

The spotlight, the microphone, the stage and the table
Four mechanisms in the sustainable development of business

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This discussion paper is a reaction to Philippe Van Parijs' *The spotlight and the microphone – must business be socially responsible and can it?* (DOCH n°92). This paper aims to be complementary, to point out some differences and to sketch common ground.

After I have duly introduced myself¹, I will dwell shortly upon three examples that I will use later on as corroboration.

Then I will comment on the earlier paper. My comments sketch a foundation for the appreciation of the mechanisms and for answering the questions posed by Van Parijs, mainly by introducing concepts about functional specificity of and within corporations.

Then I will introduce two additional mechanisms fostering improvement in corporate practices: the stage and the table.

Finally, I conclude by demonstrating that the four mechanisms enforce each other mutually and by commenting upon the respective positions.²

Introduction

As Philippe Van Parijs does, I will mention observations and biographical facts in order to clarify why I think like I do.

I studied philosophy, focused on philosophy of knowledge and Aristotelian ethics. I also studied economic sciences, focused on financial disciplines and governance. I was appointed as a philosophical researcher with the national fund for scientific research, but I felt I could not accept the appointment. I preferred working in the financial services sector because there too was philosophy to explore. Indeed, at the time of the appointment, I was already studying financial sciences while being employed as a salesperson within a savings bank. I felt at home in this environment: it showed much dynamism, healthy growth and it was a business without any tangible content (I mean: you didn't have to move around *things*, all you had to do was listening, thinking, talking and writing). The financial industry, more than any other, is about concepts and concepts are the subject matter of philosophy.

After five years of commercial work in a branch, I joined the Marketing Department where I was successively working on the concepts of investment-products, on customer relationship management within the branches, and on the concepts of investment- and credit-products and discourse. We –that is the various teams that worked on these subjects- like to think of ourselves as having accomplished a few remarkable developments: the successful introduction and sales of “(more) sustainable

¹ As is customary when opening an ethical and/or a commercial discourse. See Fukuyama '95, especially part one: “The Idea of Trust. The improbable power of culture in the making of economic society.”

² The topics were discussed on June 17th 2003, at the occasion of a *Midi intime de la Chaire Hoover* at the Université Catholique de Louvain. This paper benefited from the discussion with the participants, mainly in the concluding section. Discussion also made clear that I had to provide more examples regarding the interaction between deontology and teleology in sustainable development of business. Christian Arnsperger pointed out that comments upon the development of corporate behaviour have to take into account the kind of market in which the corporations act and react. This type of institutional context is, however, not explored in this paper.

investment funds³, the introduction of relationship-dialogues between salespeople and all our clients in all of the branches, the development of communication techniques that rendered investment products more comprehensible, attaining the highest degree of dematerialisation of investments in the Belgian industry. The first two, and maybe the last one too, can perhaps be classified as Kuhnian shifts of paradigm within the time span of a generation of practitioners.⁴

For now, I am within DVV Insurance working on sustainable development (of the company and of its services, I hasten to add; no function can be made responsible for sustainable development as such!). The Dexia-Group has decided to take a firm stance on sustainable development, as it is made univocally clear by its motto “la banque du développement durable”. I am proud to be able to say that our Group has decided to take up corporate governance as a central theme in sustainable development and that it is admired for its progressive implementation thereof.

DVV has decided to become a pioneer in sustainable development by introducing more sustainable insurance- and corporate practices. My function in this, by the way, is not “Officer of ethics” or at least not in the usual sense. Usually this function is interpreted as developing and implementing a deontology. Thus, it is to be situated near the Compliance and Audit function. If it is to be interpreted as the development and implementation of goals and purposes to be proposed as business targets, then it elaborates teleology. Thus, it is situated near the Strategic and Operational Marketing function. Of course, deontology without teleology is barren and teleology without deontology is merely an exercise in vanity. And of course, operational marketing without strategic marketing is blind and strategic marketing without operational marketing is empty.

January last, I saw *The spotlight and the microphone – must business be socially responsible and can it?* performed by Philippe Van Parijs. The reasoning in the paper struck me as a philosopher and as an economist, whereas the ‘autobiographical’ touch and the metaphors captured my attention as a marketing professional.

The autobiographical perspective is not its least important feature, because it is a manifestation of the subject matter of the paper itself, namely: Philippe Van Parijs took the microphone and did not hesitate to shed some light on the circumstances and the reasons for his being wrong then and now pleading for thinking along different lines about business ethics.

When I started practicing as a professional in the bank, I was wrong too. I was naïve and took it for granted that bankers didn’t cheat on customers, bosses, the company, and society in general. The exceptional crooks were thieves and they were caught with their hands in the till and that was it. Excellent competence was evident and intentions were beyond doubt.

After a short while, my experience told me otherwise. I give three examples that I will use later on in commenting upon the four mechanisms and the effectiveness of law. They refer to situations in the eighties and early nineties of the previous century.

Ethics, laws and governance: three examples

?? Some colleagues made ample use of what I know now is technically called “the information-asymmetry” concerning financial techniques and markets.

³ I have always refrained from calling products “ethical” because products are merely things and “ethical” cannot be predicated of things. But seen as an institution, viz. a bundle of repetitive and functionally ordered human actions, the predicate “ethical” does, of course, apply to financial ‘products’. Most people though, still think of financial ‘products’ as “things” instead of as “actions” or “services”.

Products can not be “socially responsible” either; only humans can be held responsible.

⁴ I take this in the original, technical sense: those changes have an impact on the model, the proverb of the banking practice. In order to accomplish this, excellent mastery of and high self esteem within the traditional model and a favourable environment seem to be necessary requisites for innovation and willingness to accept reflective consequences. I refer to Coeckelbergh ’01, to Coeckelbergh & Leys ’03, both of which are, by the way, to be seen as instances of taking the stage and invitations to the table (see below). That those developments were not merely alternative practices within the current paradigm also became clear from the intensive discussions about them in the process of the merger between BACOB and Dexia. They consumed considerably more time than discussions about the pricing techniques in saving bonds.

For example, some demonstrated to the client who was in the process of buying a car that it was financially more advantageous to have a loan and hold on to the liquidities on his savings account than it was to finance the car with his accumulated savings. They did so by comparing the total cost of the loan (say 1000 euro) with the total interest gained on the account (say 1050 euro).

It is, after a few moments of reflection, clear that this cannot be the case, since it presupposes that the bank pays more for receiving money (and the savings account is by and large the deposit with the lowest rate of interest and the highest margin) than it demands for delivering money (and by and large, the interest rate (margin) on a car loan is much higher than the interest rate (margin) on mortgages). The amounts may be correct, but the comparison is not that straightforward; total cost is irrelevant when comparing flows of interest.

I stress: “some colleagues” because some used this deplorable technique, others didn’t out of suspicion or professional pride.

Apparently, the bank had not yet formulated a policy regarding the use of certain types of arguments, regarding its discourse on this topic. Indeed, it is inconceivable that a written policy should endorse such argumentation. There was no ‘product’ installed, that is no discourse, ethics or technique that covered the relationship between the savings deposit and the loan for a car.

A salesperson myself, I had the opportunity to talk with customers who had been “informed” by a competitor precisely that it was financially more advantageous etc. As I could show them that this was wrong and advantageous for the bank –and, implicitly, that their ignorance was being taken advantage of-, I was able to gain their trust and thereby the relationship. In other words: ‘getting caught’ in bad arguments, was, on a micro-level, a costly affair. Or a fruitful one – depending on the position you had taken.

What seemed to me noteworthy was that in exposing the argument of the competitor I was taking the position of an independent advisor. It was not as much an argument against his argument as it was an argument about his kind of argument. So a philosophical and ethical technique could be used as a tool in commercial competition.

