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1 Introduction and Overview

In this book I argue for a radically[1] new understanding of the ethics of business enterprises or "corporate responsibility" in the global and pluralistic context. This perspective is new in combining three crucial respects. First, business enterprises as primarily economic entities are called to pursue the creation of wealth in a comprehensive sense that is beyond maximizing profit or adding value. Second, business enterprises operate in an increasingly interconnected world. They consist of human beings and affect human beings from the local to the global level. To evaluate their impact, we have worldwide standards stipulated in international agreements: the human rights including civil, political, economic, social and cultural rights and the right to development. With the United Nations Framework (UN 2008a) and the United Nations Guiding Principles on Business and Human Rights (UN 2011), business enterprises – in addition to states – have become accountable in a new way for their impact on human rights. Third, in this interconnected world not only individual business people but also business enterprises as organizations[2]– independent of the duties of states – now carry moral obligations regarding human rights. This means that moral (and not only legal) obligations are attributed to organizations understood as moral actors (but not as moral persons). Based on this theoretical underpinning, moral responsibility can be attributed to corporations in a genuine sense.

In this new approach, the ethics of business enterprises can be summarized as "corporate responsibility for creating wealth and respecting human rights." Creating wealth is conceived in a comprehensive sense with seven features. Moreover, it relates to all internationally recognized human rights. Before explicating this new understanding, I will outline the broader context in which the ethics of business enterprises should be situated today. It is characterized by three key terms: globalization, sustainability and financialization (see Chapter 2). As globalization is a main feature of our situation on the planet Earth today, sustainability proposes to us the direction in which we ought to move and financialization indicates a profound and challenging transformation of the economy with far-reaching consequences for society. All three perspectives underline the need for a new understanding of corporate responsibility that calls for an extensive variety of innovation at multiple levels.

"Corporate responsibility for creating wealth and respecting human rights" will be developed and explained in three parts. In Part I, I take a macro-perspective, applicable nationally and internationally, on the economy that is the primary interface between "business" and "society." This economic approach is an "ethics-related approach" in the sense proposed by Amartya Sen (1987), which is broader than a "value-free" logistical (or "engineering") approach, by including human motivation and the judgment of social achievements. It goes beyond the "creation of wealth" – in line with and beyond Adam Smith – by offering a broad and comprehensive definition of wealth and by revealing many dysfunctional features of the current economy. In Part II, I switch to a normative-ethical perspective by identifying internationally recognized human rights as minimal ethical standards. Given the globalizing economy, universal minimal ethical standards are indispensable for living and working together on Earth. They are conceived as global "public goods," using the precise term developed in the first step. Although human rights are being violated in multiple ways, they are the only worldwide recognized standards and, in addition, provide space for a large diversity of acceptable ethical and cultural values. After arguing for wealth creation in a comprehensive sense and the relevance of human rights as global public goods, in Part III, I draw the implications of this broad view for corporate responsibility that pertains to all types of business enterprises worldwide. As primarily economic organizations, business enterprises are held responsible for creating wealth that includes seven features. And, consisting of and affecting human beings, businesses have to respect all human rights and, when faced with human rights violations, remedy them.

Seven Features of Wealth Creation

Part I presents and explains a comprehensive conception of wealth creation that includes seven features. This stands in stark contrast to

