THE BUSINESS FROM A MACRO-SOCIAL PERSPECTIVE

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Abstract

Every human activity aims at a specific purpose, and way to achieve that goal or misses it shows us how well or how badly that activity is taken place. Sternberg describes the teleopathique like any activity that distorts its intrinsic purpose or pursuing other improper purposes, either aiming to be correct, but with inadequate resources. The medical purpose, for example, is life and patient health. The medical practice becomes teleopathique if, we say, the doctor wants to enrich themselves at the expense of patients (improper purpose) or if they try to cure a patient through a risky surgery, when there is possibility of treatment by the natural methods or by administration of drugs (inadequate resources).

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Introduction

The basic idea of the *business ethics* specialists that approach the business from a large perspective is that all members of the society have different material needs, which must be satisfied by the economic system, through production activities, services, distribution, etc. As people need food there is agriculture and alimentary industry, because people need clothing there is textile industry and because people need houses we have the construction industry etc. Businesses are not the only possible way in which the material needs can be satisfied. They were inescapable with the rise of capitalism, at least until now, and they were seen as the most efficient solution to support a rapid and constant economic growth (though not without crises and difficult periods), an increase of the economic efficiency, of the quality and variety of the products and services, a relative or absolute decline in prices, etc.

Literature Review

Laura L. Nash, *Good Intentions Aside. A Manager Guide to Resolving Ethical Problems*, Harvard Business School Press, 1993 [2 pag 58]

Laura L. Nash, analysing the approaching phenomena in my theme like wanting to overturn words by words from Sternberg thesis, that business *purpose* is to maximize for a long-term the owner value, the *way* being to satisfy the social

needs, Nash says that "the main purpose of business is creating and delivering value, on a voluntary or democratic controlled market. However, the market is (and buyers through the law) duty to ensure that businesses to receive a fair income in exchange for the value provided. Thus, the profit is the *result* of the other initial conditions, rather than the first condition of affairs, and the efficiency is a component rather than the definition the supplied value".

Paper content

It is essential that *the society does not exist for the profit of the businessmen, but businesses exist to satisfy the social needs.*

Seeing the things from the perspective of a single commercial enterprise, one can live with the illusion that there is a market, an available capital, an amount of suppliers and competitors out of which a person or a group can draw more or less profit; the secret is to do what needs to be done. A particular firm or company may say: we exist and function due to the initiative of the capital holders, our shareholders, our managers' competence and the hard work and self-denial of our employees; we are in the *business* because we strive to provide products or services better than our competitors, because we are effective and fair. Therefore, our success in business is only the result of our work, of our intelligence and correctness, starting with the gatekeepers and drivers and ending with the management board.

Referring to the economic relations at a macro-social level, we can see something different, namely that without the population's consumption needs, business would not exist. The fact that one *company* or another is doing well or not, depending on management and conjecture, is understandable. But the fact that there are companies is another thing and, at this level of analysis, the relationship between business and society changes radically: the purpose for *a* company is, indeed, as Sternberg says, to obtain a larger profit for its owners; the purpose or, better said, the social-economic function of the *companies* as competitive market system is not the entrepreneurs' profit, but the satisfaction in the best conditions of the social needs of the consumers, among which we must list not only the consumption needs but also the need of a job, a livelihood, the need to live in an unpolluted natural environment or the need of the vital public services such as education, health, justice, etc. An old tale says that the bird imagines that it would fly much easier if it would not meet the air resistance, not knowing that in the vacuum it would collapse to the ground. Although they should be more intelligent than birds, some business people (fortunately not all) think and behave as though the need to take into account the claims and interests of the *stakeholders* represents an inconvenient is the business, which they accept with the thought that pleasing them would draw profit for themselves eventually. They should consider more deeply the fact that in the absence of such hateable groups of consumers, employees, suppliers or ordinary inhabitants of the cities where they have established their firms, these firms would not have activity and would collapse like the birds in a vacuum.

The entire dispute takes place over the *reasons* on which these debts and moral responsibilities are based and by which they legitimise. For many people the thought that they are properly treated only for interest is simply unacceptable.

The emblematic treatment of the business from the macro-social perspective is offered by the American author Laura Nash, in her study *Good Intentions Aside. A Manager's Guide to Resolving Ethical Problems* (1993). In response to a teleological treatment offered by Sternberg, Nash proposes a "consensual" or "contractual"[1] business ethics, built on the idea that the capitalist system is based on a social *voluntary* contract between the public and businesses, which commit themselves to carry out certain duties mutually beneficial.

In an attempt to overturn word-by-word Sternberg's thesis, according to which the business's *purpose* is to maximize the owner's value for the long-term, the *means* being the satisfaction of social needs, Nash says that "the main purpose of business is creating and delivering value, on a voluntary or democratic controlled market. However, the market has (through the buyers and the law) the duty to ensure that businesses receive a fair income in exchange for the value provided. Thus, the profit is the *result* of the other initial conditions, rather than the first condition of affairs, and the efficiency is a component rather than the definition of the supplied value"[2].

No wonder that Laura Nash also rejects the rational interest, as in practice, this theory does not stimulate the moral condition, or the anticipated economic efficiency. The ethical models of the rational interest are not designed to fundament a firm's long-term growth anymore, but have been perverted into a justification of the deeply selfish attitude, which Nash calls "survival ethic": each for himself and everything is permitted for firm survival.