Rigorous analysis of financial transactions and comprehensibly explaining the relevant features and consequences to customers was a viable selling technique. Advising along lines of “financial orthodoxy” or “rational ethics” was instrumental in persuading the customer to develop and maintain a relationship. In the short term though, it could possibly lead to lesser sales.

?? Although there were no explicit rules as to the arguments that could be used, the bank did take a firm ethical stance in its credit policy. The discourse of the bank respected rather conservative limits as to debt-to-income-ratio’s, debt-to-value proportion and destination of the loan. Sometimes even paternalistic overtones were discernable.

All salespeople respected those rules. In fact, they were made explicit and implemented first by credit committees and later on in the software that guarded the decisional process. That is to say: those rules were being implemented by other than the sales function. As the sales function had its own logic to respect, viz. attaining target volumes, it was another function within the company that safeguarded the constraints as to the methods of attaining those targets.

This kind of internal regulation is easy to obey because it limits the function, the purpose, rather than prescribing how it should be exercised. A functionary can always act corrupt. Corruption in this case is easy to define and to recognize. Also should be noted that this kind of internal regulation constrains the growth of business but clearly does not point to other markets and opportunities to develop. Although it can be used as a marketing tool by inserting it into corporate communication, it is by itself barren from a developmental point of view.

?? A law aimed at better protection of retail customers, the one governing practices of commerce, was passed. It contained clauses pertaining to the modalities of selling and clauses pertaining to definitions of what constitute separate products.

§ 1. The customer was allowed a period of seven days to change his mind, if the sale took place out of the branch of the vendor (local modality, presupposing that if the contract took place on the floor of the vendor, it was the customer that had been seeking to do business). This law aims to protect the customer who might be unaware at home or elsewhere and who makes a decision on impulse. As a consequence, our loan contracts⁵ were not fully valid if they were signed outside the branch unless we

⁵ To render matters not too complicated, I will not dwell upon the consequences of the fact that this law did apply to some of our financial services, but not to others. For instance investments and mortgages were not covered by this law but by *leges speciales*. As for the mortgage, this is due to the

could prove that the client had invited us at his home. So the bank devised a form, to be signed by the client, that if business was being conducted at his home it was so on his deliberate invitation.

Now, this law was not easy to implement. We *did* visit clients on our own initiative, after making an appointment or we asked for an appointment because we were too occupied during office hours. We then had to explain them the rationale of the procedure. That aroused suspicion. I then pointed out that they and customers in general were empowered by the very policy of the large retail-institutions: the banks did not follow a hit and run strategy, the banks aimed at lasting relationships and hoped to win all their future transactions. Would they not tell everybody if they had been taken advantage of? Wouldn't that be crippling my ability to do business in the local community and would that not render my position within the bank very critical?

But all this would happen too if we were to take advantage of our client when he visited the branch, wouldn't it? We addressed him unexpectedly and put forward unsolicited proposals at those occasions too, didn't we? And did we not have them sometimes sign blank contracts due to temporary failure to print them out? Indeed and not at all that remarkable, customers did sign blank documents out of trust. But they got suspicious when I asked them to sign a document that I was invited to their home. So the technicalities of the law were rather an unnecessary hindrance that could be circumvented by malicious people. Contrary to the previous examples, corruption is not easy to define or to recognize.

As to the effectiveness, one could remark that the people for whose protection these laws are written usually don't know them and don't use them. I remember vividly the case of a client signing at home a mandate to sell real estate, taken in by surprise by a real estate agent. My client had misgivings about the contract a few hours after the real estate agent had left his house. But he didn't know what to do to get rid of the 'contract' and its very inequitable terms. So, by inertia, he lost his chance to do something about it: seven days went by. And I noticed too that such clients were inhibited to talk about their 'contract' and about being victim of malicious salespeople because they were afraid to look impulsive, naive or outright stupid. This regulation presupposes that the weakest party has an active and practical knowledge of the laws pertaining to commercial transactions. But this seems somewhat at odds with the fact that it was deemed necessary to regulate in the first place (in order to protect the unknowing party against the predatory practices of the other).

Now, this is to illustrate that sometimes laws and regulation are a mere hindrance to legitimate business and in many cases they miss the point in that they do not succeed in protecting society, because vulnerable people don't know those laws.

§ 2. This law also had a clause to prevent separate products or services being linked together in one sales proposition. Without going into technical detail, this clause aimed at protecting customers against obligatory buys. It does so by freezing habits in pricing and by freezing current definitions of products. It prevents obligatory transactions because, so it seems, it presupposes that market forces will not render the separate products available spontaneously. At the same time it also hampers developments such as the repackaging of products and services.

I do not mean to oppose to this law and certainly not its intentions to which I fully subscribe. I use it as an example of laws being not fully adequate to prevent the very harm they are designed to prevent. Without additional measures, that is. Its costs, in the meantime, were not negligible; implementation requires resources that could be put to use in other, voluntary projects.

These three examples differ as to the stage of the regulation: in the first one, there was no explicit nor detailed regulation; in the second one, the bank provided and enforced rules that went beyond the requirements of the law and in the third case, we have a detailed body of external regulation.

In general, certain types of ethics were implemented as it where naturally or automatically, others were implemented along the capabilities and intentions of individual people. In other words: the bank had a character, was a moral subject in some discourses but not (yet) in other discourses of its profession. Now the last one is not a tenable situation: as a professional, you must and do have a philosophy about your core practices, even if you were to argue that you have none or merely a neutral one⁶. So inevitably, sooner or later, this would give rise to new functions in order to fill the

fact that it is a real and authentic contract, but also specific laws aiming to protect the customer against the financial intermediary were developed.

The latest development in legislative protection of loan-buying customers is banks seeing their contracts being nullified by judicial action, because of the use of the wrong *fonts* in the print of the contracts.

⁶ Aristotle was the first to exploit the cogency of this argument in his *Protreptikos*.

vacuum. It is very unlikely that it would be filled spontaneously - in this case, all salespeople spontaneously developing the same standard of advisory quality. There were two possibilities: that this vacuum was filled from outside the commercial function (the law, the police, compliance officers) or that it was filled by the commercial function governing itself, respecting self imposed rules for its discourse.

From a financial point of view, the last possibility offers more commercial opportunities and entails more manageable risk than the former one. So here, ethics and business go hand in hand:

-) As the bank hadn't installed yet a discourse concerning types of argumentations, some colleagues went astray, willingly and wittingly or unknowingly, others were held back by critical reflection. Each collaborator is fully responsible for his behaviour, but the institution has a duty in educating the collaborators. A duty towards its shareholders, because an incompetent sales force is a breeding place of reputation and other types of risk that (eventually will) translate themselves in the Net Present Value of Capital, in shareholder value.

-) Some people tend to believe that business leaves no room for ethics. Within a business context, anything goes, as long as it is not explicitly forbidden by law or by company rules. And even then, one has to outweigh the chances of getting caught versus the immediate gains. Getting caught obviously has to do with the burden of proof. If this attitude prevails, marketing energy is consumed by questions about proof and control rather than by developing new skills and new markets. This is, according to widespread corporation theory, endangering the very survival of the corporation.⁷ It is thus to be seen as a kind of malfunctioning or disease, diminishing shareholder value.

-) However, a strategy or mission of lasting relationships with customers and their families leaves no room for intentionally misleading customers, some of the time or on some occasions. The flower of trust only blooms on stable grounds.

In trust, as in Aristotelian praxis, there is a distinction to make between competence and intention. Now, one can temporarily not be competent (e.g. one has to look up information before providing an answer or one can make a mistake as to the exact price or procedure), but one cannot temporarily be dishonest in one's dealings with the client. I prove this by presenting a couple of commercial speech acts:

- "I must apologize, Sir. The information I gave you last week is not correct. After our meeting I looked it up and had to admit that I was mistaken. Maybe you like to reconsider your decision now that you have the correct information.
Now, as to those other matter we discussed, I advise you to buy ...".
- "I must apologize, Sir. Last week, I was greedy and misleading you by withholding pertinent information. Maybe you like to reconsider your decision, now that you have the right impression about whom you are dealing with.
Now, as to those other matter we discussed, I advise you to buy ...".