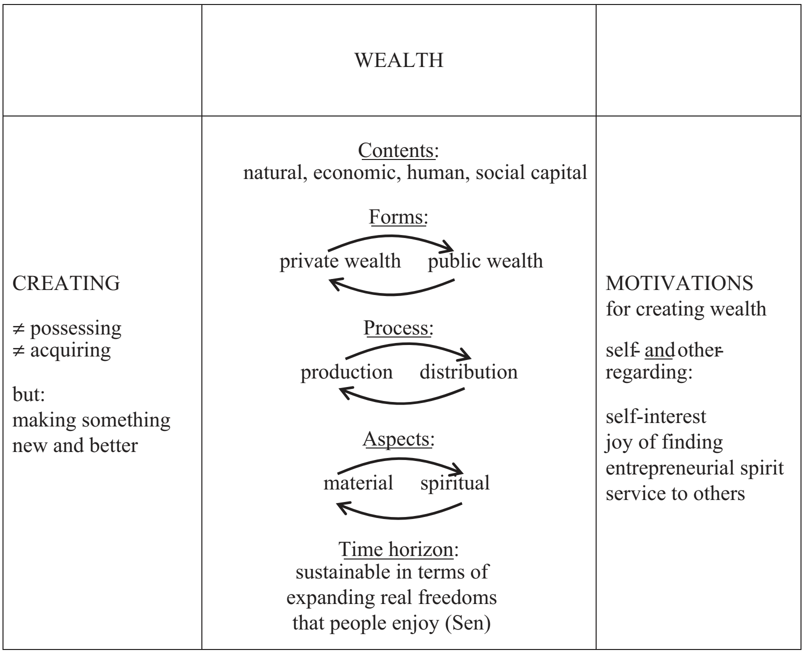

Figure 1.1 Wealth creation – a rich conception

the dysfunctional aspects of national and international economies. Anglo-American capitalism, with its far-reaching impact on the global economy, focuses heavily, if not exclusively, on the accumulation of financial wealth. As well articulated in the Encyclical *On Care for Our Common Home* by Pope Francis (2015), the dictates of maximizing shareholder value recklessly destroy the natural environment. Widespread corruption and bribery impair the economies of many countries. People still suffer from extensive illiteracy and the lack of appropriate training. They get sick and die from unhealthy working conditions, air and water pollution and other deleterious conditions and the lack of decent health care. Trust in the financial services industry and in consumer relations with banks has been seriously undermined and hampered. All these problems indicate the loss of natural capital, economic capital, human capital and social capital. Therefore, the comprehensive conception of wealth creation includes, as a first feature, all four types of capital, which form the substantive contents of wealth (see Chapter 4). Figure 1.1 provides an overview of this rich conception of wealth creation: the middle column shows the first five features, the left column indicates the sixth feature and the right column refers to the seventh feature.

A second feature of wealth proposes different forms of capital, meaning formal as distinct from substantive aspects of capital (Chapter 5). It can be best understood when we look at the wealth of a nation. National wealth is not just an accumulation of private wealth, but also consists, in large part, of public wealth. Thus the wealth of a nation is a combination of private and public wealth. While private wealth is easily perceived and understood, public wealth is harder to discern and is often ignored, although it is essential for producing private wealth. For instance, we may remember how in the Great Recession in 2008–09, the instability of the financial system seriously hurt the global economy and societies around the world. Or we recall the positive impact of a country's fair and effective rule of law on foreigners to invest in this country. Using the economic distinction of private and public goods, public wealth differs from private wealth by the characteristics of non-rivalry and non-excludability. It is noteworthy that this is a formal definition which applies to "good" and "bad" public goods and to wealth and the lack thereof, and therefore needs ethical evaluation (as, for example, climate change does). Wealth in a comprehensive sense includes both private and public wealth, which has far-reaching implications. Markets are powerful for producing private wealth, but fail to generate public wealth, and motivations for public wealth need to be other-regarding, not only self-regarding.

Wealth creation is often conceived as a productive process that is separate from subsequent distribution, according to the saying that one has to bake the cake first before it can be shared. The third feature of wealth creation rejects this separation of production and distribution and claims that the productive and the distributive dimensions of wealth creation are intrinsically interrelated. In fact, the distributive dimension permeates all stages of production from the preconditions to the generation process, the outcome and the use for and allocation within consumption and investment. For too long, the separation between "producing the pie" and "sharing the pie" has marked the ideological struggle between "the right" and "the left," despite its flawed economic underpinning. Therefore, wealth creation is about wealth distribution as much as about wealth production (see Chapter 6).

