Corporate Responsibility and a Firm's Reasons for Acting

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Introduction

In this paper I will consider the issue of corporate responsibility though a discussion of the types of reasons that may be given for a firm’s actions and outcomes.

These reasons may variously be given by the firm as explanation or justification, or by persons affected by the firm as endorsement or critique, or as part of the public policy debate about the scope and limits of a firm’s activities.

To provide a structure for this analysis I will outline a model developed in a previous paper. This model seeks to describe the possible extent of a firm’s responsibility for the outcomes of its activities through an idea of four dimensions of value. This locates firms along a minimal-maximal spectrum of corporate responsibility, without assuming where this location might be for any particular firm.

I will then discuss the question of reasons. This will start with some thoughts about agency and responsibility, and will then consider distinctions between various types of reasons. I will use the minimal-maximal spectrum to map out the various arguments.

I will group my arguments under the following headings:

- Four dimensions of value
- A minimal-maximal spectrum of corporate responsibility
- Reasons and agency: individual responsibility
- Reasons and agency: corporate responsibility
- Minimal corporate responsibility
- Formal and informal reasons
- Internal and external reasons
- Reasons and minimal responsibility: four examples of an appeal to ethical significance
- Wide and narrow instrumentalism
- Instrumentalism and self interest
- Further issues
- Concluding comments

This arguments presented in this paper are part of an attempt to analyse the conceptual issues that arise from corporate responsibility. Many of these arguments are suggestions, others are more fully developed. I have included both. I hope these ideas will stimulate a good discussion.

Four dimensions of value

As a first step I will sketch out the ‘four dimensions of value’ model and the idea of a ‘minimal-maximal’ spectrum of corporate responsibility. A diagrammatic representation of the model is shown below.

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1 Presented as a seminar at London Centre for Corporate Governance and Ethics (LCCGE), Birkbeck College, University of London, 30th January 2009
2 The paper ‘What are firms responsible for? CSR, value creation and public scrutiny’ for a seminar for the Oxford-Achilles Working Group on CSR, includes a more detailed, and earlier, version of the ‘four dimensions of value’ model.
We can describe the first dimension as narrow financial value. This uses financial measurement such as revenue from outputs minus the cost of inputs and a transformation process.

We need to state an important assumption here: value is created under this definition by firms operating within minimum legal requirements.

We can extend this view to include longer term and wider ranging outcomes of a firm’s activities such as the competitiveness of the supply chain. It is likely that these dimensions can also be given a financial value, although it may be more difficult to calculate accurately. We can describe this second dimension as wide financial value.

These two dimensions may not capture all the financially measurable outcomes of a firm’s activities. We can describe a third dimension of value as financial externalities. These are not usually accounted for by firms.

These three financially measurable dimensions of value may not capture all of the outcomes of a firm’s activities. We can therefore describe a fourth dimension of non-financial value.

As we move out from the centre of the diagram we move further from the boundary of an individual firm, to the boundaries of the supply chain, to the immediate and the wider community and environment.

These boundaries are not clear cut and will be determined by both formal considerations, for example, the legal structure of business organisations and accounting requirements and informal considerations, for example partnerships, supply chain integration and CSR policies themselves.
The outcomes of a firm’s activities may create narrow financial value for the firm but may also create wider financial value for the supply chain, and financial externalities and non-financial value for the wider community. The latter three may not, however, be accounted for or even be fully understood by the firm itself.

Giving an account of narrow financial value is the most straightforward and most familiar. In this case we can define the outcomes of a firm’s activities as products, comprising both goods and services.

We can then provide an overall financial measure of the value of these products using revenue minus cost as discussed above.

I suggest that this account involves at least two ideas.

First, products refer only to part of the total outcomes of a firm’s activities.

Second, financial measurement of these products appeals to the good and bad outcomes of a firm’s activities. We consider positive financial results such as profit or a competitive return on shareholder investment is a good outcome overall. We consider a financial loss as a bad outcome overall. On this view, the ethical significance of these results forms part of the principles that define the institutional structure of the firm.

The second dimension is wide financial value. This uses similar definitions to narrow financial value. We continue to consider products and to measure financial results, however these are now applied to the whole supply chain and may be more difficult to identify and attribute.

Again, I suggest that products refer to only part of the outcomes of the supply chain, and financial results measure one aspect of these outcomes of supply chain activity.