Maybe the first one, the one about temporary cognitive incompetence that is spontaneously remedied, leads to the loss of the first deal. The second one, the one about wrong intentions, seems most likely to cause the loss of both deals and of the relationship.

So preventing less than excellent actions to take place, like speech acts of the second type, is a financially sound thing to do. Those actions would diminish the corporation's strength to fulfil its strategy.

The microphone and the spotlight

I will now insert a few comments on the text by Van Parijs. Mostly this is corroboration of the position that is explained. Also, I have used the opportunity to sketch a foundation upon which I can build the two other mechanisms I discern. But I do not believe that their effectiveness solely depends upon the acceptance of this functional perspective. They are at work regardless. But when the participants follow a functional approach the mechanisms will work more orderly and more effectively.

?? Is it undesirable to assign corporations a major ethical role?

I subscribe the point mentioned in the paper that corporations have no ethical role whatsoever besides generating profits for their shareholders by fulfilling their specific societal purpose. Friedman is absolutely right in this. Seen from within, it is unethical to use a mandate or a corporate function in

⁷ See for instance Peter Drucker as he is explained by Flaherty '99, passim.

order to indulge in activities that do not contribute to the development of business in order to create wealth for the shareholder⁸. Unless formally approved by the shareholders, that is.

For instance, while I'm writing this, the radio informs that in India already a few hundred people have died due to insufficient protection against extreme temperatures. If managers were allowed to act on personal humanitarian impulses, some of them would try and immediately have the corporation to provide shelter to those Indian people. That would be unethical behaviour - it would consume the capital of shareholders in the pursuit of goals outside the scope of the corporation, outside its function.⁹ From the corporation's point of view, it seems completely arbitrary. When it is argued to be profitable to undertake an action like that, for instance by pointing out that it will nourish sympathy with prospective clients, arguably the action is not ethical.¹⁰

From an outside point of view, it is not clear how corporations could be legitimised to determine social and ecological goals for society. There is no process by which corporations are democratically empowered to do so.

Moreover, any other position that bestows additional "social responsibility" upon the corporation and its functionaries is confronted with the problem of demarcating these responsibilities as to content and priority. I feel that the corporation will end up with all kinds of responsibilities so that it loses its generic and specific characteristics. It will no longer be a corporation.

I am, of course, not arguing that corporations should behave ruthlessly or even indifferently.¹¹ Merely that they should refrain from adopting as a corporate goal good causes that are totally extrinsic to their functioning.¹² Neither am I arguing that the corporation should not take ethics into account - on the contrary. But this ethics should be clearly related to the function.

The first example above purports to show that there is for the corporation a trade off not between low and high morals, between professional excellence and devious amateurism, but between the short run and the long run. In technical, financial language this has to do with the profile of the cash flow generated and with the type of risk embedded. The choice is between obtaining a high cash flow now and thereby augmenting the uncertainty of future cash flows on the one hand, securing a medium cash flow now and in the future on the other hand. Functionally speaking, it is a choice to make by the shareholder - as it is a choice to make by the shareholder whether or not the corporation should help the Indian people.

The making of the money or the creation of wealth for the shareholder is tied to what is called the "societal purpose" of the corporation, for example producing cars, insuring people, building houses, providing raw materials. Corporations are profitable if and when they interact with society, if and when they generate transactions with customers.

⁸ But defining "value" is not that easy, because it involves choices about different types of cash flows with different types of risk embedded and because it presupposes a lucid view on shareholder value too. "What kind of things contributes to shareholder value?" The answer to this may be quite trivial, as for instance: not to have to worry too much about agency problems or about trust in functionaries. Hence extensive cooperate governance as a contribution to shareholder value other than the mere protection of capital.

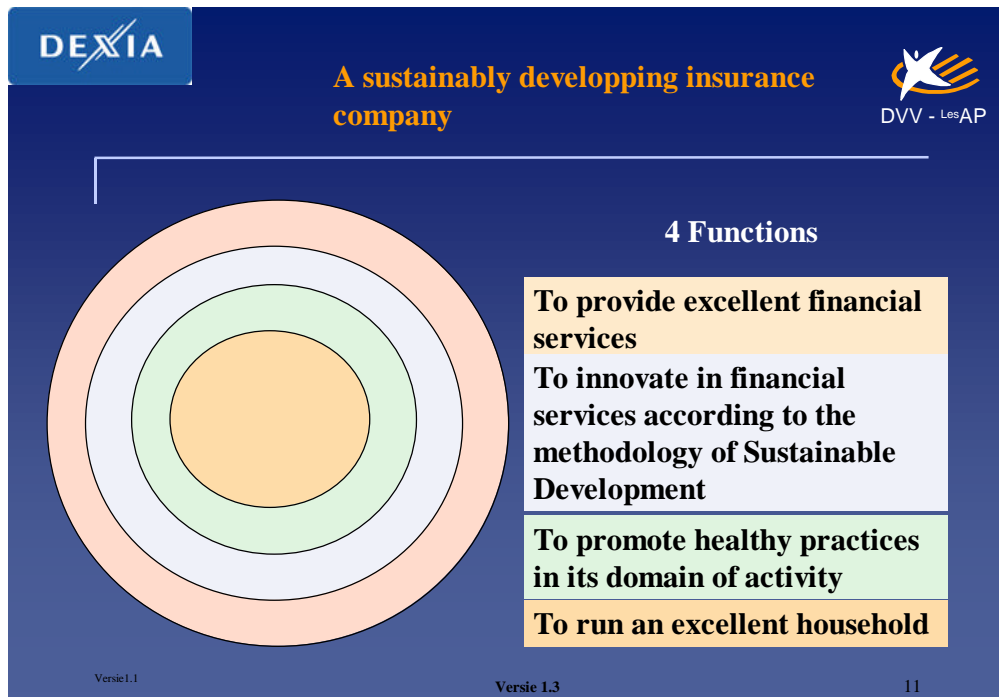
⁹ Corporations differ markedly in their ability or willingness to formulate a clear and distinct mission statement or function. Some present merely a vague or meaningless one. Others use it as a business tool because they see it as the expression of their basic rationale for their legitimacy ("licence to operate" as it is now called by NGO's). In some corporations every department and every organisational unit within a department has to write down a mission and a vision statement and periodically has to submit strategic and tactic plans. The latter two are more frequent than the former, although it is very difficult to imagine how strategic and tactic plans could attain a high standard of quality if there is no explicit and shared sense of distinct purpose and function.

¹⁰ This goes for the Kantian approach of ethics but much less so for an Aristotelian perspective. For the dilemma about business ethics, see below.

¹¹ This, I take to be the position of Henderson '01, who courageously defends business leaders against misleading discourses. His defence, however, surpasses all kinds of limits and goes way too far. For instance: Henderson deplores the alleged fact that some corporate officers are not being hypocrite before the microphone!

¹² The intrinsic good causes are evident. For a construction company, it is building good houses in a profitable way.

Stable, continuous, tenable profitability is conditional upon virtuous societal behaviour. And here, teleological ethics come into play. A corporation has four functions and a good corporation exercises them excellently¹³:



For example¹⁴:

- 1) To provide comprehensible contracts in car insurance and to treat claims as efficiently as possible.
- 2) To conduct research for innovative, mathematically sound insurance clauses that could contribute to the prevention of pollution caused by excessive use of the car as a means of transportation.
- 3) To promote road safety by informing the general public, the customers and by supporting scientific research on this topic.
- 4) To implement a stress-diminishing human resources policy because it is known that stress causes people to get involved in car accidents; to provide for an excellent commutation plan.

