Harvard Business School
Case Selections (Reprint)

哈佛商学案例精选集
（英文影印版）

商务基础系列
Business Fundamentals Series

伦理化商业决策

Making Ethical Business Decisions

Joseph L. Badaracco, Jr. 小约瑟夫·L·巴达拉科
Mary C. Gentile 玛丽·C·金泰尔
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图书在版编目（CIP）数据

伦理化商业决策/小约瑟夫·L·巴达拉科等编写
北京：中国人民大学出版社，2002
（哈佛商学案例精选集．商务基础系列）

ISBN 7-300-04161-2/F·1299
Ⅰ．伦…
Ⅱ．约…
Ⅲ．商业经营-经营决策-英文
Ⅳ．F715

中国版本图书馆 CIP 数据核字（2002）第 037707 号

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出版发行：中国人民大学出版社
（北京中关村大街 31 号 邮编 100080）
邮购部：62515351 门市部：62514148
总编室：62511242 出版部：62511239
本社网址：www.crup.com.cn
人大教研网：www.ttrnet.com
经　　销：新华书店
印　　刷：涿州市星河印刷厂

开本：890×1240 毫米 1/16 印张：7 插页 2
2002 年 11 月第 1 版 2002 年 11 月第 1 次印刷
字数：241 000

定价：21.00 元
（图书出现印装问题，本社负责调换）

Business Fundamentals
As Taught at the
Harvard Business School

MAKING ETHICAL BUSINESS DECISIONS

Harvard Business School Publishing

Printed in the United States of America.

INTRODUCTION

Welcome to the Business Fundamentals series from Harvard Business School Publishing!

The readings in this collection were developed for the MBA and executive programs of Harvard Business School. These programs rely heavily on the case method of instruction, in which students analyze and discuss firsthand accounts of actual management situations. Students also learn the fundamentals of what managers do: how they measure performance, make choices, and organize their activities. At Harvard Business School, the fundamentals are often taught through background notes, which describe business processes, management techniques, and industries.

The collections in this series are not meant to be comprehensive, but to present the fundamentals of business. Each collection contains several notes, and perhaps an article or two, that provide a framework for understanding a particular business topic or function. Some collections, such as this one, include one or two Harvard Business School case studies that give you a chance to think through a management situation and formulate your own response.

Business is not an exact science. Your own business knowledge comes from your own experiences and observations, accumulated over many years of practice. These collections aim to give you a framework for past and future experiences, using many of the same materials taught at Harvard Business School.

The Business Fundamentals collections are designed for both individual study and facilitated training. If you want to use this collection for self-study, we've provided a summary, outline, learning objectives, and questions for each reading to help you get started. If these readings are part of a training program in your company, you will find them to be a rich resource for discussion and group work.

You can search for related materials on our Web site: www.hbsp.harvard.edu. We hope that your learning experience will be a rich one.

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THE NORMATIVE FOUNDATIONS OF BUSINESS

(J.G. Dees / #9-897-012 / 19 p)

Summary

Why does a business exist? To make as much profit as possible? To serve the public good? To give customers what they want? Some combination of these? What limits should be imposed on a business in pursuit of these objectives? What limits should a business impose on itself? How managers answer these questions, the author argues, has implications for how they make decisions.

Outline

The Objective(s) of Business

Profit Maximization
Alternatives to Profit Maximization
Is There a Single, Appropriate Objective Function?

Constraints on Business Decision Making

Beyond Conventions: Developing a Critical Moral Perspective

Constraints and Corporate Performance

Managerial Challenges

Learning Objectives

After reading the note and completing the exercises, managers should be able to:

- Understand the various objectives that businesses and managers may pursue, and reflect on which objectives are most important to them.
- Understand the legal and social limitations on business objectives and how these limitations affect their decisions.
- Assess how their firm's culture supports or inhibits its stated mission.

Questions to Consider

- What are appropriate objectives for a business to pursue? Why?
- What constraints ought to be imposed on businesses as they pursue their objectives? Why?
- In 1970, economist Milton Friedman published an article in *The New York Times Magazine* titled "The Social Responsibility of Business is to Increase Its Profits." Do you agree with this title? What is the social responsibility of business?

The Normative Foundations of Business

What is the appropriate role for business to play in a capitalist society?