This becomes clearer when we consider the third dimension of financial externalities. In this case we continue to refer to relatively well understood outcomes, such as river pollution, but move beyond firm or supply chain products. The nature of these outcomes makes it possible to assign a financial measure to these outcomes, for example loss of fish stocks and associated livelihoods resulting from river pollution.

The boundary between financial externalities and the outcomes accounted for by firms or supply chains may not always be clear. These boundaries are also subject to change, for example through legislation and regulation that may have the effect of internalising externalities.

When we consider the fourth dimension of non-financial value the appeal to well understood outcomes and financial measurement becomes problematic.

For example, atmospheric CO2 emissions may contribute to global warming. This may be described as a non-financial outcome. However, CO2 emissions themselves are tangible outcomes. If global warming occurs as a result of these emissions it may, in principle, be possible to measure the effect of this warming financially. This may result in CO2 being considered a financial externality.

However, an outcome such as the aesthetic loss of an area of natural beauty as a result of oil exploration is an intangible outcome for which it is difficult or impossible to assign a financial value. A proxy financial measure such as an assumed ‘willingness to pay’ for the area of natural beauty may be attempted, for example an actual or assumed fee to access the area or a level of taxation to protect it.
I suggest that in these cases we tend to appeal directly to the idea that this is a bad outcome. This in turn appeals to the ethical significance we give to the aesthetic value of the area of natural beauty.

We can also consider non-financial good outcomes of a firm’s activity such as the satisfaction derived from individuals fulfilling their potential as oil exploration engineers, to use the same example.

I suggest that the four dimensions of value approach makes it possible to take into account all the outcomes of the firm’s activities and defines value in terms of the ethical significance of these outcomes. This allows us to describe outcomes as good and bad outcomes or a combination of both.

The products of a firm are considered part of the total outcomes. The financial results of the firm may be considered a measure of the ethical significance of this group of outcomes.

It may be possible in principle to assess whether the total value created by the firm is positive or negative. This will be based in the total balance of good and bad outcomes resulting from the firm’s activities.

Defining and agreeing the nature, scope, attribution and ethical significance of all outcomes makes this assessment problematic. I suggest that the four dimensions of value approach can be used even if a final view of total value is not possible.

A minimal-maximal spectrum of corporate responsibility

I suggest that we can use the four dimensions of value to analysis the spectrum of views about the nature and scope of corporate responsibility. We can describe each end of this spectrum as a minimal and a maximal view of corporate responsibility with a range of options in between.

A minimal view of corporate responsibility suggests that firms discharge their responsibilities by achieving positive financial results, and operating within minimum legal requirements. This reflects a narrow financial view of value.

A maximal view suggests that firms take a wider view of corporate responsibility beyond narrow financial value and minimum legal requirements. This reflects all four dimensions of value.

The minimal-maximal spectrum suggests the potential extent of corporate responsibility. Locations along this spectrum suggest different views about what a firm has reason to do.

The next step is to consider what these reason involve.

Reasons and agency: individual responsibility

When we consider individuals we can argue that each person has reasons for what they do. We can argue that these reasons are, at least in part, the causes of the actions that these individuals take. On this basis can then argue that each person is an agent.

We can describe multiple reasons for the actions for each person. However, we seem to recognise that we ought to take certain actions and aim to produce certain outcomes, and that some actions can be right or wrong, and some outcomes can be good or bad. In other words

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3 This is based on the approach taken by Parfit in Derek Parfit, Reasons and Persons, Oxford, 1984.
some, if not all, actions and outcomes have ethical significance. This suggests that persons are moral agents.

We may also describe some actions and outcomes as without ethical significance. In these cases we have other views about the basis of these actions and outcomes. Some may have a rational significance, including those based on self interest.

Where actions and outcomes have an ethical significance, we may describe the reasons we give for these actions and outcomes as ethical reasons. Where this is not the case, the reasons may be described as rational reasons.

One question here is whether all actions and outcomes have some ethical significance, and whether the reasons given for these actions and outcomes are, to this extent, ethical reasons. In the case of rational reasons, the ends to which rational actions are directed may be ends that are valued by persons. For example, in the case of rational reasons of self interest, the ‘self’ that these reasons sustain is ethically significant when that self is a person.