The fourth feature of wealth creation rejects a materialistic understanding of wealth that is excessively concerned with material possessions and making money, driven by consumerism, acquisitiveness and greed. Such a materialistic view is too narrow, if wealth consists not only of economic capital, but also of human, social and natural capital. It also cannot consider and account for other features of wealth creation to be introduced below: human capital conceived in terms of human capabilities of being healthy and educated persons; creating wealth understood as making something new and better; and other-regarding motivations for creating public wealth. While this proposed concept of wealth undoubtedly has a material aspect, it also includes a spiritual aspect by relating to the human spirit or soul (regardless of religious beliefs) and/or to religion and religious belief (Chapter 7).

Creating sustainable wealth accounts for the long-term time horizon conceptualized in terms of human capabilities or "expanding real freedoms that people enjoy" (Sen 1999) – the fifth feature of wealth creation. Given the multitude of definitions of sustainability, I stick to the "old" proposition from the World Commission on Environment and Development which requires an intergenerational perspective, namely "to meet the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, 7). I further specify this perspective by using the Organisation for Economic Co-operation and Development (OECD's) definition of sustainability of well-being over time in terms of natural, economic, human and social capital (OECD 2013a), which is congruous with the contents of wealth as defined in this book. This perspective of human capability not only substantiates the meaning of human capital; it also helps to measure the impact of natural, economic and social capital on human beings. Thus, creating sustainable wealth becomes a rich and concise purpose of economic life which transcends the growth of (material) resources by focusing on people and sustaining nature (Chapter 8).

The sixth feature specifies what we mean by the "creation" of wealth. Obviously, wealth creation is more than possessing wealth and differs from acquiring wealth. Possessing adds no value and acquiring only means a change of ownership, which may occur by legal or illegal and ethical or unethical means. In the course of history, colonial powers acquired a great deal of wealth, usually with no regard for legal and ethical concerns, which, by and large, amounted to a redistribution rather than a creation of wealth. In the capitalistic system, the "acquisitive spirit," "the accumulation of capital," and the "acquisition of companies" do not entail necessarily the creation of wealth, properly speaking. In a genuine sense, to create is to make something new and better. All three characteristics are essential: (a) It is about making, not only imagining, which is feasible and successful in economic and financial terms. (b) It has to be new, be it a gradual change or an innovation (that is, a radical change in technology, social organization or any other field). And (c) it must be ethical, which improves the well-being of people and sustains nature (Chapter 9).

Finally, concerning the motivations for creating wealth, self-regarding motivations can be powerful for creating private wealth. But they fail in creating public wealth, as sound economic theory tells us. Exclusively self-interested behaviors make collective action (for public wealth) impossible, generate free-rider problems and cannot be coordinated by an "invisible hand." Rather, when economic activities clearly focus on the creation of wealth as a combination of private and public wealth, other-regarding motivations are equally necessary (though not sufficient). They may take a huge variety of forms such as selfless engagement for entrepreneurial success, love for the mother country, solidarity with the poor and the fight for any cause. In each case the other-regarding motivation transcends self-interest, be it for a good or for a bad cause. Still, like public goods or wealth, other-regarding motivations require ethical evaluation. To sum up the seventh feature, wealth creation needs not only self-regarding but also other-regarding motivations (Chapter 10).

In developing the seven features of wealth creation as an "ethics-related" approach to economics, wealth creation turns out to be not only compatible but also relatable to normative-ethical demands. This macro-economic approach pertains to the entire economy, nationally and internationally, including, but not limited, to business. It is not a "value-free" or "engineering" approach which limits itself to the logistics of end-means relations. Rather, it contains numerous connecting features to ethical demands. Four types of capital provide the relevant contents of wealth and two forms of wealth (public and private) require different institutions and motivations. Social achievements involve material and spiritual aspects and are captured in terms of sustainable human capabilities. Two kinds of motivations – other-regarding as well as self-regarding – are necessary for wealth creation,

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and ethical evaluation is indispensable to identify good vs. bad public wealth, making something not only new but better, and distinguishing good from bad other-regarding motivations.