“Social responsibility” then, has to be interpreted as accountability about activity on the four functional levels:

- 1) Is our/your current product excellent? Does it comply with legitimate expectations, first and foremost the expectations of our/the customers?
- 2) Are we/you busy being innovative in order to improve the state of the world? This refers to the famous three dimensions of sustainable development: are we/you improving upon the societal, the economic and ecological impact of our/your products and services on the short and on the long run?
- 3) Are we/you contributing to the promotion of healthy developments in the slipstream of your products? For example: by providing pertinent and comprehensible information about the context of your products? Or are we/you damaging public goods such as social capital, biological diversity and so on?

¹³ This statement is neither descriptive, nor prescriptive; it is analytical. As such, it resembles Aristotle’s use of the four causes in his biology: 1) the formal cause = the services that shape the corporation; 2) the final cause = to produce innovations; 3) the efficient cause = the impact of public goods; 4) the material cause = the nourishment of capacities and the management of resources. For the quality or excellence-aspect I refer to the structure of Aristotle’s ergon-argument in NE I,7 (1097b22 ff.). It is analytical in that it follows from the concept of the corporation in sustainable development: its purpose is to create innovations. If it does not, it is not really a corporation and it will perish. As the corporation is not really a living being but a human creation, an instrument, the approach is apt and even more apt than in (Aristotelian) biology.

¹⁴ For the order of the functions, their relationship and their generic character, see Leys ‘03.

4) Is your household being run according to the best standards in the light of your particular circumstances?

This accountability is being executed by all kinds of genuine or presumed stakeholders. But foremost, it has to be put into practice within the company itself, as an act of self-governance.

This accountability is a necessary complement to transparency. As I have argued elsewhere, transparency has its practical and epistemological limits: it is not possible to recount everything and neither is it possible to have adequate knowledge about everything that is going on. Besides, what is generally taken to be transparency, or rather the manifestation of it, viz. spontaneous reporting along guidelines, often misses the point because it tends to concentrate wholly on physical indicators and on the household function. Meanwhile, it tends to neglect the more specific and even particular functions of the individual corporation, as they are not (necessarily) comparable.¹⁵

By way of conclusion: business ethics has a restricted field of application. It is related to the function of the firm. Engaging in activities that not contribute to the fulfilment of the corporate function, is not an ethical thing to do.

?? Is it rational to count on lawmaking?

It is not possible to bring about ethical comportment by law. Analytically, because mere compliance to laws is the zero level of ethics. Empirically, because if the subjects of the law do not intend to comply, they will not comply but try to act corruptly, materially or in view of the *ratio legis*.

This can be remedied by installing mechanisms of control. But then again, these mechanisms of control can be corrupted, which can be remedied by installing mechanisms of control. But then again, these mechanisms of control can be corrupted, which ... Such a series is potentially infinite; by itself, it never reaches its goal. If it would start becoming actual, the economy will suffocate, society would become infected by professional distrust and natural resources would all too lavishly be spent on the mere controlling our own behaviour.

?? How, then, to escape from the immobilising position of the dilemma: if ethics pays, it is redundant, if ethics costs, it is suicidal?

-) In a classical way: by escaping between the horns. Ethics do pay, evidently they cost. Business is a repetitive game and is about trust. You cannot be untrustworthy and believe that you are conducting business in going concern. This fully applies to my first and third example. I have already shown that the financial dimension presents the dilemma as a choice between different types of cash flow. In general: in order to develop a sustainable business, you have to invest in ethics and you are rewarded for your investment. In order to eradicate all misunderstandings: investing in ethics is by itself not a sufficient condition for the sustainable development of a successful business. But it goes a long way.

-) Moreover, the formulation of the dilemma seems to entail a high view on morals and a rather low one on business practices, thereby precluding an optimistic answer.

-) Corporations do comply all the time. They comply with all kinds of rules besides the mere prescriptions of positive law. Every corporation has an ethics or a character in this sense: habits, attitudes, rules, customs, rituals, norms, utopias, hopes, and so on. For instance: most corporations expect their functionaries to be polite in their interaction with customers and with each other.

-) The demarcation lines between the sources of ethics mentioned do shift constantly in response to the perception of what is happening and what is desirable. If you define "ethics" as the domain that is, for the time being, beyond reach because of extra costs or excessive commercial risk, then of course, the dilemma holds its full force but has no longer any pragmatic meaning.¹⁶

-) I maintain that corporate behaviour has become more "ethical" in the domain of the customer. During recent decades, overall quality has risen as much in actual delivery as in content. As quality is the realisation of what the customer expected and as the expectations of the customer are shaped by speech acts ("You want ..." – "I promise ..."), the ethics of those speech acts have become more excellent.

¹⁵ The epistemological pendant of this view is that it tends to mistake comparability for transparency. If it is accepted that each corporation has a particular or at least a specific function, one might raise pertinent questions regarding the business opportunity of compliancy with generic guidelines in reporting.

¹⁶ For a lucid and risk oriented conceptualisation as distinct to a hypocrite and hysterical treatment of these questions (cf. "*Sustainability Pays!*" and other slogans), I refer to Martin '02. The truth is: sometimes it pays, sometimes it doesn't; sometimes it is too risky, sometimes it is intelligent anticipation.

?? A more responsible form of “self-policing” is not unwelcome

I couldn't agree more. Though I would prefer “self-governance” instead. Governance should be thought of as something that has to be done by the corporation -or by any other organisation for that matter- by itself, *sua sponte*, without compulsion.

First of all because it is not possible to cover all particular situations by general rules; secondly because constant monitoring is simply not possible and certainly not desirable from a societal or economic point of view. This way of looking at it helps solving a lot of issues in the current corporate governance debates.

For example: the more the members of the board are independent, the less likely they are to have intricate knowledge about the finesses of the business that is being governed. So it seems that there is a trade off between certain types of independence and competence. This problem cannot or certainly not easily be regulated by universal law, circumstances being always particular. Thus the criteria for the choice of independent members of the board should be decided upon taking into account particular circumstances, notably the specificity of the function and the merits of the functionary. If we accept this, we accept that every corporation and its functionaries govern themselves.

Also, this line of thinking leads inevitably to the conclusion that governance is already in place. Corporations are not operating as ruthlessly as they could get away with, although some are inevitably running against the moral tide, such as tobaccoists, while others are perceived to be too slow in changing for the better.

?? Is it desirable to try and solve all problems by developing regulation and law?

-) Law cannot enforce best and better practices. Only minimal practices can be enforced. One can go on regulating until one is blue in the face and still not obtain that functionaries be inventive, innovative and courageous, that they show maximum prudence in evaluating all imaginable outcomes of their activities, and so on.

-) As to the content of standards, we should realise that it is a moving target. The less detailed the regulation, the firmer the four mechanisms are installed, the faster and the surer these standard will be moving towards “sustainability”.¹⁷

-) All regulation has economical costs, usually brought under the heading of “transaction costs”. They are transactional costs, because they do raise the price of goods and services. They are an indication of the degree of erosion of trust in society.

-) Laws and regulations do have external effects. Such as: inhibiting innovation, causing costs of control, posing unnecessary burdens on shoulders that were already compliant, prohibiting market entrance, and so on.

-) Though included as a positive in our macro-economic accounts, the cost of control hampers our capacities to produce wealth. Resources are being directed towards practices that can go on forever without attaining their goal. Indeed, the process of control can be controlled; the process of control of control can be controlled; ad infinitum. Control is meant to install trust but it is not obvious it will actually do so. But certainly, if the growth of processes of control -that in the final economic analysis all have to be fed by the subjacent productive business that is being controlled- gets out of hand, it will bring the economy to its knees and ruin social capital.

-) So, perhaps the less laws and controls we need to install, the better for the development of our economy or for the amount of leisure available. And maybe we need more laws of a certain kind, laws that differentiate according to virtue or merit.