Another way of looking at this is to consider the agent that holds these reasons. Where the agent is a person we may argue that it is constitutive of the idea of a person that that they are moral agents. Any reason held by a moral agent will then involve some view of ethical significance.

These comments on reasons and agents provide some basis for an account of responsibility. One view of responsibility is that it describes the relationship between an agent and the reasons for what they do, where these reasons cause the actions of the agent and the outcomes that result. Moral responsibility may then describe the relationship between an agent, in this case a person, who ought to take certain actions or aim for certain outcomes, and therefore ought to have certain reasons. In addition, once these actions have been taken and the outcomes produced, moral responsibility suggests that the agent is accountable, and may be called upon to justify, these actions and outcomes.

Ideas of responsibility, and in particular ideas of moral responsibility, suggest that the agent has some degree of autonomy. This is part of describing the agent as a causal agent who can be said to bring about actions and outcomes. Without autonomy the agent would be one cause in a sequence of causes. In this case, responsibility would be a technical issue and identify a particular point in this causal sequence. I suggest that we understand moral agency and moral responsibility to involve the idea that the autonomous person originates an action, can choose between various possible actions and outcomes, and weighs up right and wrong actions and good and bad outcomes.

Autonomy involves, or at least is connected to, an idea of freedom. This has at least two senses that will be useful here. The first is a descriptive sense of freedom. This suggests that an agent who has reasons for action and chooses between actions is a free agent. This is the kind of freedom that is contrasted with determinism. The second is an ethical sense of freedom. This suggests that freedom itself is ethically significant and ought to be promoted. On this view agents, in this case persons, ought to be free and ought to value freedom.

At the same time, we think of both autonomy and freedom as limited in a number of ways. One way to look at this is through an account of the reasons persons come to hold. One view is that individuals become persons through processes of education and socialisation that shape who that person is and also leads them towards particular reasons. Persons are part of a set of personal and social relationships that suggest, request or demand certain reasons for acting.
Reasons and agency: corporate responsibility

These comments may apply to persons. When considering corporate responsibility we can start from similar assumptions but recognise that, as with persons, these assumptions raise important and difficult questions.

If we assume that it at least makes sense to talk about firms having reasons for what they do, we can ask to whom or what we can ascribe these reasons.

We could argue that the reasons given by firms will always be the reasons of the individuals who make up the firm. Corporate responsibility may then be considered a dimension of individual responsibility. We could start with the reasons of individuals and include the particular obligations that these individuals take on when they assume a role within a firm.

One application of this view is to argue that the reasons given by the firm, and therefore the moral agency of the firm, can be ascribed to the person of the Chief Executive or equivalent. Alternatively, we could argue that the Chief Executive is the primary moral agent within the firm.

These ideas suggest that moral agency for an individual person within the firm involves significant moral complexity. For example, in assuming the role of Chief Executive an individual takes on obligations, duties and authority. The Chief Executive makes significant decisions, is accountable for many of the actions and outcomes of the firm and determines much of the basis upon which other persons in the firm form reasons for acting.

There is a practical advantage in locating moral agency with the Chief Executive. This establishes a clear focus for the analysis of corporate responsibility.

There are a wide range of other roles that persons hold in the firm that may also be considered centres of moral agency. Other members of the Board including both executive and non-executive directors and many senior managers will have a direct involvement in significant actions. Managers at all levels throughout a firm will take actions with varying degrees of significance ranging from the operational to the strategic.

All individuals within the firm are moral agents in the sense that they both accept the reasons for acting of others, form reasons for acting as individuals and take a continuous series of actions themselves. Beyond the firm, shareholders and investors are moral agents as they support the reasons of the firm, benefit from the firm’s outcomes, and in some cases influence the reasons of the firm. Suppliers and customers may also be moral agents in a wider sense since they may also support, benefit from and influence the firm.

These comments about individual and corporate responsibility suggest that any analysis of reasons for acting takes into account: the moral agency and ethical responsibility of the individual; the ethically complex institutional arrangements of the firm; the obligations that individual agents take on within the firm; and, how these obligations form part of their reasons for acting.

In this discussion I will make the following working assumption: we can refer to the firm as a moral agent that has some responsibility for its actions and outcomes and has reasons for what it does.

