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The Pragmatics of Managerial Deliberation and the Political Imperative to Provide Goods

Abstract

It has rightly been observed that "in an industrial society, corporate power, vast in potential strength, must be brought to bear on certain problems if they are to be solved at all." This naturally prompts the question whether we have configured our institutions in a way that warrants an expectation that corporate power *will be*, or even *should be*, brought to bear on the problems it is uniquely well-equipped to address. The answer to this question hinges on the role that managers of corporations—those persons charged with responsibility for articulating and realizing the objectives of corporations—are thought to legitimately serve. Focusing on cases where existing corporate power could provide goods to address the vital needs of persons too poor to trade, I show that the dominant "Chicago School" conception of the role of managers fails to make a priority out of providing the needed goods will get to persons in need. In the model of reflective equilibrium, the Chicago School's limitations lead me to consider an alternative conception of the role of managers, which I call "Civic Entrepreneurship." Civic Entrepreneurship, in contrast, makes social responsibility and the provision of goods to all people definitive of the managerial role. This commitment, however, leaves Civic Entrepreneurship open to an objection that resonates with widely held intuitions and is definite of the Chicago School approach: *managers, in everything they do, should honor the interests of shareholders.*

I introduce the methodology of moral pragmatics, as reflected in G. A. Cohen's interpersonal test, to answer this objection. Drawing on Thomas Dunfee's argument for the claim that corporations uniquely well-suited to do so have minimal moral obligations to provide vital goods to those in need due to catastrophe, I propose that managers face *political imperatives* to provide goods revenue-free, and can do so legitimately, whenever they cannot make the argument to the public that the corporation should not provide the goods. Managers cannot rely on their obligations to shareholders to help them make the argument to the public against goods-provision when shareholders themselves cannot make the argument to managers that the corporation should not provide the goods in question. I will defend the plausibility of this framework through application to the well-known case involving global pharmaceutical companies and the rampant HIV epidemic in sub-Saharan Africa. I claim that the operations of the pragmatics in managerial discourse answers the shareholder interests objection, suggesting the greater attractiveness of Civic Entrepreneurship as a conception of the managerial role.

Introduction

It has rightly been observed that "in an industrial society, corporate power, vast in potential strength, must be brought to bear on certain problems if they are to be solved at all" (Andrews, 1972: 138). This naturally prompts the question whether we have configured our social institutions in a way that warrants an expectation that corporate power *will be*, or even *should be*, brought to bear on the problems it is uniquely well-equipped to address. In this paper, I will focus on the problem that results when the lion's share of corporate activity relies upon markets to communicate to managers through a price system (Hayek, 1945) *what* goods the corporation ought to produce and *for whom*.[1] The constitutional pitfall of the price system is omitting, without fail, information about the *demand* of persons too poor to trade for the needed goods, unless a third party benefactor steps up to bid for the good in the market. This is a genuine Achilles Heel from the standpoint of providing goods efficiently to persons without trading resources, and what concerns me this paper is seeing that managers understand their role in a way that is defensible in light of a commitment to make corporations fulfill their most useful function: providing vital goods to all people.

One may very well want to take the position that providing vital goods to those too poor to trade is fundamentally *not* for the managers of corporations to resolve but rather devolves upon the state. Concerns about injustice owing to the *lack* of distribution of such vital goods may be well-founded, according to this view, but these concerns are for the polity to address through its government and laws, not by endorsing an *ethos* according to which corporations are expected to fill this kind of market void even though no law commands them to do so. Perhaps higher taxes are required so that the government can purchase goods needed by the poor from corporations, or

[1] The approach taken can be extended to the full range of questions that fall under the umbrella of Corporate Social Responsibility, including the establishment of voluntary standards that are more demanding than law in the areas of pollution and other externalities, employee benefits and labor conditions, and community development, to name a few.

so that a "negative income tax"[2] can be instituted that would provide the poorest members of society the financial means to purchase the vital goods directly (and thereby exert demand for themselves).[3]

Whether it is for governments or for corporations to take responsibility for the provision of goods to the poor is a question that can certainly be debated as an exercise in optimal institutional design under ideal conditions.[4] This paper is engaged with what is a pervasive and perpetual problem in the *non*-ideal world of practice: large numbers of people do without vital goods, from lifesaving medical treatments to adequate nourishment and shelter, that existing corporations could provide. Focusing on the non-ideal setting, an account of the appropriate institutional division of labor between governmental and corporate actors necessarily yields a normative position (fertile ground for an *ethos* to take hold) as to the role that managers of corporations legitimately serve. (By managers, I mean those persons charged with responsibility for articulating and realizing the objectives of corporations, including their officers and directors.) Arguing that governments and not corporations bear responsibility for providing goods to those too poor to trade means that managers are outside the zone of legitimacy if they do so anyhow. And if it is perceived that there are costs to such a breach of legitimacy, there arise grounds for