An example of this is the coming Basel-regulation: in its purpose to induce prudent behaviour and to diminish the systemic risk in the banking system, it relates the capital-intensity of a banking firm to its risk appetite but also to its competence in managing risks. This doesn't necessarily bring about prudent behaviour but it does offer shareholders a reward for having conducted business according to mission and along the highest standards of the profession.¹⁸ It doesn't offer a guarantee against mistakes and accidents, but indiscriminative regulation does not bring this about either and

¹⁷ Technically: as an asymptotical mathematical function, as towards a regulative idea. See Leys '03 for an argumentation against any form of hyposthesis or reification of this concept and for a methodological, constructivist interpretation. *Sustainability is in the eye of the beholder* ©, literally and metaphorically. The type of interpretation of the concept is politically not neutral: hyposthesis may fit with tyranny; constructivism only fits with democracy.

¹⁸ Technically: this is obtained by widening the margins for financial leverage. The less capital that has to be allocated the higher the Return On Equity for a given level of activity.

indiscriminative regulation has the effect of punishing the good with the bad and sometimes it causes a 'race to the bottom'.

-) The feature of punishing the good with the bad possibly has by itself a perverse effect. It feeds the argument that "we should not be holier than the pope" that is often used to legitimate less-than-excellent practices. The others perform badly, so why not we? Why should we improve, if the good will be punished or obliged with the bad and if the law is not (yet) in force? This argument, pleading for inertia, is commercially not viable. For instance: it presupposes that it is known that competitors are not preparing for improvement and for taking a leap forwards.
-) Laws always have only one or a few purposes at the time. This causes lines of thinking and doing that concentrate upon mere compliance to be one-dimensional. But reality has many aspects or perspectives that should be governed at the same time. This holistic approach is constitutive to the very idea of sustainable development. Only active human intelligence can be sufficiently multi-perspective at any one time (this is a rationale for the table as a continuous mechanism for development, see below).
-) As Van Parijs already has pointed out: very often, there is no time for writing laws. So self-governance-as-business-goes is an inevitable condition.

In the *Financial Times* (FT, fm, 02/06/2003, p.4) Alexandre Lamfalussy comments upon the governance of the European retail markets in financial services: "The practical question is to what extent should one try to harmonise the regulation of the retail market. ... It is plainly absurd to assume an ordinary citizen can understand highly sophisticated financial products. He has to rely on advice and once you start saying that, he needs some protection from advisers." Lamfalussy adds that, on the European level, the widely different views on the appropriate level of consumer protection will lead to conflicts.

Two observations first: the first one has to do with the intermediate situation, the second one with the final result. First, if there will be political conflicts, the road to regulation promises to be long, windy and very uphill. If the customer is to have protection in the mean time, it will be offered ex post through judicial events or ex ante through good banking practices. If this is correct banks will spontaneously offer protection because it is advantageous for them to do so.

Secondly, can regulation offer this protection? By necessity, it will prescribe formal steps, such as signing documents. Of course, the bank should comply with this. From a business point of view it is necessary for the bank to gain immunity and so it implements the formal steps in order to avoid losing money. That is where deontology is about: what measures must be taken in order to avoid losing money? But, as pointed out above, having the client sign documents not necessarily brings about what is intended by this process and moreover, it does not necessarily breed trust. Contrary to a deontological approach, a teleological approach asks what measures the bank would like to take in order to win trust and gain more money by enhancing standards of practice. A possible answer goes like this:

- The commercial utility of explaining highly sophisticated financial products is rather low. On the contrary, marketing departments and salespeople that invest in this approach have a lower return on effort. Moreover, it is not possible to have the retail clients understand the financial products. Even bankers are seen to differ in opinion about how they work and what might happen because of them. And wholesale clients, who are supposed to understand the highly sophisticated financial products, are seen to mount lawsuits against their providers of financial services. And finally, understanding the financial products is not pertinent to a rational decision to buy (or, for that matter, to sell) those financial products. What is pertinent is that the buyer lucidly and fully understands the possible consequences for his particular situation. I will come back to that in a moment.
- Does the retail customer value protection against a bad decision? – The answer is that he does. He may be more or less aware of his need, but very rare indeed are customers who do not want to be informed at all or who say to like or not to care being misled. Then offering protection by augmenting the ethical qualities of the advisory process of the bank is a financially sound thing to do.
- However, a few difficulties are to be overcome. In general, salespeople do not like to change. Besides, competitors use advertising and argumentative techniques that are focused upon high returns and not upon overall adequacy of information. Some salespeople fear that they will lose clients by informing better.
- So the sales force needs to be prepared. With the support of top management spontaneous change for the better could be implemented. We sat at many tables (see below), used many microphones and spotlights during this process because many

functions are involved in offering (highly) sophisticated financial products to retail clients: the production departments, the marketing department, the sales force, the communication department, etc.

- We wrote position documents, explaining the values of the bank and we linked them with the features of the means we put at the disposal of the sales force. Those position documents were signed at a high managerial level, after they had obtained the approval of the functionaries that were involved in the sales coaching. They were then presented to all members of the sales force who were given ample opportunity to raise questions and air doubts. We also made clear that after a lapse of time, we would inform our clients about the main lines of our approach and the values shaping it. So our salespeople were prepared to live up to the standards before they were communicated. Features of this preparation included:
 - the provision of theoretical background, comprehensible and very down to earth: No person or bank is more able to predict financial markets (efficient markets). There is no such thing as a free lunch (markets are efficient, so the possibility of a higher return is always the price for assuming a higher risk). Miracles do not exist (free lunches are miracles). The past is irrelevant for decisions about the future; and so on.
 - We developed graphical tools that presented the respective functions of the financial products for the client, so he could easily form an opinion about their opportunity.
 - We concentrated our communication about sophisticated products on possible outcomes, on logic rather than on (futile) probability. We presented scenarios for the outcomes of the financial products. We abstained from making predictions. The client was to understand what the product *could* do for him. For example: was only his interest at stake or did he also put his capital at risk?
 - We did not launch products that would commercially not viable when presented along those lines. Some financial structures find by nature no sufficient buyers when properly understood. We were happy to do this and made sure that the sales force was equipped with sufficient arguments so that they would not loose customers to the competition that did or might launch those types of products.
 - We informed our clients in the process of buying but also during the holding period, regardless whether the intermediate outcomes of the investments were positive or negative. That way, the clients were enabled to make even more informed decisions when buying new investments. Indeed, from a psychological angle it is quite different to assume uncertainty beforehand than it is to experience its manifestation. This information process also reduced the risk of the bank being confronted with a client who is rather unexpectedly very disappointed about a final outcome on expiry date.
- Of course, we used this investment in informational processes also to inform the client about new products that were launched. And of course, we delivered this information service exclusively to holders of a securities account and construed thus a commercial argument for that service. So that the bank was at the same time also economising on material delivery of the products and generating sources of future income (we were the first bank to succeed in having retail clients pay a fixed fee for a securities account).
- For less sophisticated products, such as open-end funds that invest in stocks, we provided graphical information about volatility rather than using graphs of past performance that are, although largely irrelevant, psychologically inevitable.
 - We organised a strict follow up of a) production volumes, in order to check whether our ethics 'did cost'; b) lack of consensus in practice, in order to stay credible towards all our customers; c) all spontaneous and provoked signals by clients and salespeople; d) relevant events in other markets. In other words, we treated this 'ethics' as we treated any other product.

?? The civilising power of hypocrisy

Van Parijs here points to a very strong mechanism that is at work in politics, business, religious institutions and so on. We can, however, imagine an alternative: the spreading of cynicism¹⁹. Nobody would be credible any longer; the microphone would become an instrument of entertainment.