Minimal corporate responsibility

I will use this working assumption to discuss some of the types of reasons for acting that a firm may appeal to.
From the four dimensions of value model, one view of corporate responsibility suggests that firms operating in markets have two primary responsibilities: first, to operate within minimum legal requirements; and second, to generate positive financial value.

It may be argued that these are not only the primary responsibilities of the firm, but the sole responsibilities of the firm. On the minimal-maximal spectrum this is described as a minimal view of corporate responsibility. On this view the firm can fully discharge its corporate responsibilities by generating financial value within the law.

The firm will appeal to these two primary responsibilities as the overarching reasons for acting and as the basis for assessing outcomes. On this view: if an action is legal the firm is permitted to take it and, in some cases, may be required to take it; if an action generates financial value then it would be prudent for the firm to take it in order to remain in business.

**Formal and informal reasons**

To develop the analysis of reasons we can make a distinction between formal and informal reasons.

Legal reasons will tend to be formal reasons for acting. The legal framework within which a firm operates is external to the firm and constitutes a relatively objective framework of requirements and constraints. However the various issues of legal interpretation, firms operating across multiple jurisdictions, the status of international law, and, in the longer term, the firm influencing legislative change, all suggest a degree of informality in the legal reasons for actions.

In a market environment, financial reasons will also tend to be formal reasons, at least in the short term. The operation of competitive markets effectively creates requirements and constraints and makes certain actions prudent and, in some cases, may appear to be more or less inevitable.

For example, short term scrutiny by the financial markets may reduce the degree to which a firm may seek to make a long term or very long term financial return. However, there is some discretion open to the firm to set the level of financial value generated, the timescale for a financial return and the means by which financial value is generated. This suggests a degree of informality.

The distinction between formal and informal reasons suggests tendencies towards more or less objective reasons rather than clear cut boundaries between types of reasons.

**Internal and external reasons**

We can make a further distinction between internal and external reasons.

The firm may take a minimal view of corporate responsibility internally within the firm, and appeal to the two primary responsibilities as overarching reasons for acting. Individuals outside the firm, for example citizens affected by the outcomes of a firm’s activities, may take an extended view of corporate responsibility based on external reasons.

In this case the distinction between internal and external reasons reflects the boundary of the firm. This reflects the distinction between the internal justification of actions by the firm and an external view of actions, and in particular the outcomes of these actions, by individuals who may not be part of the firm.
The same actions and outcomes are analysed under different descriptions of the reasons that bring them about.

This provides an insight into part of the debate about corporate responsibility. This debate makes explicit the distinction between these descriptions of the same sequence of actions and outcomes. Public policy may be seen as a means of adjudicating and forming a judgement about the reasons appealed to under these different descriptions.

Legislation and public policy may of course change the content of either of the two primary responsibilities. For example, legislation may have internalised previously external reasons. These will now form internal reasons for the firm.

We can use these two sets of distinctions between types of reasons to describe movement along the minimal-maximal spectrum and potential changes to the boundary of the firm.

*Formal* reasons, primarily legislation and the market environment in the short term, will define the boundary of the firm. The degree of *informality* will suggest the potential for movement along the spectrum and the likely changes to the boundary of the firm.

*Internal* reasons for the firm will suggest the current reasons for acting. The degree of difference between *internal* and *external* reasons will suggest the extent and the direction of potential changes to the boundary of the firm as, for example, legislation internalises external reasons.

The degree of difference may also suggest the intensity of public debate on corporate responsibility. This debate may affect the extent to which the firm considers *informal* reasons for acting that reflect *external* reasons and anticipate potential changes. This suggests a move along the minimal-maximal spectrum towards a more extended view of corporate responsibility.

**Reasons and minimal responsibility: four examples of an appeal to ethical significance**

The minimal view of corporate responsibility suggests that the firm appeals to reasons based on the two primary responsibilities. The specific *content* of these reasons may differ. However, they will refer back to the primary responsibilities.

The minimal view also suggests that the *ethical significance* of these reasons may not be directly appealed to or analysed. The four dimensions of value model analyses the range of ethically significant good and bad outcomes that result from a firm’s activities. These outcomes will affect individuals from inside and outside of the boundary of the firm. The ethical significance of these outcomes for these individuals will raise issues of corporate responsibility.