Human Rights as Public Goods in Wealth Creation

As indicated at the beginning of this chapter, to develop a rich and differentiated concept of wealth creation is the first step in elaborating an ethics of business enterprises or corporate responsibility. In addition to this descriptive-analytical dimension, we investigate, in a second step, the normative-ethical dimension in order to establish, in a third step, a balanced concept of corporate responsibility that "walks on two legs," including a descriptive-analytical as well as a normative-ethical side.

I propose to define the normative-ethical dimension in terms of human rights particularly for three reasons (see Part II, Introduction). In the process of globalization, economies and businesses have expanded far beyond national borders and have increasingly been connected internationally in multiple ways. With this expansion comes a growing need for universal normative standards, not only for countries but for businesses and economies as well. Since the Universal Declaration of Human Rights in 1948 the ethical framework of human rights has developed to a widely accepted, though not undisputed, universal ethical framework. Although violated in countless instances around the world, it has no comparable alternatives. Moreover, in the new millennium, the global concern for business and human rights has strengthened considerably. The United Nations Global Compact (UNGC 2000) calls on business to play an active role to help address worldwide challenges, including human and labor rights. The United Nations Framework (UN 2008a) and Guiding Principles on Business and Human Rights (UN 2011) declare all human rights relevant for business: civil, political, economic, social and cultural rights, including the right to development. And the Sustainable Development Goals (SDGs 2015) are shaped, to a large extent, by human rights demands.

In order to relate human rights to wealth creation in a comprehensive sense, we may begin with clarifying four important components of the underlying human rights conception: (1) the scope, (2) the binding nature, (3) the function and (4) the qualification of human rights as public goods, discussed in Chapters 11–14.

First, in common talks about human rights the scope is often limited to civil and political rights (such as the right to freedom of thought, conscience and religion and the right to freedom of association) or to economic, social and cultural rights (such as the right to health and the right to an adequate standard of living) and, furthermore, often excludes certain groups of people.

Easily overlooked is the powerful idea that people have a right to be treated with dignity in all spheres of life and regardless of their nationality, place of residence, sex, national or ethnic origin, color, religion, language or any other status. It matters therefore to emphasize that the International Bill of Rights and the International Labor Organization's core conventions contain all these rights without discrimination. They apply globally and define the underlying conception of human rights in this book (see Chapter 11).

Second, given the wide range of human rights, one might think this term "human rights" would encompass all ethical norms and values relevant for economies and businesses. However, it commonly constitutes only minimal ethical requirements, distinct from social obligations beyond the minimum and aspirations for ethical ideals (De George 1993, 184–93). In pluralistic societies, nationally and internationally, human rights constitute the necessary common ethical ground for living and working together and are "the minimum reference point for what the Guiding Principles [on Business and Human Rights] describe as internationally recognized rights" (UN 2012a, 10). As minimal requirements, however, they can open and guarantee a wide space for an immense diversity of cultural and ethical values and norms. Grounded in human dignity and specifying its basic contents, they are all interrelated, interdependent and indivisible and thus do not allow for trade-offs between particular rights. This stipulated conception of human rights draws on philosophical reflections and supports – but is not identical to – the legal conception incorporated in the International Bill of Rights and the International Labor Organization's core conventions. It goes without saying that to date this universal ethical conception is not legally enforceable internationally; however, it provides guidance for voluntary action and soft law agreements, which may become legal requirements later on (see Chapter 12).