¹⁹ For a treatment of cynicism-phenomenon, I refer to Sloterdijk '83. Sloterdijk doesn't treat cynicism in business but his analyses of the dialectic interplay between 'spotlight and microphone' are worth reading. There is some doubt as to the overall raise of distrust, pessimism and cynicism but in general it has been spreading the last decennia and it seems to be directed at political institutions; see

Being clear about functional priorities and about what can be done and what cannot be done is a condition to put a halt to the further spreading of cynicism. The alternative would erode social capital or overall trust and cause economic development to come to a grinding halt.

Van Parijs seems to suppose that it is by necessity a wrong intention, viz. hypocrisy, that is at the heart of this mechanism. A kunical philosopher could point to another causal mechanism. People start saying something that seems appropriate. Because that is the easiest thing to do they start repeating themselves. After a certain laps of time, they begin believing what they are saying, identifying with it and thinking about it. They are not necessarily lying when they start saying something that makes them look good or better than they really are. Hypocritical or not, in both cases the microphone works as 'a trap'.

There are also mechanisms of transfer at work when a microphone is used. The person before the microphone says something and because he is a functionary of high rank (otherwise he would not be interviewed), functionaries of a lower rank in the corporation, start implementing what he has said. There is no need to introduce hypocrisy as the main causal mechanism in this setting. But as Van Parijs points out, it is necessary that the ones handling the spotlight always bear that possibility in mind and build it in their methodology.

The stage

I will now add to the metaphor of the spotlight and the microphone. At work are two other mechanisms that can be referred to by "the stage" and "the table".

The stage or the podium refers to the empirical fact that leading corporate people in general tend to have strong competitive impulses. In fact, this seems analytical. People obtain leading positions because they show competitive attitude. Corporations being organisations in competition with other corporations need leaders that are eager to compete. And as there are many candidates for a career within the corporation or between corporations and as it is known in advance that only few see their ambition rewarded, the functionaries have to compete. Corporations are, by and large, meritocratic organisations.

Of course, competition has many aspects or dimensions: technical skill, efficiency, courage, inventiveness, communicative abilities, cooking the books, cooperative attitude and so on. So the critical abilities for the individual candidate depend upon what the corporation values. As soon as moral abilities or competence in ethics are declared important, ambitious people start to compete in ethics too.

What goes for the internal scene of the corporation goes for the external scene too. As soon as character or ethical performance becomes important, leading functionaries of the corporation start to compete on this field. Who feels he is performing well or ahead of his competitors, heads for the stage, in order to obtain the Aristotelian rewards of virtue: honour and respect by their peers and the general public.²⁰

This goes to say that people get the kind of corporate behaviour they deserve. When the "greed is good" dictum is widely accepted and spread by the mass media, the competitors tend to concentrate on putting greediness into practice as best and as hard as they can.²¹ They gain the stage. The greedier, the more they are admired and honoured. If and when other values are endorsed by the general public competition tends to be redirected towards those. In America, there is at least one ranking in ethics: a top 100 of "corporate citizens".²²

Of course, this does not mean that the essential functions of the corporation can be neglected: corporations exist in order to create profit by providing products and services to customers. If and

Elchardus '02. As corporations start 'microphoning' about the extension of their social responsibility the might end up in the same discomfort as politicians do (cf. Elchardus '02, pp.106-109).

²⁰ It should be noted that this use of the stage has a business function to. By exerting 'peer pressure' corporations are able to manage frontier risks and opening new perspectives. See Martin '02, p.74; Coeckelbergh '01; Coeckelbergh & Leys '03.

²¹ The-times-have-been-a-changing. In the UK, remuneration schemes of top management now have to be approved (ex post) by the general assembly of shareholders. Already, there have been instances of approval being withheld because of exaggeration and inadequate design.

²² Waddock, p.221.

when those products and services are no longer excellent or have become obsolete, the corporation will wind up in the dunghill of history, no matter how well respected its managers were. These managers will then starve on the stage, the public having gone home long before that.

As is clear from innumerable interviews, magazines, publication lists of editors, individual managers and individual corporations are now more or less orderly competing in “being socially responsible”. Admittedly, this is not always too profoundly. Sometimes there is a lot of hypocrisy involved and sometimes managers mistakenly start on a slippery path. But competition is there.²³ As long as managers and corporations stick to their core functions, e.g. a bank to banking practices, and not merely lose themselves in trivial pursuits or irrelevance, e.g. promoting ‘good causes’ that have nothing to do with the corporation’s field of activity, competition in ethics is sustainable and healthy.

So the stage or the podium as the destination of the winner in a competition is certainly a mechanism for change and thereby a mechanism for improvement. As a matter of fact, quality managers have been using this mechanism throughout the nineties by installing intra-corporation rewards and by organising an external stage through periodicals.²⁴

It goes without saying that one should remain critical and judge circumstances, intentional and non-intentional consequences. A way to use the spotlight is to take a look at the mechanisms of the internal stage. Who is being honoured: is it the collaborator who has realised the highest sales figure, regardless the way he accomplished this? Is it the collaborator who successfully manages people to their overall satisfaction and productivity? Is it the contribution to excellence or to innovation that is taken into account? Corporations that value contributions to professional ethics and to sustainable development organize a stage for this and govern competition by designing reasoned criteria and by developing jury procedures.

The table

The table too, is a mechanism at work both within the corporation and in its interaction with outsiders. The mechanism of the table refers to organized dialogue that precedes tactic and strategic decisions.

Within the corporation, the table manifests itself as standing or ad hoc committees. The corporation itself governs the membership, the production of minutes and the subject matters of those committees.²⁵ Ideally, in business-decisions all functions concerned (e.g. marketing, product management, risk management, etc.) are gathered around the table in a regime of free speech. Notes submitted and minutes of reunions are meticulously kept and made accessible for everybody (concerned). Good governance tends to be written down, in order to have a clear and unambiguous decisional output and to be transparent. The writing of minutes should be governed so as to provide management and the other functionaries a realistic and comprehensive view on things. Withholding information around the table or in the minutes, whether it is out of sheer incompetence or out of dishonesty, should be condemnable practices within the firm. If not so, the spreading of cynicism

²³ For those who don’t feel that confident in this competition, the new and booming industry of helping-to-conceptualise/implement/measure/identify/define-sustainability-and-ethics is readily accessible.

²⁴ Regarding contributions to sustainable development, this process is much more hesitant. This is due to the fact that criteria and interpretations differ more widely. Not surprisingly so, given that sustainable development is a vague, a boundless and –according to some- an inconsistent concept. From an organisational point of view, one should remark that the function of ‘sustainability officer’ is not yet installed in every corporation whereas the function of quality manager has been created fairly early and usually reporting directly to top management or to the marketing function. Often, it is installed in the public relations department.

²⁵ Laws do regulate the functioning of certain committees in the corporation, but they take only the highest organs of the corporation into account, the board of directors and so on. But even at the highest corporate level, it is self-governance because the body of texts always has to be interpreted and it is not necessarily coherent or consistent and neither does it prescribe for all particular situations. When it concerns the lower organs of the corporation, it most certainly is self-governance, because there are no external laws prescribing teamwork, how to manage committees or how to write minutes.

would be a deplorable societal consequence and this waste of shareholders' capital will cause further economic difficulties, such as inertia and distrust.

Ideally, decisions are taken with reference to context of character and to motivational structures. Functionaries are incited to give their point of view based upon their technical perspective and general knowledge. They are empowered to do this and rewarded for offering the arguments that spring from the purpose of their function.

The alternative is that there is no forum for deliberation and decision that is accessible for the functionaries involved. Then, the decisional process becomes opaque and functionaries start trying to guess what will be liked the most by the people who make decisions rather than exchange expert views on opportunities and risks. Moreover, merely submitting notes without discussing them enhances the risk of misunderstandings and augments the probability of getting tangled up in a one-dimensional approach.