This question has inspired debate since the dawn of capitalism and takes on more urgency as capitalism, in its various forms, increasingly becomes the economic structure of choice around the world. How we answer it can have significant implications for managerial decision making and for economic policy, since the answer provides a normative foundation for business. This note sketches a number of perspectives that have been put forward as full or partial answers. In presenting these perspectives, the note provides a framework for thinking about this question and serves as a starting point for further exploration with extensive references to original sources.

To start, we should define our terms. A **business** is any organization in which private parties (sometimes referred to as "owners") provide risk capital and have a claim on the net economic value that is created. Businesses are designed with the intention of being self-funding, acquiring resources through market exchange and generating revenue sufficient to cover all costs, including a return to the capital providers. A **capitalist society** is any society that relies heavily on businesses to produce and distribute goods and services. Capitalist societies vary widely in how they regulate, organize, manage, and augment the activities of businesses. Capitalism takes different forms, for instance, in Japan, the United States, Germany, Sweden, and Singapore. In fact, these cross-national variations may reflect different underlying normative assumptions about the role of businesses.

Normative philosophies of business can be usefully analyzed along two dimensions. The first dimension defines the appropriate **objective(s)** for businesses and their managers to pursue. The central question here concerns the role of profits as the primary or sole objective. The second dimension characterizes the appropriate **constraints** on business behavior. These are the norms that should guide business decision making. The central question here concerns the role of the law as a complete guide to those constraints. Though it is somewhat artificial to parse normative philosophies of business in this way, comparing different viewpoints on each dimension separately yields some clarity. Any comprehensive answer to our opening question will include both components.

The Objective(s) Of Business

Debates about the appropriate objective for business usually revolve around the proposal that businesses should simply maximize profits. Some people find this objective natural and compelling, while others see it as uninspiring and too narrow. Various alternatives have been proposed. This section explains the various rationales behind profit-maximization and outlines proposed

Research Associate Jaan Elias and Professor J. Gregory Dees prepared this note.

alternatives. It ends by raising the question of whether every business needs to adopt the same objective function.

Profit Maximization

The idea that profit maximization is the appropriate objective for business has its roots in three logically distinct lines of reasoning. One focuses on decision rights, arguing that one constituency (the equity holders or residual claimants) has priority over any others and this constituency wants profits. The second line of reasoning emphasizes social welfare, arguing that we are all better off if businesses focus on profits. The third line of reasoning emphasizes the practical realities of competition, arguing that it will force firms to focus on profits whether they want to or not. Many proponents accept all three arguments.

From property rights to nexus of contract The theory of property rights, the starting point for many advocates of profit maximization, has its roots in the work of John Locke. Writing in 1690, Locke argued that "the great and chief end . . . of men's uniting into commonwealths and putting themselves under government is the preservation of their property." Locke saw private property as a natural right, derived from an individual's need to survive and her ability to secure sustenance by claiming and transforming the natural environment. Locke further believed in freedom of contract, arguing that people should be free to contract regarding the use of their property as long as they do not interfere with the property rights of others.

When Locke's views on property are combined with assumptions from economics, it produces a view that profit maximization should be the primary objective of business. Proponents of property rights hold that businesses are just another form of private property to be used for the benefit of their owners (proprietors, partners, or shareholders). Since economic models of individual rationality tend to assume that a person wants to increase their wealth more than anything else, by extension, theorists posit that the owners of a business will put profit maximization above all other goals. Indeed, most economists consider a firm to be a single profit-maximizing entity, implying that managers, as employees of the owner, not only should but in fact do everything to maximize profit. Milton Friedman (1970) illustrates this line of thinking:

> In a free-enterprise, private-property system, a corporate executive is an employee of the *owners* of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which *generally will be to make as much money as possible* while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. (p33, emphasis added)

A property rights view of business ownership, however, is difficult to apply in the era of managerial capitalism. While calling the proprietor of a small business 'the owner' makes intuitive sense, believing that the shareholders of a large, modern corporation hold a similar relationship to the business is problematic. Unlike proprietors, corporate shareholders have limited control rights, limited access to firm assets, and limited liability for the firm's activities. Many (if not most) have little detailed information on how the firm is being operated. Since holding shares constitutes such a passive form of ownership, Berle and Means (1932) contend "the owners of passive property [shareholders], by surrendering control and responsibility over the active property [the company], have surrendered the right that the corporation should be operated in their sole interest,–they have released the community from the obligation to protect them to the full extent implied in the doctrine of strict property rights." (p355)

Berle and Means's observations led some analysts (e.g., Jensen and Meckling 1976; Fama 1980) to propose a new definition of the business firm as a "nexus of contracts." This definition of a business holds that shareholders, bondholders, managers, labor, suppliers, and consumers are linked to one another (rather than a piece of property or an owner) by contracts. These contracts establish the obligations and rights of each party.