[2] Milton Friedman was an advocate of the negative income tax as a measure for providing the neediest the means to purchase their own goods (Friedman, 1962: 191-94). The noteworthy feature of Friedman's account for this paper's purposes is that he *in no way* conditions his critique of philanthropy, discussed at length below, on the existence in fact of a negative income tax. It is from that standpoint that my paper develops the argument. Moreover, a negative income tax in the United States of America, for example, would be irrelevant to many of the cases of concern for this paper, involving foreign populations.

[3] A similar sentiment has been expressed by scholars (*see* the authorities collected by Shiffrin, 2010: 119 n.13) in response to the suggestion that natural persons who by virtue of their talents are able to make special contributions towards the betterment of the financially worst-off have reasons grounded in justice for doing so, even in the absence of laws requiring them, or financial incentives inducing them, to do so (Cohen, 1992).

[4] In this regard, see Andrews (1972: 138) for his concern with reliance upon governmental action, in any real world, to direct social responsibility: "If corporate power is to be regulated more by public law than by private conscience, a large part of our national energy will have to be spent keeping watch over corporate behavior, ferreting out problems, designing and revising detailed laws to deal with them, and enforcing those laws even as they become obsolete. Furthermore such a development would stifle the entrepreneurial initiative on which our economic system is based."

criticizing managers who would pursue and respond to opportunities for their corporations to fill a market void, no matter the urgency and gravity of the unmet needs festering in this void.

Criticizing this kind of managerial conduct was the principal aim of Milton Friedman, the most vocal and effective spokesperson for the enormously influential "Chicago School" approach,[5] when he called corporate philanthropy (providing goods without revenue)[6] a fundamentally "inappropriate use of corporate funds in a free-enterprise society" (Friedman, 1962: 135). Friedman's chief concern with corporate philanthropy is that he regards as the private property of the shareholders the "corporate funds" that provide the needed goods.[7] For managers to draw from shareholders' property so that the corporation may engage in socially useful work is, therefore, a misappropriation, one that Friedman likens to *taxation* (taking shareholder's private property for public benefit). Managers, Friedman asserts, lack the political accountability that legitimizes taxation.[8] What managers can (and must) do is pursue the most profit-generating

[5] The Chicago School approach, well-represented by Milton Friedman's *Capitalism and Freedom* lectures (1962) and magazine piece, *The Social Responsibility of Business is to Increase its Profits* (1970) (Heath et al, 2010: 443), is recognized by philosophers Heath, Norman and Moriarty for providing a

> comprehensive normative theory that accounts for the structure of corporate law, the dynamics of the welfare state, including the growth of regulation, as well as the rationale for the private enterprise system as a whole. This "unified theory" has enormous force, and is widely embraced throughout the academic disciplines that fill out most business schools, even among academics who would hesitate to identify with the Chicago School (p. 445).

[6] Corporate philanthropy means the "transfer of money, goods, or services by a public for-profit organization based upon a significant social motive" (Dunfee, 2011: 243). The "social motive" in Dunfee's definition need mean nothing more (and can mean nothing less) than intending to provide goods to persons without means.

[7] There are many good reasons, not explored in this paper, to doubt that a shareholders' interest is tantamount to an ownership interest (*see* Honoré, 1999; Stout, 2002). Friedman also has a related second concern with corporate philanthropy. It is that managers are not equipped to make the kinds of decisions entailed by corporate philanthropy. If managers' charge and, therefore, competency involves identifying and pursuing financially worthwhile opportunities, what makes them the right kind of people to make decisions about providing goods for no financial return? My argument about moral pragmatics also addresses this concern, by providing normative discursive guidelines to structure decisions to provide goods without revenue.