In order to work properly, the table presupposes that all functionaries acknowledge their and each others purpose, that they respect the rules about the right and the duty to be offered or to offer an opinion, even when it is a critical opinion. That they are competent. That the table is about the future, because one does not deliberate about the past or the present. Such a dialogue has creative and innovative force: *there is pioneering power in stakeholder dialogue* ©.

In order to avoid meaningless, fruitless and unstructured discussion, each function should have a clear and distinct purpose. As a matter of fact, this goes without saying: if it has not, it is superfluous and a waste of the resources provided by the shareholders. The purpose, vision and mission of each function should be accessible to all, for example by publishing it on the intranet of the corporation.

The table has to be installed in order to excel in the first business function. Indeed, it is now widely recognized that functional autonomy and empowerment of functionaries is an essential condition of Total Quality Management. As a matter of fact, sustainable quality enhancement is not possible without the involvement of every function concerned and without the empowerment to speak freely for every functionary active in the process at hand.²⁶ In other words, firms need to organise participative interaction in order to deliver a pro-active quality.²⁷ So participatory committees should decide upon what can be done or not done, why and how.

All the above can be subsumed under the heading of corporate governance. I prefer "functional governance" though, because it is about organising a dialogue between functions within the firm. As the functionaries are empowered to have their say, it all comes down to how they implement their function. Are they creative and innovative? Are they passionately developing competences and enlarging the knowledge base they have to possess according to the description of their function? Success depends upon the self-governance of the functionaries, because by definition, the functions are specific and cannot be executed by functionaries that have other final purposes to attend to.

²⁶ This has to do with trust and social capital. For the societal roots and conditions of Total Quality Management, I refer again to Fukuyama '95.

²⁷ This is being recognized more and more in current management literature. See for instance Manville & Ober '03, inspired by classical Athens. This is not at all to imply that hierarchy becomes obsolete when functional governance is completely installed. There are at least four rationales for hierarchy in the functional model.

1) Every function needs guidance that cannot be provided for by the functionary himself. It needs to harmonise with all bordering functions in the corporation. The task of management is to direct the development of the functions within the frame of the developing mission of the corporation. In this capacity, the hierarchy is the director of the functions. 2) Every functionary needs coaching or feedback regarding his fulfilling of his function. In this capacity, the hierarchy acts as coach of the people working in the corporation. When the functionary fulfils the function excellently, the director-capacity comes to the fore as the functionary will tend to pass the limits of the function, which may suit the collaborator but does not necessarily is in the direct or the best interests of the corporation. For example: an excellent product manager that begins to work for a whole range of products or for the product of the industry as a whole. 3) Managers are to facilitate the work of their subordinates by providing sufficient means. 4) Management also has a role to play or work to do in the four mechanisms: a) it has to organise the tables and to participate in dialogues; b) it has to guide developments, anticipating and furthering transparency in proceedings; c) it has to answer the questions before the microphone; d) it has to lead the teams to the stage.

All the above may sound rather abstract and theoretical. But the impact of this type of governance has many concrete advantages. That becomes very clear through comparison with its alternative, “le discours dans le couloir”.

?? Development of ethics: the table is an engine of character-development at least implicitly. If a function is authorised and even incited to bring my first example to the table, one cannot imagine that a resolution to do nothing about it would pass and be recorded in the minutes. By contrast, such a discourse in the corridors is powerless and thereby hampers the capacities of the corporation to change.

?? Anticipation: the functionaries around the table are assigned different final purposes and so different roles. What goes on then, is role-playing. This is a kind of dialectics that enables management to anticipate reactions and future developments. For instance: one functionary represents the customers (because he is responsible for customer-satisfaction in the short and in the long term), another represents efficiency (because he is responsible for operations-management), and another represents government.

?? Innovation and thus corporate survival: thanks to the table, the corporation is able to develop new and innovative projects. That is, because only the process of talking-things-through without holding back diminishes the fear of change that causes corporations to be conservative, to resist change and to perish.²⁸ The functioning of “le couloir” tends to tackle innovative initiatives by mounting opposition to change that can by definition not be contradicted around the table.

?? Minimisation of risk: the table helps to minimise risks by dialectically anticipating reactions and future developments. In this, the dialectical process around the table cannot be substituted by merely submitting notes to the management. Reality is too complex and an excellent approach too subtle to be captured by mere notes. Management can bring around the table different attitudes, temperaments, outlooks and dialectic competences. Indeed, the functionaries are never merely representing corporate functions but always individuals with their fears, hopes, preoccupations, and so on. This type of complementation enables to maximise prudence in policy making.

?? Holism: only the table provides sufficient potential for the holistic approach that is called for from the perspective of sustainable development. Monologue or mere hierarchical decisional processes do not offer that possibility.

?? Consensus and effectiveness: the more decisions are taken by only one function involved, the more likely they will be contested (silently) within and (overtly) outside the corporation because the more likely it is that aspects will be overlooked, that the information base will be proven to be incomplete, and so on.

The alternative to the table is that functionaries are not or do not feel involved in the decisional process. Then they do not meet around a table; instead they inevitably gather *dans le couloir*. The corporation then, bears the risk of becoming infected by a second discourse. This discourse then, tends to be cynical.²⁹ And thus it smothers the abilities of the corporation to implement change and innovation.

The more the functionaries within the corporation are empowered to speak up, the more fruitful the work around the table. Inhibition and intolerance, on the contrary, tend to breed cynicism and erosion of motivation; censorship tends to generate reputational and other types of risks.

²⁸ For the basis of anti-innovation attitudes being the resistance to change and that such resistance is grounded in ignorance and fear of the unknown, see Flaherty, p.161. Fear of the unknown seems caused by lack of flexibility in imagination and a low self-esteem. As rational dialogue about future developments and decision is a process of learning, an effective use of the table must yield a greater ability to change. This is also a clear economic rationale for ‘wasting time’ in recurrent meetings, besides it being a substitute for meetings “dans le couloir”. The ability to change being a condition for corporate survival, the table is essential. Without it, the other three mechanisms will only cause bewilderment and stress.

²⁹ See for instance Galford & Drapeau '03, who moreover link the lack of trust within the corporation with underperformance on the commercial and financial plane. Again, the furthering of ethics and the protection of shareholder value go hand in hand. From a financial point of view: the corporation invests in committees and harvests smoother, quicker execution. The financial consequences of distrust are, however, not easy to calculate. They manifest themselves as a longer stretch of time to market, as the hiding of problems and risks for management and so on.

So the table can be defended instrumentally, on 'traditional' grounds: efficiency, sense of direction and purpose, effective exploitation of the competence of collaborators, identification by functionaries with the outcome of the process are all fostered by a transparent and participative decisional flow. It is therefore not necessary to defend it on intrinsic grounds, as a form of democratic participation or the fulfilment of legitimate human needs.

The existence of an effective table within the corporation can be verified by participants in the corporation and by outsiders.

The table is important for the management of relationships with external stakeholders too. Rational dialogue between the corporation and stakeholder is called for in order to gain understanding of what is mutually expected, what is possible to achieve, what is relevant and what is not.

Here too, it should be made clear what each function has to contribute and what rules are governing the game.

It stands to reason that an organisation is competent in sharing a table with external stakeholders inasmuch as internal dialogues are organised and have attained a higher professional –or should we say ethical?- level. For one, its members have become used to the exchange of arguments and maybe even eager to be confronted with new perspectives. Mental flexibility, professional empathy, argumentative strength and so on are to be acquired and maintained somewhere.

For a corporation that is not able to structure its internal dialogues along a pattern as I have sketched, external dialogue is likely to augment the stress within the organisation caused by external changes (of view) and will not lead to a coherent and consistent policy that promises prosperity for every party involved, even not for the corporation itself. So participative, ordered and effective procedures within the corporation should precede participative, ordered and effective procedures in the interaction between the corporation and its environment.

