



Business Ethics: Setting Constraints and Priorities

Interview with Nien-hê Hsieh, Wharton School

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[Nien-he Hsieh](#)

Carnegie Council's Matthew Hennessey interviews Nien-hê Hsieh, Associate Professor in the Legal Studies and Business Ethics Department of the Wharton School at the University of Pennsylvania.

MATTHEW HENNESSEY: How do you define ethics?

NIEN-HÊ HSIEH: At the broadest level ethics is about "How should I lead my life—how should I act?" At a very minimum, ethics in terms of individual responsibility involves the question of how to treat other people. What do I owe other people? How does the conduct of my business activities contribute to the overall good life that I'm trying to lead?



[Matthew Hennessey](#)

MATTHEW HENNESSEY: How does that get applied in the business world?

NIEN-HÊ HSIEH: One way I think it is helpful to talk about it is in terms of constraints and priorities. So what are the constraints on normal business activities that senior managers of corporations should observe? If you want to start putting some content into it—avoiding violations of basic human rights, following laws, respecting basic property rights—things like that.

And then you can also think in terms of the priorities that either the corporation or the senior management ought to adopt in the context of business activity, in addition to their general responsibility to respect the interests of the corporation.

That part is more controversial. Some people would say, "Look, a corporation might have a responsibility no to violate certain human rights, but the main priority is to maximize shareholder value."

Other people might disagree and say, "No, no. There are other priorities, such as helping to promote global health, that firms should adopt or respect."

In certain instances you might think that companies have a duty to come to the aid or assistance of people who are in dire need if they can.

So, thinking in terms of constraints and priorities is one way of thinking about ethics as it applies to the corporate level.

MATTHEW HENNESSEY: But priorities differ from country to country and culture to culture. Doesn't that make it complicated for multinational corporations to write an ethics code for their employees?

NIEN-HÊ HSIEH: Yes, it does. But my own view is that there are certain constraints that ought to be

respected by everybody, regardless of the cultural differences.

There are some people that would disagree, but I think it's striking that if you look across different societies, there are certain constraints, and even certain priorities, that seem to be shared. Furthermore, if you look at the [UN Global Compact](#) or the [OECD Principles of Corporate Governance](#), global companies are increasingly looking at these as expectations that they have to meet if they are going to be considered good businesses.

Every corporation has both the opportunity and the responsibility to think about what core values they want to have in the running of their organization. And there are certain non-negotiables that every corporation is going to have to set down.

One of the big mistakes corporations make is that they don't think ahead of time about what those non-negotiables might be and then find themselves in a situation where they are under pressure to come up with them.

Thinking about your core principles ahead of time is a way to address the fact that there does appear to be a lot of differences in the cultures where companies operate.

MATTHEW HENNESSEY: Are corporations only motivated to act ethically when they think they are being watched?

NIEN-HÊ HSIEH: I don't think there is one answer that can be given for all corporations. And I'm not entirely sure that doing the right thing is mutually exclusive from having a good reputation.

There are lots of examples that people have put forward in the field of corporate social responsibility where companies have taken it upon themselves to do what looks like the right thing. But there are many examples that you could point to where corporations are not part of the solution.

Companies have to be real careful to avoid a certain paradox. Having a good reputation confers certain benefits, but there is a self-defeating part about it. If people think you are pursuing a good reputation solely to gain those benefits, then they are not likely to let you actually have them.

MATTHEW HENNESSEY: How has the teaching of business ethics changed in the last few years?

NIEN-HÊ HSIEH: There's been a growing interest in the role of corporations in society. Not just in corporate social responsibility, but business in the context of economic development. There's a lot of interest in what some people call social enterprise, or social entrepreneurship, trying to come up with a business model for addressing issues that are traditionally addressed by non-profits or the public sector.

My own sense in talking to students is that the vast majority of the students are quite aware of the fact that they will face difficult ethical situations as they move forward in their careers.

Part of our job is to help them think in advance about the kinds of issues they might face; and to develop the language and vocabulary to talk about it comfortably, because if you think about it, ethics isn't really something we talk about in a natural way in the general public sphere.

MATTHEW HENNESSEY: Why is that?

NIEN-HÊ HSIEH: It's a difficult thing to talk about because some people have this view that it's all just a matter of opinion: You're entitled to your view, and I'm entitled to my view. The ideal of tolerance—the idea that we should be respectful of differences—can be mistaken very quickly for the idea that there really is no right answer. In other words, if someone says this is right and that is wrong, well, that's really no different than saying I like chocolate ice cream and you like vanilla.

I think it's important to distinguish between being able to have reasoned, tolerant discussions about

these issues, recognizing that we are actually trying to come to a better answer, and not confuse that with just agreeing to disagree.

Look, the subject matter is difficult to talk about in and of itself. Just trying to figure out what we believe, what's right and wrong, that's difficult in and of itself. I'm not saying that's easy.

But in the public sphere, at least, what complicates it is that we want to be respectful and we want to listen to other people. But that gets confused very quickly with, "There really is no right answer." If you have that view, well, then there really is no point in talking about it.

MATTHEW HENNESSEY: You spoke earlier about an ethics framework that includes both personal responsibility and corporate responsibility. Which side bears the greater burden with regards to the current financial crisis?

NIEN-HÊ HSIEH: There's individual responsibility and there's corporate responsibility, but there's also the overall social context in which business activity happens.

Individuals and businesses can't do it alone. There has to be a stable set of background institutions, whether they are legal institutions, or social norms and expectations, to help structure all of this activity.

It can be easy to forget this, because when things are going well, the background institutions shouldn't actually intrude on the picture. It should be about individuals making transactions and businesses engaging in business—buying and selling and what have you. It's in moments like this that the importance of the background institutions comes into play.

Part of what's gotten lost in all of this, and I hope we'll have a discussion about it, is the more general question of what the purpose of business is.

Now the discussions are centering on whether people have been too greedy, should there have been more regulation, are there internal controls lacking at these companies? But there has to be a broader conversation about what the purpose of business actually is.

Is the purpose of business simply doing as well as one can for oneself? Or, from a societal perspective, is it actually about providing the fundamentals for a society in which people can pursue the kinds of lives that they want to lead?

Apportioning individual responsibility is something we can think about, but what I really hope what comes out of this is a much broader discussion about what the purpose of business is.

MATTHEW HENNESSEY: How will you answer your student's questions about what's happening on Wall Street?

NIEN-HÊ HSIEH: You want them to think of themselves as integrated people. Not just wearing their business hat, but also to think of themselves in their role as a parent, or a taxpayer, or a consumer.

Going back to your first question, ethics at the most general level is a question about, "How should I lead my life?" You can't have different answers to that question depending on which role you're playing.

Sometimes they come into conflict. You can imagine saying, "Look, as a business person I should try to make as much money as I can, even if it leads to the ruin of the company," and then you put on your taxpayer hat and say, "Well, as a taxpayer, I really wouldn't want to have this happening."

That's not a coherent answer to the question, "How should I lead my life?" The role of ethics is really to help people bring those together so they can have a coherent answer to that question. I try to get people to recognize that they are not just individual business people but that they have a role in a broader social context.

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