Very well illustrating the idea that her disagreement with the rational interest ethics concerns not its practical consequences, but the reasons underlying, Laura Nash says that the enlightened self-interest model is "theoretically correct and attitudinally incorrect". Even though in theory it is recommended to consider the interests of others, as the reason to assume the social responsibility is *only* the self-interest, a fundamentally selfish attitude of the businessmen is cultivated; and as long-term consequences of the management decisions are often difficult to assess, Nash thinks, the businessmen prefer to consider only the immediate consequences of their decisions, invoking mostly severe constraints and market competition, which make them ignore the interest of other groups, since it does not compromise obviously, the interests. Also, the selfishness leads to the perception of the moral rules as some unpleasant constraints imposed by the external factors and observed not by inner conviction, but for the company's fear of adverse consequences caused by their non-observance. Against this background, the business ethics tends to be reduced at law observance, with all the practical disadvantages of such behaviour.

The enlightened selfishness is counterproductive, says Nash. The exclusive interest for the balance sheets – the often *bottom line* – narrows the management mind and the imagination, ignoring the dynamic consumer needs and preferences. Those who seek only their own product, their piece of the market and the profit maximization narrow their perspective. Any negative market reaction does not give

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[1]In original, *covenant ethic.*

[2] Laura L. Nash, *Good Intentions Aside. A Manager's Guide to Resolving Ethical Problems*, Harvard Business School Press, 1993, p. 58.

a signal of the consumer needs, but supplies the technical obsession to lower production costs, therefore, to reach mediocrity, lack of imagination, fear of innovation, the *status quo*.

In the same spirit, Nash continues with all sorts of imprecations against those who practice the rational interest: when one is right, one is given the theoretical correctness, but is imputed the immoral reasons, also suggested that the theory does not work in practice, hence the conclusion, repeated endlessly: the reasons are bad and their practical application, most often fail, leading to ethically poor results and also economically inefficient ones. Sensing the abuse of hypothetical speculation, looking on what *might* happen to those who conduct their business practicing the rational interest, Nash uses a factual, disputable argument: the practice shows that companies that promote a high ethical standard have better economic results than those who pursue only the profit maximization. Besides the fact that the affirmation is not based on a rigorous statistic, but only a few convenient examples, Laura Nash's assessment is inconsistent, because nothing is known about the *motivation* behind these high ethical standards, they may very well be self-imposed by these companies in terms of rational interest.

Holding the antithetical symmetry against Sternberg until the end, Nash is very clear and precise in stating the basic principles of her theory, but begins to take defensive positions, with results that are often confusing and inconsistent, as she examines the practical consequences of the principles she had joined. In Sternberg's case, after the sharp assertion of the profit maximization as the defining purpose of the business, the following step is the milder withdrawal, in the light of the rational arguments' interest: yes, the profit maximization is above all (if we want to do business, not charity work) – but even long-term profit maximization requires careful consideration of the interests of those on which the smooth running of business depends; therefore, the "basic decency" and the "distributive justice" are quite briefly and with many uncertainties recommended.

Nash is going backwards. She begins by enunciating the principle according to which the purpose of the business is to satisfy the social needs, the profit is an award deserved by those considering consumer satisfaction above all, fairness to employees, suppliers and creditors. She begins to have difficulties when she must admit – without enthusiasm – that a business must still be profitable. As responsible and committed to the public as possible, businessmen are not social workers, their mission is to make some substantial gains from activities they carry. Henceforth, Nash begins to make compromises one after another; giving the businessmen the right to assume the responsibilities as far as this does not put in danger the company and its prospects for further development. Yes, first of all comes the concern for the public and stakeholders (if we want to get some businessmen with a high standard of ethical responsibility) – but only to the extent that our humanitarian momentum does not endanger the economic success. Just as confusing as the "basic decency" Sternberg is talking about, a "consensual" or "contractual" business ethics is recommended, whose stake is a balance between the interests of the public and the proper businessmen reward for their products and their services.

It is a view that we fully share indicating that we expand the sense of the profit and the meaning of the ideas of morality, human development and prestige in society.

Table 1

The business antithesis from microeconomic and macro-social perspective

Business	**Objectives**	**Responsibility**	**Stakeholders – managers reports**
Elaine Sternberg, from the microeconomic perspective	Maximizing the profit.	Managers are responsible only to shareholders. Businesses should take into account the interests of employees, customers, etc., because it is in their interest to do so, but the owners are the only ones to whom managers must answer, because of a very simple reason: it is *their* business.	Owners and their interests come first; Customer satisfaction is only a "way" to achieve the purpose of any business-profits. The right of the main categories of stakeholders to reclaim a small control over the business is rejected.
Laura Nash, from the macro-social perspective	Satisfaction of the social needs, the profit is a deserved reward.	Care and responsibility towards the public and stakeholders. Businessmen have the right to assume the responsibilities as far as this does not danger the company and its prospects for the further development.	Satisfaction of the consumer. Fairness towards the employees, suppliers, creditors, etc.

Source: carried out by the author, conducted by Elaine Sternberg, *Just Business. Business Ethics in Action*, 1994 and Laura Nash, *Good Intentions Aside. A Manager's Guide to Resolving Ethical Problems*, 1993.

Conclusions

The comparison between the perspective of the "enlightened" selfishness and the vision of the "contractual" ethics, as these are approached in the two representative studies we chose, show us an important issue. At the microeconomic level, the concept is fairly narrow and the argument quite stringent once the approached premises are accepted: the business as the private enterprise in the

market economy, with the unique purpose of legal profit maximization. Implicitly, only the moral obligations of the management are linked to the long-term owner value increase, and the consideration of the interests of the various categories of stakeholders is required only to the extent that can help the profit maximization.

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