My third example, concerning the development of packaging of products and services, has to do with the external table. If and when a new concept of packaging has been approved after systematic discussion, taking into account all possible views, then the functionary of the corporation is ready and able to discuss the new concept with the governmental agencies, in order to gain approval.

Perhaps the table as the metaphor for dialogue on the internal and the external fore is the most important mechanism. Only reasoned speech acts by trusted people constitute a means to prevent endless series of control, meta-control, meta-meta-control and so on.³⁰ The table has the potency to put a halt to the legislative diarrhoea. Even those who not wholly subscribe the thesis that social capital or general trust cannot be protected nor enhanced by adding to the already massive and intricate body of laws, agree that organised dialogue breeds trust and adds to social capital. Sufficient social capital or mutual trust as to competence and intention are necessary conditions for improvement in the economic, environmental and societal dimensions.

Conclusion

?? First, let us note that between the four mechanisms, there are feedback loops:

- The more thorough a policy decision has been discussed around the table and pondered from different points of view, the more likely it is that the decision maker will head for the microphone. He has been prepared by internal discussions, having gone through the arguments with competent functionaries.
- The more a decision and corporate practice has been discussed from all angles, the more likely it will stand the spotlight, viz. the less likely it will be contested from within or from without.
- The more a decision tends to build upon consensus that is been constructed in rational dialogue, the more likely it is that the project at hand will be endorsed by all involved and so the more likely it will gain the stage.
- The more corporate officers are brought before the microphone, the more they will be inclined to install table-procedures because they want to be sure that they will be able to answer each and every

³⁰ The inadequacy of control in solving the crisis that followed corporate scandals in accounting (itself already a form of control) was demonstrated by having the American CEO's swear that the books now represented a fair view on business. But then again, who trusts a man (only) when he swears but not when he reasons?

question elegantly. And this presupposes actively practised empathy as brought about by role-playing.

- The more the stage is filled with managers recounting best practices, the more likely others will follow and prepare themselves by installing a table. Competition for honour worked in classical Athens as a mechanism of social discipline and it still works today, even though the stage has widened enormously.

- The more the spotlight is on governance, the more the purposes of each function will be rendered explicit and the more rationally the table will be put to use.

?? All those loops raise suspicion in the philosopher's mind. The four mechanisms are in fact one and the same. All four of them are a form of dialectics, are series of consecutive acts of (free) speech. The metaphors are merely a means of presenting those speech acts in pragmatic context; they capture different aspects of the same reality. So the podium functions as a kind of microphone; transparency always provokes further questions; organising or occupying the stage presupposes reasoning about criteria; and so on.

From a philosophical or marketing point of view, the table is a bit different because it needs organisation in order to be effective. Participants need to share rules and values about dialogue. This is not the case for the microphone and the spotlight as depicted by Van Parijs.³¹

From a business point of view, the table can be seen from many perspectives. It is participative action, a disciplinary mechanism, a safety mechanism and a means of production. According to the metaphor it is at once:

- a creative anticipation of the spotlight
- a stage for a logical, dialectical or rhetorical contest
- an exercise in 'microphoning'

?? All four are reformist mechanisms, not revolutionary tools. They aim at continuous improvement, not at rupture.

?? For the mechanisms to be effective on the ethical plane, it is necessary that there are people interested in different kinds of ethical problems. But that goes without saying: if nobody would be interested, the mechanisms would not be at work and the problems would not exist at all. Ethical and even technical problems come into existence when and only when they are talked about.

So it is important that it is pertinent things that talked about. To put the Indian drought and its distressing consequences on the table of a Belgian retail bank seems inappropriate. But to ask questions about its competence and intentions to augment the degree of customer protection it delivers, seems a natural thing to do.

?? The purpose of this paper is to be complementary to the earlier paper. It not only tries to be complementary in identifying two additional mechanisms at work. It also tries to identify how those mechanisms are at work or could be put at work both in the very functioning of the corporation and in the interaction between the corporation and its environment. Van Parijs portrays the spotlight and the microphone mainly as mechanisms from outside and having a rather adversary character. The table and the stage are at work both within and outside the corporation. So are the microphone and the spotlight.

?? Perhaps it is called for to point out a temperamental nuance between the outlook of the former paper and this one. I tend to put more emphasis on spontaneous improvement, on good intentions within the corporation than Van Parijs does. That is not because I do work within a corporation (or at least, I like to think of it that way). That is because, as a philosopher, I do subscribe that although laws are necessary, regulation by itself will never solve ethical problems. And as an economist I fear that an overdose of regulation has the external effects of hampering the creation of prosperity and causing a transmutation of democracy into technocracy.

Essential in this model is that a sustainable development is intrinsically performed as free practice³², in self-governance.³³ Also essential is that development is to be built upon consensus and not solely

³¹ Technically speaking: for rhetoric (microphone, spotlight, stage) to be effective, it is not necessary to have discussed the rules with the public (moreover, the public participates rather passively); for dialectics and logic to be effective, it is necessary that the participants (come to) share rules and values about the use of arguments.

upon alleged scientific truths. As we have learned during recent centuries, especially the two previous ones, our scientific truths are likely to be merely erroneous, temporary hypotheses, inevitably distorted by particular perspectives, soon to be surpassed by less distorted ones, and so on.

?? Law and regulation cannot impose innovation or good intentions. In Europe, a covenant about the emission capacity of new cars produced was reached. But it was a Japanese corporation that developed a new motor-technology that promises to halve certain emissions in automobile transportation. Governance that is oriented towards excellent functioning will always surpass governance that is oriented towards mere compliance. In this and from a business point of view, the first two corporate functions are essential, success of the first one a condition for success in the second one.³⁴

?? All the above most certainly constitutes a marketing point of view. A corporation, or any other organisation for that matter, cannot be a successful without the consent of its customers, without the consent of whom it is meant to serve. And marketing then, is the function that is responsible for the profitability of current and foremost of future business by defining and shaping markets or customers and by directing tactics. It can only pursue this goal by being critical and self-critical about its hypotheses and about its own functioning. Today, this can no longer be achieved without actively engaging in dialogue. So it is the marketing function that first and foremost needs the functional governance around the table, that must anticipate transparency, that has to prepare for the microphone and that will most likely head for the stage.

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So must business be socially responsible? - Yes it must, by performing excellent and by innovating its production of goods and services, by enhancing pertinent public goods and by running an excellent household. It already is accomplishing this fourfold task, though some businesses tend to be slower than others.

Can it? - Yes, it can. Every corporation has to, if it is to survive. But first of all it has to be structured along clear lines of functional governance in order to actually deliver.

Will it? - That remains to be seen. It depends on the mechanisms described.

On all four mechanisms – continuously applied to all four of the corporate functions.

The larger problems, such as the distribution of wealth between the north and the south and within our own society, population growth, migrations, solidarity within and between generations, overall allocation of natural resources and so on are not to be solved by corporations, but by society and by political government. It would be naïve or cynical to believe or to claim that corporations would solve those problems, but it would be unrealistic to believe that they could not contribute at all. Contributing they do by excellently exercising their functional specificities and by being open to change. And that by itself would be not a mean achievement.

Jos Leys, June 2003

³² As Aristotle puts it, there are four conditions for calling an action excellent: 1) it should be the right thing to do and to accomplish in the circumstances; 2) it should be done knowingly; 3) it should be chosen and it should be chosen because of the action itself; 4) it should be done out of a firm attitude (EN 1005a28-30).

³³ This Aristotelian view on virtuous practice, is also present in the screening methodology of Ethibel that is used to constitute an investment universe for sustainable funds. As such, its vulnerabilities correspond with the elements of critique pertaining to an Aristotelian position. For example: how is it to be judged whether a corporate practice is a virtuous practice? Sometimes, this question seems to be deferred by making an appeal to all kinds of labels and certificates. As those labels have many features in common with general laws, there are snags attached to this approach.

³⁴ For illustration, see Waterloos & Wastiels '03.

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