[8] According to Friedman's (1970) definition of "tax," many taxes are imposed by government officials not subject to political accountability. A good example involves judges with life tenure who regularly make decisions about corporate conduct that can very significantly increase the costs of doing business. Civilians also impose taxes, according to Friedman's definition, whenever they organize to impose higher standards of conduct for corporations. He raises a similar concern in denouncing shareholder activism in support of social responsibility resolutions. Friedman does not explain why corporate officers' accountability to

activities (and they must also comply with the law and avoid fraud and deception, even when doing so decreases profits, legitimately taxing shareholders) (Friedman, 1970).[9]

The classical version of the Chicago School approach, represented by Friedman (1962, 1970), adds up to an extremely restrictive conception of the managerial role, isolating managers from social discourse and demands: managers answer to shareholders for profitability and to government for legal compliance, but other social groups scarcely have a legitimate basis for making demands on managers.

Another version of the Chicago School approach also answers for these intuitions by retaining as a fundamental commitment the idea that managers' legitimate role is to maximize shareholder value, but it does so in a way that opens the door to a kind of social engagement. The project of *instrumental CSR* (Scherer & Palazzo, 2007: 1098-99; Donaldson & Preston, 1995: 71), also referred to as "economic CSR"[10] (Windsor, 2006) and colloquially known as the "business case for CSR," is to discover demonstrable financial incentives that would lead managers to "engage in CSR" (*see generally* Vogel, 2005). Looking past the absence of revenue, instrumental CSR seeks to catalog all the other ways—besides direct income—through which management can generate returns on investment by virtue of the provision of goods to those without means (or other acts of social responsibility). In particular, non-revenue generating activities may still bring intangible benefits (Surroca, Tribó & Waddock, 2010), like

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shareholders through annual voting procedures for directors, themselves authorized by laws issued by the politically-accountable organs of governments is not adequate to his accountability test. A CEO of a publicly-traded corporation is certainly more politically accountable than a judge tenured for life.

[9] The Chicago School recognizes shareholders as the owners and, hence, as the principals in the publicly-traded corporation (*but see* Stout, (2002: 1190-92)), which Friedman views as an instrument of the shareholders (Friedman, 1962: 135), and managers, therefore, take their orders as employees, creating a moral responsibility

> to conduct the business in accordance with [shareholders'] 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 (Friedman, 1970: 33).

Friedman gives no credit to the idea that any ethical custom demands philanthropy from corporations (though he does acknowledge the social role played by eleemosynary institutions like hospitals and schools).

[10] *CSR refers to Corporate Social Responsibility.*

improvements to employee morale and enhanced reputation that, at least in the long run, can offset the short-run revenue shortfall.[11] Even instrumental CSR, however, eschews an institutional *commitment* to extending corporate capabilities to provide goods to the poor. It is only in the contingent possibility that managers foresee a pathway for financial return, arguably defensible before shareholders, that instrumental CSR deems the provision of goods to be legitimate.

As with the method of reflective equilibrium through which "we 'test' various parts of our system of beliefs against other beliefs we hold, seeking coherence among the widest set of moral and non-moral beliefs by revising and refining them at all levels" (Daniels, 1996: 2-3), I engage my concern that the Chicago School approach, in the classical *and* instrumental CSR versions, gives managers the wrong mandate, one that is prone to leaving corporate capabilities idle even though they could provide vital goods to people in immediate need. Perhaps even more deeply, I worry that managers who are making production choices based solely on financial information are unprepared to take full "responsibility for leading the organizations that develop material wealth in our society and thereby make possible all the other kinds of wealth that constitute our civilization and make life worthwhile" (Andrews, 1971: vii).

Accordingly, I look to an alternative conception that makes the provision of goods itself definitive of the managerial role, with responsibility to, and engagement with, society central to the managerial function. In this alternative view, "government regulation, [though] certainly essential for the provision of ground rules for competition and the prohibition of grossly improper and dishonest behavior, is [assumed to be] neither a subtle instrument for reconciling private and

[11] The history of instrumental CSR in the academy reveals an impressive, if tortured, effort to demonstrate that managerial attention to non-market considerations falling under the "corporate social responsibility" (CSR) umbrella, correlates with financial performance (Margolis and Walsh, 2003). Any positive evidence grounds an instrumental CSR call for enlightened managers to go so far as giving goods away to the poor, all without challenging the standard conception of the corporation honored by everyday accounts of finance, strategy, marketing and economics. Friedman said managers' talk about social responsibility "is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions," and instrumental CSR would make a science of this synergy.

public interests nor an effective substitute for knowledgeable self-restraint"[12] (Andrews, 1972: 138). For Civic Entrepreneurship to offer superior coherence among our relevant beliefs than either version of the Chicago School approach, it must be able to answer or otherwise address the widely held intuitions that have helped this approach thrive, especially the idea that managers should act in keeping with the interests of shareholders and the assumption that shareholders' main interest is in the increase of share values.[13] These intuitions provide an important objection to any approach that would legitimate managerial action that is against the financial interests of shareholders (the "shareholder interests objection"). The highest ambition of this paper is to develop a framework through which the shareholder interests objection deflates, rendering Civic Entrepreneurship a more coherent and acceptable conception of the role managers are supposed to play in our society.