Many economists who subscribe to the nexus of contract definition continue to hold that profit maximization should be the sole objective of business, arguing that shareholders should be given priority over all the groups with whom the firm contracts. These theorists argue that unlike other parties involved in a business, shareholders are the most vulnerable to opportunism and shirking by all the other groups (Williamson 1985), since their claim is limited to the economic residuals of the firm. To vest control of the organization in any group but the residual risk bearers creates the potential for other groups to appropriate the value being created by the firm. It would be like allowing someone to "play poker" with another person's money (Jensen 1984). Shareholder priority has additional advantages. It allows for efficient specialization between the risk-bearing and control functions and it stimulates a market that places groups of managers into competition with one another to provide the best return, increasing overall social welfare.

Critics of shareholder priority argue that shareholders are not the most vulnerable group among contract holders. These critics note that capital markets are reasonably efficient and there are many different devises that allow shareholders to manage or spread risks. On the other hand, employees, suppliers, and customers make firm-specific commitments and face high switching costs. Therefore they are more vulnerable to malfeasance.

Others have pointed out that even if shareholder interests should get priority, the premise that shareholders want corporations to put profits above all else does not always hold. Clearly, some specialized shareholders, such as "social investors," have other objectives. Even when typical corporate shareholders were asked about possible uses for company funds, they ranked environmental improvements and product safety ahead of increased dividends (Epstein 1992). Apparently, investors were willing to sacrifice some of their financial gains, feeling that addressing particular issues in the manufacturing process may be more efficient than paying dividends to shareholders who could then use the proceeds to fund whatever social enterprise they chose.

From individual profits to social welfare In addition to the argument that stresses the priority of shareholders, profit maximization has been justified by appeals to overall social welfare. Adam Smith is the best known proponent of this view. In *Wealth of Nations* (1776), he argues:

> But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavor to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods... [Thus] every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it...By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it (p 477-8).

When profit-seeking occurs in competitive markets, firms direct society's resources (physical, human, technical, and intellectual) to their highest valued uses, as measured by the willingness of people to pay. Kenneth Arrow (1973) describes how this competition works to society's benefit:

> When firms compete with each other, in selling their goods or in buying labor or other services, they may have to lower their selling prices in order to get more of the market for themselves or raise their wages; in either case the benefits which the firm is deriving are in some respects shared with the population at large... On detailed analysis it appears the firm will find it privately profitable to reduce quality only if, in fact, quality reduction is a net social benefit, that is, if the saving in cost is worth more to the consumer than the quality reduction. (p 304-5)

In this view, profit maximization leads to satisfied customers and rewarded investors – goods are produced at their lowest cost, subject to customer demands for quality, and innovation is stimulated and channeled in economically productive ways. These ideas are further refined in the social welfare theorems of contemporary economics.

However, critics of the social welfare rationale charge that the efficient market economists imagine does not exist. Real markets generate information asymmetries, externalities, transaction costs, search costs, relatively small numbers of sellers and buyers, barriers to entry and exit, and bounded agent rationality. These imperfections often mean that profits do not serve as a good measure of social benefit created. Empirically, while capitalist countries may have been more prosperous than socialist countries, many capitalist systems such as Japan and Germany that do not give the same priority to profit as the United States have managed to build strong and prosperous economies (Lodge and Vogel 1987; Hampden-Turner and Trompenaars 1993).

Critics also argue that it is a mistake to equate social welfare with aggregate economic wealth. These critics charge the definition of social welfare should include factors such as individual dignity, harmony with the environment, a sense of community, and distributive justice. These elements of social welfare are not only excluded in efficiency calculations but also may be threatened by the normal operations of profit-seeking firms.