Movement along the minimal-maximal spectrum suggests that a direct appeal to the ethical significance of these reasons becomes increasingly important for the firm. A maximal view of corporate responsibility suggests that these reasons may take into account the full range of good and bad outcomes of the firm’s activities. The four dimensions model also suggests that this may be difficult to achieve for a firm operating within a market situation.

We can address this issue in more detail by considering direct appeals to ethical significance *within* a minimal view of corporate responsibility. I will consider four examples here. Each example involves overlapping arguments but each suggests different aspects of minimal corporate responsibility.
First, the firm may appeal to ethical significance that is clearly distinct from either of the two primary responsibilities. This will involve reasons that are not required by law and that do not generate financial value even in the very long term, or may lead to a reduction in potential financial value or a financial loss.

On the issue of legality: this raises the question of whether a reason can in fact be considered outside of all legal constraints or requirements. On the issue of financial value: this situation is at least possible, although difficult in a market situation, based on the relative informality of some aspects of financial reasons. In both cases the firm has moved along the minimal-maximal spectrum.

Second, the firm may appeal to ethical significance that is already contained within the two primary responsibilities. In this case the firm appeals to reasons in addition to legal and financial reasons but where these reasons can in fact be fully explained by reference to the primary responsibilities. A key issue here is to determine the intentions of the firm.

If the intentions of the firm are also fully explained by reference to the primary responsibilities, this suggests that the firm has not moved along the minimal-maximal spectrum. For example, a firm may appeal to the ethical significance of the effects of climate change as a basis for action to reduce CO2 emissions. This reduction may form part of an anticipated future legal requirement, or an existing cost reduction programme, or product differentiation with appeal to a section of customers. Where these are the reasons that are in fact the basis for actions by the firm this is consistent with a minimal view of corporate responsibility. This does not mean that CO2 emissions do not have an ethical significance. It does suggest that the firm has not moved along the minimal-maximal spectrum in this case.

If the intentions of the firm do include a direct appeal to ethical significance this may suggest a move along the minimal-maximal spectrum. In this case these reasons may coincide with but are not contained within reasons that refer to the primary responsibilities.

Third, the firm may appeal directly to the ethical significance of the two primary responsibilities as principles.

For example, a firm may appeal to the ethical significance of the role of business in providing affordable homes for citizens as an ethical reason for action to invest in land to build new property. The provision of affordable homes can be described as an ethically significant outcome independently of the reasons appealed to by the firm. However, the role of business in the provision of affordable homes in a market situation is already part of the creation of a housing market in which firms can make a positive financial return. There are potential reputational benefits in the firm making a direct appeal to ethical reasons for the investment, particularly in cases where the investment is unpopular or controversial, for example because of damage to natural habitats.

Determining whether this is an example of moving the along the minimal-maximal spectrum, may also in part depend on an analysis of the firm’s intentions. This may be supported by a full analysis of how the firm has arrived at the reasons appealed to. This analysis may reveal that the ethical significance of the two primary responsibilities is either an active or a passive dimension of the firm’s reasons.

It may be discovered that the firm rarely or never in fact refers to this ethical significance, beyond providing a public explanation of the firm’s reasons. This suggests a minimal view. On the other hand it may be discovered that the ethical significance of, for example, affordable homes is regularly referred to and forms an explicit part of the reasons for acting. In some cases this appeal may change the actions taken and the outcomes that follow. In particular, where there is a degree of legal or financial informality the firm may appeal
directly to ethical significance in order to arrive at reasons for action. This suggests some move along the minimal-maximal spectrum.

*Fourth*, in some cases it may appear that the two primary responsibilities do not fully explain the firm’s reasons. We can describe this as the *underdetermination* of these reasons.

Underdetermination would suggest that *other* reasons may also be appealed to and will be required to fully explain the firm’s actions. Where these reasons appeal to further aspects of ethical significance, this may suggest movement along the minimal-maximal spectrum.

It is useful to consider legal and financial reasons for acting separately.

The apparent underdetermination of legal reasons may be explained in at least three ways: *internalisation* of legal reasons; operating within a *permissive* legal framework; and, issues of *legal interpretation*.

The *internalisation* of legal reasons describes the situation where legal requirements and constraints have become part of a firm’s policies and accepted ways of working. The firm may only appeal directly to legal reasons in new or exceptional situations. In addition, the legal review of reasons may itself have become a routine part of the firm’s decision making processes.

