If an action does not intend to create value for the firm, it is not strategic. By definition strategy requires actions in the interest of the firm. Thus, an ethics strategy would by definition be incompatible with the condition of moral motives required by Kant to evaluate the moral praiseworthiness of a particular action.

Certainly, the firm has a duty to maximize earnings for its owners. It also has duties to other stakeholders such as its customers, suppliers, creditors, the community, and the natural environment (Freeman, 1984). These duties are often opposing and thus provide the crux of ethical dilemmas for managers (Hosmer, 1987). Ethics strategies and social strategies seek to reconcile these opposing duties, in order to create an inclination (in the words of Kant) to do good. To the extent that such motives are not founded on duty, although complying with duty, such motives lack moral content. This is not to say that they are immoral or unethical, only that they are not morally praiseworthy from a Kantian perspective. Such a limitation may be one that social strategies will have to accept.

Nevertheless, ethics and social strategies may very well be an expression of a desire to comply with duties owed to owners as well as to other stakeholders. Thus the problem of good deeds, but questionable motives is not inherent in ethics-based and social strategies. The strategic orientation only reminds those managers with desires to be socially responsible (or the desire to pursue social actions of their choosing) of their duties to owners. The problem of the moral acceptability of corporate social projects depends upon the motives of the actors behind the social project, not upon the nature of social strategy itself. However, we should remember that we only tend to judge the motives of those who offend

rather than those who please; nor do most stakeholders have the information necessary to make reasoned judgments regarding the motives of those who propose social projects. In general, the stakeholders are constrained by limited time and information to either accepting or rejecting the social projects (and strategies) of business firms.

Finally, there is concern about what happens when a particular ethics strategy no longer provides the company with a competitive advantage. A firm that is committed to social projects as a question of duty will continue to support them, regardless of the consequences for its competitive advantage. Those corporations that participate in social projects for reasons of competitive advantage may decide not to continue support. Still, the difficult position of the business manager is that he or she owes duties to both owners and other stakeholders. If a particular social strategy loses its competitive advantage, an ethical response to those duties may be to change the social strategy and develop new strategies that do comply with the obligations of duty to owners and other stakeholders.

Conclusion

In this paper, we have defined the nature of strategy and examined whether the nature of such social and ethical-based corporate strategies is, in fact, ethical. From a utilitarian perspective a number of objections were answered. Although ethics can create a monopoly position for a given firm, it does not prevent any other firm from developing the same kind of monopoly with respect to a given social project. Complaints about the inability of firms to effectively solve most social problems may, in fact, be tempered by the strategic nature of social projects that will limit firm involvement to areas where it does have competencies. Although managers may not be publicly elected officials, governments will still have the means to direct private action in the public interest. Certainly, a strategic focus may increase the likelihood of conservative social projects, but the overall number of social projects, including more controversial ones, should increase. Finally, the possibility of distasteful projects may increase, but overall social projects will also increase, outweighing the damaging effects of a few extreme social projects.

The deontological approach questions the motives of ethics-based and social strategy as inherently self-interested and not based on a sense of duty. Yet social strategy emerges from a sense of the conflicting duties that managers owe to both asset owners as well as other stakeholders. Social strategy is only a tool to comply with conflicting duties and is not itself a motivation. The motives of actors will still have to be judged independently of the strategy in order to determine the moral acceptability of a given strategy.

Social and ethics-based strategies provide new and exciting opportunities to reconceptualize the role of the firm in society. Certainly, such strategies are not without pitfalls, but they have the potential of increasing overall social welfare. The motives behind such strategies are often mixed, but no particular set of motives can be attributed to the strategic focus other than a concern to take into account the impact of a program on the firm. As with any instrument, social strategy can be used in ways consonant with the demands of ethics. It is in this spirit that we urge business people to look at social strategies as a legitimate and ethical option for their firms.

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