Trapped in the "iron cage" of competition Whether or not profit maximization secures social welfare, many argue the inexorable logic of economic competition will drive firms to embrace this objective, whatever personal values the owners or managers might hold. In his analysis of the "Protestant Ethic," Max Weber (1905) observes that once a society endorses profit-making and competition, economic agents become locked into an "iron-cage" of this rationality. Economists invoke the iron-cage as a response to those who would have business take on more social goals. For example, Milton Friedman (1962) writes:

> A businessman or an entrepreneur who expresses preferences in his business activities that are not related to productive efficiency is at a disadvantage compared to other individuals who do not. Such an individual is in effect imposing higher costs on himself than are other individuals who do not have such preferences. Hence, in a free market they will tend to drive him out. (p110)

This idea has been endorsed more recently by William Baumol (1991), who describes it as the "waste-preclusion theorem:"

> The market automatically interprets any expenditure by the firm that is undertaken only as a matter of good works as an act of unmitigated wastefulness... In a perfectly competitive or perfectly contestable market the firm can hope, at most, to earn zero economic profits, and can aspire to this achievement only if its expenditures for its chosen output vector are as low as is attainable. In such a market, therefore, protracted voluntary expenditures along any of the lines indicated is a recipe for insolvency. (p13)

Even in a world of less than perfect markets, Baumol argues, "Voluntary [socially-concerned] action leaves the business firm exposed and unprotected against the competitive advantage enjoyed by enterprises with less concerned (less ethical) managements." (p22)

On the other hand, empirical evidence suggests that markets are not quite as brutal as the iron-cage rationale would suggest. The survival of companies who do not exclusively emphasize profit maximization suggests that either observers have underestimated the relationship between social commitments and productive efficiency, or that at least some markets include sufficient slack to allow for a range of objectives.

Alternatives to profit maximization

Beyond responding to specific arguments, critics of profit-maximization have suggested that profit-seeking is a singularly uninspired primary objective and perhaps even self-defeating. Theodore Levitt (1983) sees profit maximization as "morally shallow." He notes that while profits are required for business just as eating is required for living, profit is not the purpose of business any more than eating is the purpose of life. Levitt comments, "Who with a palpable heartbeat and minimal sensibilities will go to the mat for the right of somebody to earn a profit for its own sake? If no greater purpose can be discerned or justified, business cannot morally justify its existence. It's a repugnant idea, an idea whose time has gone" (p6-7).

Norman Bowie (1990) suggests that "the more a business consciously seeks to obtain profits, the less likely it is to achieve them." He calls this the paradox of profit-seeking and likens it to the "paradox of hedonism" identified by Henry Sidgwick (1907). Just as Sidgwick observes that a person who actively pursues her own happiness will not be as happy as a person with less self-centered goals, Bowie contends that a business that takes a sincere interest in the well-being of other constituencies will gain greater cooperation and trust and therefore be able to reduce contracting costs and raise productivity.

If profits are not the primary objective of business, what is? One could envision many answers from the glory of God to national interest. The following views illustrate some of the alternatives that have been proposed. While each perspective recognizes that making some profit is a significant constraint, each argues that other objectives should be placed before profits.

Putting the customer first Levitt (1983) argues that an objective of serving customers is not only more appealing than profit maximization, but likely to be more successful than other objectives. He contends:

- The purpose of business is to create and keep a customer;
- To do that you have to produce and deliver goods and services that people want and value at prices and under conditions that are reasonably attractive relative to those offered by others to a proportion of customers large enough to make those prices and conditions possible.
- To continue to do that, the enterprise must produce revenue in excess of costs in sufficient quantity and with sufficient regularity to attract and hold investors in the enterprise, and must keep at least abreast and sometimes ahead of competitive offerings (p 5-6).

Levitt supports his perspective with a social welfare rationale. He notes that defining business as the pursuit of customers forces managers to figure out "what people really want and value" (p7), leading to a society of more satisfied customers. Since sales are a driving factor in profitability, Levitt adds that a business with a customer focus will do better in a competitive marketplace than those focused on anything else (including profits).

However, Levitt's argument assumes that all customer desires are legitimate; willingness to pay for something is an appropriate measure of value creation; and creating and keeping a customer is the same as serving that customer's best interests. These assumptions are open to debate. Many critics (e.g. John Kenneth Galbraith 1959) argue that marketing does not just satisfy wants but creates them, causing consumers to purchase products and services that may be harmful or useless. Increasing either customer dependency on a given product or switching costs are sometimes viable strategies for keeping customers who might be better off, if they were not "kept."

To answer some criticisms, a customer-based business objective might be combined with the idea of "consumer sovereignty" (Smith and Quelch 1993). A "sovereign" consumer would be one that was adequately informed, capable of assessing the product, and facing a choice of competitive offerings with modest search and switching costs. Even so, the desires of sovereign consumers might not represent socially beneficial products, since people have demonstrated an unfortunate willingness to purchase questionable products and services.