The framework that I deploy for the task involves what Gerald Dworkin (2000) calls the pragmatics of moral discourse. At the core of moral pragmatics is sensitivity to context, especially the place of the speaker relative to the persons addressed. Dworkin calls G. A. Cohen "the first (and only) person to my knowledge who has commented on the phenomenon in question" (p. 188 n.1). The phenomenon in question leads Dworkin to the "methodological hypothesis . . . that examining the pragmatic aspects of moral discourse may throw light on various moral phenomena that remain unilluminated by the exclusive concentration on syntax and semantics" (p. 183). Here are a few of the statements Dworkin uses, because they fall flat to the ear, to communicate intuitions for the significance of pragmatics:

(1) Two burglars are breaking into a house. One says to the other. "You are doing something immoral and illegal."

[12] In the context of providing goods, "knowledgeable self-restraint" would imply self-restraint in the profits demanded from the provision of goods.

[13] When managers misappropriate funds for their own use, for example, they are seen to be "stealing" from shareholders, and when people talk about their mutual funds, filled with corporate shares, they typically do so regarding changes in value rather than to contemplate the policies of the corporations whose equity sits in the portfolio.

(2) A judge says to a defendant: "I know you are probably innocent of this crime, but you deserve to be punished for other crimes you committed but were never charged with so I am going to punish you anyway."

(3) Someone is drowning a short distance from the shore. A turns to his companion B and says: "Somebody ought to rescue that person."

(4) The talented say to the untalented, "You ought to give us a larger share of wealth, because if you do so we will work harder and you will be better off."

Cohen appeals to this phenomenon to demonstrate the weakness of a policy for financial incentives as quoted in (4). Because the statement fails as a justification in its discursive context, Cohen argues, it fails as a policy in general terms.

I rely on pragmatics, as developed by Cohen, to shed light on Dunfee's (2006) argument that corporations uniquely well-suited to do so have a "minimal moral obligation" to provide vital goods necessitated by cases of human catastrophe. Applying his claim to the case of the millions in sub-Saharan Africa infected with HIV yet untreated, Dunfee claims that managers of pharmaceutical companies with special competencies for providing lifesaving drugs to persons infected with HIV must, at the very least, apply a sum equal to their firms' social investment budget to provide the needed goods. With attention to managerial discourse, I show that the intuitive strength of Dunfee's argument is the dialogical space it opens for public groups to successfully plea for the corporations' goods. When public groups make an opportune plea—*viz.*, managers cannot argue that the corporation should not provide the goods *because* shareholders cannot argue that the corporation should not provide the goods—the result is what I call a *political imperative.* The importance of political imperatives in the Civic Entrepreneurship account is providing guidance and legitimacy for managerial engagement in a goods-provision challenge that is destined to generate no revenue.

These political imperatives may be sensitive to all manner of factors, including the fact that a company has a credo that is taken seriously inside the organization (like Johnson &

Johnson[14] and Merck[15]), its level of profitability[16] and the legal context, e.g., strong intellectual property rights that monetize a patent portfolio. Managers are open to political imperatives, on the view of Civic Entrepreneurship, because their purpose is to provide their corporation's goods broadly; it is just that other factors, especially honoring the private shareholders that provide their capital base, impose limitations for corporate philanthropy. A political imperative gains room to emerge whenever these other factors are neutralized, and in the case of honoring shareholders this happens, in the discursive account, whenever the argument that managers should not provide goods is frustrated on the lips of shareholders.

I begin, in (I), with Cohen's account of "comprehensive justification" and the role played by the interpersonal test, as generalized by Dworkin's account of moral pragmatics. Next, in (II), I present the case that animates the argument, involving the HIV epidemic and pharmaceutical companies with relevant lifesaving capabilities, followed by Dunfee's argument for a "minimal moral obligation." I demonstrate that Dunfee's claim is designed to resist the shareholder interests

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[14] Johnson & Johnson's credo is: "We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit. We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical. We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens--support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources. Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return."