Operating in a *permissive* legal environment may be the result of a liberal (and possibly rights based) legal framework. This framework includes the intention that all citizens, including citizens acting within a firm, are subject to the minimum legal requirements and constraints compatible with the maximum freedom to take action. This environment supports and encourages the view that legality *underdetermines* reasons. Reasons are significantly determined, and freely arrived at, by autonomous citizens.

This environment may be viewed in two ways. It may be argued that the legal framework operates up to and not beyond the scope of free and autonomous agency. This view suggests that the firm is genuinely free to appeal to *any* reasons within this scope of free agency. This supports an idea of underdetermination.

Alternatively, it may be argued that the legal framework itself fully determines the scope of free agency. In this case freedom and autonomy are themselves legal constructs. In particular, the firm may operate within the apparent freedom of the market. However, on this view the market is a legal construct based on the legal status of, for example, private property and the firm itself.

The issue of legal *interpretation* may lead to uncertainty about legal requirements and constraints. For the firm, the search for a definitive legal interpretation may be described as a factual issue that is external to the firm and viewed as part of the *formal* legal framework. This is consistent with the argument that an explicit appeal to ethical significance forms part of the creation and judicial interpretation of law, rather than it’s acceptance by citizens, including by the firm.

Underdetermination of *financial* reasons may result primarily from a lack of information. The firm may lack the information required to make a full financial appraisal as the basis for actions. This informational gap may be seen as part of the relative *informality* of financial reasons. However, as in the case of legal reasons, it is likely that these financial reasons will be arrived at on the basis of broad financial imperatives and a general awareness of the primacy of financial value, even in situations where a specific, precise and complete financial appraisal is not possible.
We may draw various conclusions from these comments on underdetermination. A general conclusion suggests that the combination of the internalisation of the legal framework, the construction of autonomy within a permissive legal environment, the search for legal interpretation, and a financial informational gap, creates a degree of uncertainty.

This uncertainty may make it possible for the firm to appeal to reasons and, in particular, to a view of ethical significance, in addition to the two primary responsibilities. The scope for this appeal is likely to be limited, but may have an effect over time. However, the uncertainty may be described as *contingent* uncertainty, and will be overcome as more information about the legal and financial environment becomes available to the firm.

In addition, the firm is likely to be aware of the contingent nature of this uncertainty and may continue to appeal to reasons that refer to current and known interpretations of the two primary responsibilities.

This may be supported by two further arguments: first, there are *prudential* reasons for remaining disciplined by the two primary responsibilities, including various formal and informal sanctions; and second, the ethical significance of the two primary responsibilities may include an ethical *imperative* to remain disciplined by these responsibilities.

In both cases, the existence of uncertainty may *strengthen* the argument for a disciplined appeal to the two primary responsibilities. The possibility of mistakes is increased as well as the opportunity for benefiting from this uncertainty.

A further issue is relevant here. We may be able to prioritise the two primary responsibilities, although this may require a *further* principle. As the firm considers reasons for acting, the *first* question may be legality and the *second* question is whether the action will make a financial return. This reflects the greater *formality* of legal reasons compared to financial reasons.

It may appear, in practice, that the issue of a financial return has priority for the firm. However, this may be a result of the *internalisation* of the legal environment discussed above. On this view the firm considers the range of financial options against a background and internalised understanding of legality. Once one or more financial options have been identified, these options will then be reviewed against specific legal requirements and constraints.

**Wide and narrow instrumentalism**

These four overlapping examples of the minimal view of corporate responsibility raise the question of the *basis* of the two primary responsibilities themselves. We may ask: does the firm appeal to these responsibilities for *instrumental* reasons or does this involve an appeal to the ethical significance of these principles?

For example, a firm may argue, ‘we take actions for financial reasons as long as they are legal. We try to make money because we want to get rich. We obey the law because we don’t want to get punished’.

These are instrumental reasons based on a prudential assessment of the sanctions that back legal requirements and constraints, and the potential success or failure of the firm that backs the requirement to create financial value.