A more basic criticism of the customer-centered perspective is that it produces a consumption-oriented society. Through constant bombardment of advertising and other marketing devices, citizens become passive consumers of everything, from politics to recreation. Social critic Christopher Lasch (1978) observes, "Advertising manufactures a product of its own: the consumer, perpetually unsatisfied, restless, anxious, and bored. Advertising serves not so much to advertise products as to promote consumption as a way of life." (p72)

The messages in marketing pitches also influence societal values; through constant repetition, the importance of goods and specific notions of the good life become overemphasized, leading to potentially negative outcomes (i.e. women contracting anorexia in the effort to be "model-thin" or poor children robbing one another to get expensive athletic shoes). A consumption-oriented society also may systematically under-invest in the future. Capital formation requires deferring consumption in favor of individual investment and savings. As the pressure to consume increases, savings may decrease (Bell 1976).

Providing meaningful employment Placing their workers first, businesses could make providing meaningful employment their primary objective. Norman Bowie endorses this view, noting employees are often the most vulnerable constituency and most significant risk bearers in a business. He notes that meaningful work is more important to employees than any product is to customers, or profit from an individual stock is to the average shareholder. For Bowie, meaningful work is work that is "useful, challenging, and respectful of individual autonomy" (p107) and makes a contribution to society.

Bowie argues that managers should provide meaningful work simply "because it is the right thing to do" (p110), utilizing a Kantian ethic of respect for persons as justification. He also notes that an employee orientation might create favorable conditions that enhance firm viability. For one, transaction costs between employees and management might be reduced if employees felt that their interests and those of the firm were the same. While an employee-oriented business objective creates some additional costs (e.g., Bowie argues that lifetime employment should be one of the prerequisites of such a system), the long-term benefits in organizational effectiveness and viability might more than compensate for this investment.

However, many contend that it is unrealistic to assume all jobs can be made meaningful. Furthermore, providing meaningful employment may create some uncomfortable trade-offs. The increased cost involved with making jobs meaningful might mean that firms do not have the ability to create as many jobs. Holding on to people in a downturn might make the firm less viable and sacrifice the many for the few.

The connection between meaningful work and autonomy itself might be questioned. For workers, meaningfulness may be only one criterion among many. Some workers might be willing to negotiate their own trade-off between "meaning" and other aspects of the employment relationship. Some have argued that corporations should allow workers to be free to find meaning in *either* their work *or* their free time (Cuilla 1990). Indeed, sociologists David Riesman and Nathan Glazer (1950) contend that companies make work unnecessarily "meaningful." Far better, they suggest, would be to automate work, trading-off artificial meaningfulness for productivity, and allowing workers to cultivate interests outside of the job. They note that in many cases, "people's real work – the field into which on the basis of their character and their gifts, they would like to throw their emotional or creative energies -- cannot conceivably coincide...with what they get paid for doing" (p 274-5).

Balancing multiple stakeholders Why favor any single group? A number of theorists contend that a firm should be managed for the benefit of any group (or "stakeholder") who has an interest in the firm. Though the term 'stakeholder' has become popular only since the mid-1980s, the idea that a business corporation might serve multiple constituencies was put forward by Berle and Means (1932). They suggested a model of the corporation in which "the control [management]... should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity." (p356)

Edward Freeman and William Evan (1990, 1993), two of this view's most prominent proponents, argue that managers should have a fiduciary relationship to each group of stakeholders, not just stockholders. Managers should respect the rights of stakeholders to determine their own future and take responsibility for all the effects of their business decisions. No one group should have priority over others and each group has an inalienable right to participate in decisions that substantially affect their welfare. The viewpoint derives its underpinnings from a variety of philosophical precepts, including respect for individual self-determination, a concern for the consequences of one's actions, and a belief in fair contracting.

Yet, the objective of balancing all stakeholder interests creates a very high standard. How is a manager to operate with such a broad and ill-defined objective function? The theory does not offer any principle for making trade-offs or resolving conflicts between stakeholder groups. Does a consensus need to be reached? Do those harmed by a particular decision have a right to be compensated? People often make decisions that affect others without any sense that those affected have a right to participate in the decision. For instance, a promotion of a particular employee may significantly affect not only that employee but others who were candidates for the same job, along with their families. Do all the candidates have a right to participate in the promotion decision? Are managers violating their employees' rights to self-determination by selecting the most qualified candidate? Some have argued that the value of self-determination for individuals might be better preserved through stressing personal responsibility and fair contracting. Ian Maitlkand (1994) argues that once management's obligations to different constituencies are made explicit in the contract, managers need go no further.