Third, from an economic perspective the fulfillment of human rights (for example, the rights to health and to an adequate standard of

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living) has often been considered a cost that might be too expensive to bear. On the other hand, the violation of human rights can be also very damaging. Undoubtedly, it is legitimate to ask the question of what costs human rights fulfillments and violations may incur. But a serious cost analysis has to account for all costs, in financial and non-financial terms, imposed on all affected people and entities. Moreover, not only costs, but also benefits should be accounted for, again in their entirety and in their distributional impact. Though not easy to conduct, one may argue that such comprehensive cost-benefit analyses of human rights would likely show beneficial results. Beyond cost-benefit analysis, human rights may be recognized as external constraints or boundaries which should not be crossed. While such recognition is commendable from the human rights perspective, it still can be interpreted as an engineering approach to economics that stipulates a value-free economic calculus of ends and means within these constraints. In contrast, the ethics-related approach in this book proposes the fulfillment of human rights as ends to be achieved by public policies and corporate strategies whereas violations signify failing policies and strategies. Moreover, human rights are also understood as means to pursue these and other ends. For example, the implemented right to education is instrumental and a strong way for creating an innovative and more productive work force (see Chapter 13).

Fourth, in order to link human rights to wealth creation, we define these rights as ethically demanded public goods or public wealth. As public goods, they are characterized by non-excludability and non-rivalry, needing ethical qualification, that is to be ethically demanded. Applied to human rights, non-excludability means that no human being *should* be excluded from the enjoyment of any human right (that is no discrimination). Non-rivalry implies that the enjoyment of any human right by any person *should not* diminish the enjoyment of any other human right by oneself or any other person. In other words, no trade-offs between human rights for anybody are acceptable. For example, the right to participate in public life should not impair the right to freedom of thought, conscience and religion, nor vice versa; or the freedom of association should not negatively affect the right to non-discrimination, nor vice versa. Beyond the exclusion of any negative impact, one can argue that the enjoyment of one right *may even reinforce* the enjoyment of another right. For instance, the implemented right to an adequate standard of living (including food, clothing and housing) can strengthen the fulfillment of the rights to work and education, and vice versa (see Chapters 14 and 18).

The definition of human rights as ethically demanded public goods, obviously, has far-reaching implications. Their establishment and fulfillment cannot be achieved by market institutions; rather, they need collective actions at multiple levels of society beyond the price mechanism of supply and demand. Moreover, the motivations must be other-regarding because self-regarding motivations would fail to fulfill human rights as public goods.

Implications for Corporate Responsibility

Having outlined – in Parts I and II – the purpose of the economy as creating wealth in a comprehensive sense within the normative-ethical framework of human rights, I then apply – in Part III – this broad conception to the ethics of business enterprises. Since the early 1980s, a variety of terms have been used in English and other languages to express what the ethics of business firms may mean: business ethics (in a narrow sense), corporate ethics, corporate citizenship, corporate social responsibility (CSR), called in Romance languages *éthique de l'entreprise*, *etica degli affari* and *ética de los negocios*, in German *Unternehmensethik* and in Chinese *qiye lunli*, *qiye shehui zeren* and *shangye lunli*. In this book I propose the term "corporate responsibility." Widely used in theory and practice, it points to a key and complex feature of morality and ethics, is easily translatable into other languages and figures prominently in the UN Framework and UN Guiding Principles on Business and Human Rights ("corporate responsibility" as distinct from the "duty of the state").

In Chapter 15, drawing on work of the German philosopher Walter Schulz, I define responsibility as "self-commitment originating from freedom in worldly relationships" (Schulz 1972). It contains a bipolarity full of tension. On the one hand, the inner pole emphasizes the relevance of inner decisions. On the other hand, self-commitment out of freedom has its point of departure and its point of destination in worldly relationships (that is, the outer pole). Responsibility as a relational concept is always "anchored" in one or more actors (*who* is responsible?), concerns a concrete matter of *for what* one is responsible and relates to an authority or addressee[3] *to whom* one is responsible (for example, stakeholders, tribunal, spouse or one's conscience).