This can be described as *wide instrumentalism*. The firm takes actions that *neither* appeal directly to ethical significance *nor* to the ethical significance of the two primary responsibilities themselves.
However, on the principle of operating within minimum legal requirements, the firm may argue, ‘we accept the requirements of legality because we accept the principle of the rule of law’. On the need to create positive financial value, the firm may argue, ‘we want to make a positive financial return because we see the benefit of a successful business to ourselves, our families, our employees and to society as a whole’. In the latter case some or all of these benefits may be appealed to.

This can be described as narrow instrumentalism. The firm appeals to reasons that refer to the two primary responsibilities, but the firm bases this appeal on the ethical significance of these responsibilities. There will be a range of views about what ethical significance involves in each case. In general, the rule of law may appeal to further claims based on public goods such as justice, peace and order. The benefits of a successful business may appeal to further claims based on public goods such as enterprise and prosperity.

The distinction between internal and external reasons is useful here. Wide and narrow instrumentalism may both be consistent with the internal reasons appealed to by the firm. However, external reasons may suggest the limits of instrumentalism as a full explanation of the firm’s reasons.

One way to compare these two descriptions is to contrast wide and narrow instrumentalism. An internal description of reasons by a wide instrumentalist may argue that appeals to the ethical significance of the two primary responsibilities do not form part of the wide instrumentalist’s reasons for acting. Indeed, the wide instrumentalist may argue that any apparent ethical significance originates in the appeal made by the narrow instrumentalist and has no wider implications.

This suggests that wide instrumentalism involves a commitment to some form of pragmatism. This may be defined here as the view that there is no ethical significance to the instrumental claims of the firm. The pragmatism of the firm’s claims are in this case taken as a complete explanation of the firm’s reasons. These may then be described as rational reasons.

An alternative view is suggested by an external description of reasons. On this analysis the difference between narrow and wide instrumentalism involves different views about the ethical significance of the two primary responsibilities. The pragmatism of the wide instrumentalist is now seen as a partial explanation of the firm’s reasons.

Pragmatism, as defined for this discussion, may be accepted by the firm but not provide a full explanation of the firm’s reasons. On this view the firm is a moral agent even if the firm itself argues for a form of pragmatism. In addition, these reasons may be viewed as ethically significant by other agents, including citizens outside of the firm, who do not take a pragmatist view.

The ideas of ethical significance, instrumentalism and pragmatism may provide a basis for a more detailed account of the minimal-maximal spectrum. Movement along the spectrum may be described as a movement from wide instrumentalism to narrow instrumentalism to a non-instrumental appeal to ethical significance. Both wide and narrow instrumentalism are consistent with a minimal view of corporate responsibility.

These various descriptions overlap. One way to analyse this overlap is to consider again the distinction between internal and external reasons. Movement along the spectrum, described in these various ways, has the effect of bringing external reasons into the internal reasons appealed to by the firm.
At the minimal end of the spectrum there may be a significant gap between the firm’s internal reasons and the external reasons that may be appealed to by, for example, citizens outside of the firm. At the maximal end of the spectrum it is likely that the internal and external reasons coincide. At this limiting point the firm will take into account all reasons that may be appealed to externally.

This analysis assumes that the distinction between internal and external reasons is accepted. A wide instrumentalist may argue that this distinction is either incoherent or has no implications for the reasons the wide instrumentalist appeals to. On this view one explanation of ‘external’ reasons is that these are, in fact, ‘internal’ reasons from the point of view of an agent outside of the firm.

Alternatively, the distinction between internal and external reasons may be addressed independently of the account given by the firm. For example, the legal requirements and constraints that constitute a particular reason may appeal to claims about ethical significance that were part of the intention of the legislators. In addition, the creation of the firm and the market conditions within which the firm operates may also appeal to claims about ethical significance based on a combination of policy and legislation. On this view, the pragmatic interpretation of wide instrumentalism may provide an account of internal reasons, but does not provide a full account of these reasons including direct appeals to ethical significance.

**Instrumentalism and self interest**

One version of the instrumentalist view suggests an appeal to reasons based on self interest. For example, a wide instrumentalist may appeal only to self interest through providing prudential reasons to avoid legal sanctions and the financial failure of the firm.

An appeal to self interest may be distinct from an appeal to ethical significance. This would be consistent with an internal analysis of the wide instrumentalist view that suggests that there is no appeal to the ethical significance of the two primary responsibilities. It is also possible, but not inevitable, that firms taking the pragmatist version of wide instrumentalism will argue that self interest is distinct from an appeal to ethical significance.