Critics also question the definition of a stakeholder. Under one definition, "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1983), so that even a firm's competitors and a competitor's employees might be considered stakeholders. Others have offered more restrictive definitions of stakeholder. For instance, Coyne and Ferguson (1991) suggest, "stakeholders are insiders for whom a company creates wealth," namely the employees, management, and shareholders."(p73) However, restricting the list of stakeholders to exclude some individuals seems to contradict the perspective's underlying philosophical rationale of taking responsibility for the effects of one's actions on others.

Serving the public (community) good Some have argued that businesses should be viewed as public service entities. For instance, Merrick Dodd (1932) urged that we develop "a view of the business corporation as an economic institution which has a social service as well as a profit-making function." (p1148) Dodd's sentiments have been echoed more recently by communitarian thinkers who have suggested recovering older notions of business that made public service a prerequisite of gaining incorporation. Robert Bellah and his associates (1985) outlined this new/old definition of the firm:

> Reasserting the idea that incorporation is a concession of public authority to a private group in return for service to the public good, with effective public accountability, would change what is now called the "social responsibility of the corporation" from its present status, where it is often a kind of whip cream decorating the corporate pudding, to a constitutive element in the corporation itself... Management would become a profession in the older sense of the word, involving not merely standards of technical competence but standards of public obligation that could at moments of conflict override obligations to the corporate

> employer. Such a conception of professional manger would require a deep change in the ethos of schools of business administration, where "business ethics" would have to become central in the process of professional formation. (p290)

In this general form, the public service view is even more vague in its requirements than the stakeholder view. The objective function of business would be the "public good." Presumably different companies might serve the public good in different ways. Could firms serve it by generating profits for shareholders, or does the public good require that a firm's objective function go beyond the creation of private benefits for shareholders or customers to include some truly *public* good? Those drawn to this view face the challenge of making it concrete in its guidance for managers.

There are those who are skeptical of the effectiveness of any business explicitly pursuing the public good, arguing a division of labor between businesses and the social sector is necessary and efficient. Adam Smith (1776) expressed this concern, when he said, "I have never know much good done by those who affected to trade for the public good. It is an affection, indeed, not very common among merchants, and very few words need be employed in dissuading them from it" (p478).

Is there a single, appropriate objective function?

There are some who argue that the debate over defining an objective function is misguided since there should not be a single standard for all businesses. Some justify this belief by returning to the Lockean theme of freedom of contract, arguing that the choice of objective function should be left to the individuals involved in the nexus of contracts. For example, Frank Easterbrook and Daniel Fischel (1991) contend:

> An approach that emphasizes the contractual nature of a corporation removes from the field of interesting questions that have plagued many writers: what is the goal of the corporation? Is it profit, and for whom? Social welfare more broadly defined? Is there anything wrong with corporate charity? Should corporations try to maximize profit over the long run or the short run? Our response is: who cares? If the *New York Times* is formed to publish a newspaper first and make a profit second, no one should be allowed to object. Those who came in at the beginning consented, and those who came later bought stock the price of which reflected the corporation's tempered commitment to a profit objective. If a corporation is started with a promise to pay half of the profits to the employees rather than the equity investors, that too is simply a term of the contract. It will be an experiment. Professors might not expect the experiment to succeed, but such expectations by strangers to the bargain are no objection... Corporate ventures may select their preferred constituencies (p36).

Alternatively, some argue that we just do not know enough or have a sufficiently compelling reason to select one objective function for all the world. These analysts maintain that experimentation should be encouraged to expose the consequences of different objective functions. These experiments could take place on a firm-by-firm or a country-by-country basis. In the latter case, countries with different moral traditions, patterns of development and economic circumstances would develop their own business cultures with unique objective functions.

Even though such an approach may seem beguiling (especially in the face of the debate between competing versions of the objective function offered above), deciding not to decide also has its problems. The lack of an agreed-upon objective function reduces comparability among business organizations. Without a standard, it becomes difficult to compare the performance of businesses for purposes of investment, employment or marketing. The lack of an objective function means that an organization could change its objectives at any time. How would this be decided and by whom? And what of multi-national companies? If we don't have a consistent standard for how businesses are run