[15] The motto of George Merck, the founder of Merck, was: "*We try never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear. The better we have remembered it, the larger they have been*."

[16] The pharmaceutical industry has consistently been among the most profitable sectors in the economy.

objection and does so due to the pragmatics of the discourse, in the form of the interpersonal test. In (III), I develop the concept of political imperatives and summarize reasons why Civic Entrepreneurship may be better fit to give an account of the role of managers. Before concluding, I argue, in (IV), that the impact of legitimating political imperatives goes well beyond the cash value of the goods provided at their bidding.

(I) The Pragmatics of Managerial Discourse

As already noted, G. A. Cohen was an innovator in introducing and applying the method of moral pragmatics for his critique of John Rawls's Difference Principle,[17] particularly to challenge the idea[18] that justice alone does not give "talented" persons reason to engage in work that benefits the least well-off and, consequently, that financial incentives for this purpose that introduce or exacerbate economic inequality are warranted and consistent with social justice. Cohen vehemently objects to the suggestion that in a just society the "talented" demand incentives to engage in socially beneficial work, and he draws upon the pragmatics of moral discourse to ground his attack.

Before developing his interpersonal test, Cohen introduces the concept of comprehensive justification. A comprehensive justification for a social policy obtains *only* when the behavior of any social group that is a premise for the policy is itself justifiable. Accordingly:

> "We should do A because they will do B" may justify our doing A, but it does not justify it comprehensively if they are not justified in doing B, and we do not provide a comprehensive justification of our doing A if we set aside as irrelevant the question whether they are justified in doing B (p. 279).[19]

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[17] The Difference Principle provides that social and economic inequalities that are for "the greatest benefit of the least-advantaged members of society" satisfy Rawls's conception of justice as fairness (Wenar, 2008).

[18] Introduced earlier in note 3 and also as (4) among Dworkin's examples of the impact of pragmatics.

[19] This concept is well appreciated by seeing a social practice that lacks comprehensive justification. Criminal law as a social policy depends on premises about the behavior of individuals that cannot be justified: it is the lack of social justification that, among other things, renders conduct "criminal" and subject to penal practices. Therefore, "[i]t follows, harmlessly, that penal policies adopted to reduce the incidence of crime lack comprehensive justification. The very fact that such a policy is justified shows that all is not well with society" (Cohen, 1992: 265 n.13.).

For a policy argument, like the argument for providing incentives to the "talented," to constitute a comprehensive justification it must pass Cohen's "interpersonal test."

> This tests how robust a policy argument is, by subjecting it to variation with respect to who is speaking and/or who is listening when the argument is presented. The test asks whether the argument could serve as a justification of a mooted policy when uttered by any member of society to any other member. So, to carry out the test, we hypothesize an utterance of the argument by a specified individual, or, more commonly, by a member of a specified group, to another individual, or to a member of another, or, indeed, the same, group. If, because of who is presenting it, and/or to whom it is presented, the argument cannot serve as a justification of the policy, then whether or not it passes as such under other dialogical conditions, it fails (*tout court*) to provide a comprehensive justification of the policy (p. 280).

The form of Cohen's interpersonal test thus drives a wedge through any policy that is tainted by, for example, class injustice: members of the class unjustly benefiting will have trouble articulating a justification of the policy directly to members of the classes unjustly disadvantaged by the policy.

Taking up the case of incentives, Cohen concludes that "talented" persons cannot make the argument to other members of society, especially the poor, that without incentives they will not engage in socially beneficial work:

> the incentive argument does not serve as a justification of inequality on the lips of the talented rich, because they cannot answer a demand for justification that naturally arises when they present the argument, namely, why would you work less hard if income tax were put back up to 60 percent? The rich will find that question difficult no matter who puts it to them, but I shall often focus on the case where their interlocutors are badly off people, because in that setting the question, and the difficulty the rich have with it, may lead to further dialogical development that carries further illumination (Cohen, 1992: 280).

The failure of the "talented" rich to justify incentives to others amounts, under this framework, to the failure of the incentives policy to fit within a just society.