However, self interest may itself involve claims about ethical significance. The appeal to self interest by an individual may include, for example, claims about that person’s life going well and about fulfilling potential. These may be ethically significant claims. It may be a very limited view of ethical significance if this took no account of other appeals to ethical significance including, in particular, the interests of other persons. A more complete or balanced view of ethical significance would recognise obligations to the self and obligations to others, and include the range of relationships between the self and others.

The argument that self interest involves claims about ethical significance, albeit of a limited kind, may suggest that self interest provides at least an ethical foothold and establishes a basis for a concern for others. Other views of ethical significance may however argue that ethics starts with and, may even be defined as, a concern for others.

Some of the same arguments may apply to a firm’s appeal to reasons based on self interest. The self interest of the firm will include claims about the ethical significance of the good outcomes of the firm’s activities such as the financial benefits of a prospering firm for employees, shareholders and others. Again, it may be a limited view of ethical significance that took no account of the ethical significance of persons outside of the firm and the good and bad outcomes of the firm’s activities in general.

If we take the view that self interest involves rational reasons rather than ethical reasons, this suggests that the debate about corporate responsibility is, in part at least, a debate about these
different types of reason. This may provide some explanation for the difficult and in some cases intractable nature of the debate. This view may also be consistent with the gap suggested between the *internal* reasons of the wide instrumentalist, and possibly pragmatist, view and *external* reasons that appeal directly to ethical significance.

Alternatively, we may take the view that reasons that appeal to self interest include claims about ethical significance, and are also *ethical* reasons. This suggests that the debate about corporate responsibility concerns the content and weighting of the same *types* of reasons. This may provide an explanation for how *progress* can be made in this debate: it concerns the assessment of competing ethical reasons and claims about ethical significance. This would *also* explain the difficulty of the debate, since if claims about ethical significance are based on moral intuitions and moral values it is likely and expected that these claims will be in conflict and, in some cases, incommensurable.

In addition, the four dimensions model suggests that where a firm acts on reasons of self interest it is, in fact, likely to produce good and bad outcomes that have an impact beyond the boundary of the firm itself. This supports the view that wide instrumentalism may not provide a full account of a firm’s actions and outcomes.

**Further issues**

I will conclude the discussion of types of reasons at this point for this paper. There are many further conceptual issues about a firm's reasons for acting to be pursued. I will mention three issues that I am currently thinking about.

First, a detailed analysis of a firm’s *intentions*. In the case of individuals, intentions are generally regarded as ethically significant. We need to address this question for firms.

Secondly, the analysis of reasons for acting where the outcomes of these actions are small or very small. This includes questions about the ethical significance of cumulative and aggregated outcomes.

Third, that the public debate about a firm’s reasons for action is part of an idea of *public reason*.

**Concluding comments**

Finally, I want to make some general comments based on some of the arguments so far, without attempting to sum up these arguments.

The minimal-maximal spectrum of corporate responsibility, based on the four dimensions of value model, suggests the potential *extent* of corporate responsibility. Locations along this spectrum suggest different views about what a firm has *reason* to do. In particular, moving along the minimal-maximal spectrum suggests an increasingly direct and wide ranging view of the ethical significance of a firm’s actions and outcomes.

An *external* account of a firm’s activities may reasonably make a particular appeal to ethical significance. This suggests that when *internal* reasons do not make such an appeal it is reasonable to *consider* this appeal even if this is not the view of the firm itself.

For example, on this view *wide instrumentalism* may provide an *incomplete* description of the firm’s reasons for acting, from an *external* point of view. This may provide a basis for understanding elements of the public debate about corporate responsibility.
However, although it may be reasonable to make a particular to appeal to the ethical significance of a firm’s activities, it may also be reasonable to dispute this appeal. This may take at least two forms: either, a disagreement about the nature and extent of the ethical significance appealed to; or, a disagreement about whether, in fact, the firm’s reasons for acting are ethical reasons. This may, in turn, provide a basis for understanding some of the hard questions encountered in the public debate and the public policy debate about corporate responsibility.

In addition to the further conceptual issues mentioned above, I think there is potential to use these arguments as part of an empirical investigation of a firm’s reasons for acting and a firm’s views of corporate responsibility.

I hope these ideas form the basis for further discussion.