Cohen's argumentative target parallels in a striking way the problem before this paper. Here the question is whether managers should only provide corporate goods (to the poor or to anyone else) when doing so is profit-maximizing at the margin (giving shareholders the needed incentive to approve of the provision of goods). The pragmatics of this setting, however, have distinctive form:

> shareholders in American business continue to want the best possible return on investment, and many of them are yet to be convinced that they should forego earnings to pay for social action programs. *Caught in the middle are the corporate directors and officers,* the people who must face the congressional committees, the protest groups, the probing interviews from the press, annual shareholders meetings and in general, the public. Most companies—including those who seriously want to do more—have yet to find out how to contribute in a way that will produce substantial benefits to society, that will be of tolerable impact on earnings and that will be defensible to directors and shareholders. And so the debate goes on (Hodges, 1971) (emphasis added).[20]

In order to explore application of the interpersonal test to this tri-partite relation, I will consider an applied case and Dunfee's claim about corporate obligations in that setting.

(II) The HIV Epidemic and the Pragmatics of Dunfee's Minimal Moral Obligations

In the late 1990s and 2000s, pharmaceutical companies with anti-retroviral drugs (ARVs) that could successfully treat HIV found themselves under increasing pressure to do something to help with the millions affected by the epidemic, even in countries far too poor for victims to afford the $10,000 per year being charged in the United States for so-called triple therapy[21] (Chance & Deshpandé, 2009) (*see* Figure 1). Under these circumstances, pharmaceutical managers according to the classical version of the Chicago School approach have no legitimate basis for getting involved delivering drugs to those too poor to trade. The manager who would think of entering the fray so long as financially rewarding in the long-term (instrumental CSR) would want to take stock of the potential salutary effects of ARV philanthropy, whether they be improved employee morale, reputation, positive network effects or something else. The important point is that the decision to legitimately move forward or not would still turn on a financial calculus, however speculative it must by necessity be. If helping is not long-term rewarding financially, it would be appear to be illegitimate for managers to step forward to provide the needed goods.

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[20] This piece was commissioned by the magazine, *Bank Administration*, in 1971 as the counterpoint (*for* social responsibility) to a reprint of Milton Friedman's (1970) famous New York Times Magazine piece (*against* social responsibility).

[21] The combination of three kinds of ARVS was discovered in 1996 to delay the onset of AIDS for more 5 or more years. Today triple therapy can delay AIDS for more than 20 years.

Dunfee (2006), however, claims that managers should get involved in catastrophe relief, notwithstanding the absence of any revenue or other financial benefit. At a minimum, Dunfee claims, corporations must contribute the equivalent of their social investment budget when they are uniquely well-positioned by virtue of their capabilities (like drug patents, manufacturing facilities, distribution capabilities, institutional knowledge and trained personnel) to tender needed goods to victims of a catastrophe who cannot afford to trade for their needs.[22] (Social investment budgets, which are standard with large, public corporations, represent the amounts earmarked for yearly philanthropic commitments.) Dunfee's justification of the upper limit on the minimal obligation reveals the dialogical justification embedded within his position. In particular, Dunfee needs to address the objection that his "minimal moral obligation" may be too slight to make a difference. The problem is the dramatic mismatch between the resources needed to actually address the HIV epidemic and the "few billion dollars" his formulaic obligation could be expected yield:

> When viewed in terms of the resources required to successfully ameliorate the AIDS pandemic, the increase of a few billion dollars dedicated toward relief as a result of the [minimal moral] obligation seems woefully insignificant. On the other hand, the costs to the firms and to certain of their stakeholders would be quite significant. Jobs might be lost, art programs [funded by the social investment budget] cancelled, and so on. Ultimately, it seems fair to base the extent of the obligation on the prior experience of the firms, industries, and nations involved. If a firm has chosen to engage in social initiatives, then one can argue that it has voluntarily accepted a social role, at least within the boundaries of its prior actions. It therefore does not seem radical to impose on a firm a duty whose basic costs fall within the range that has already been accepted by the firm. All that is being changed is the ability of the firm to exercise discretion over how those resources are allocated, and this only when the firm meets the high standards for qualifying as a [] firm [with the minimal obligation] (p. 204).

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[22] The minimal obligation is more articulated than this, as it is crafted to deal with the possibility that a company or industry may not have a practice of social investment:

> unless financial exigency justifies a lower level of investment, they should devote, *at a minimum*, the largest sum of
>
> (i) their most recent year's investment in social initiatives,
> (ii) their five-year average of investments in social initiatives,
> (iii) their industry average investment in social initiatives, or
> (iv) the average investment in social initiatives by firms in their home nation (Dunfee, 2006: 190).

This excerpt demonstrates that the level of commitment that Dunfee takes to be minimally required of capable corporations is grounded in concrete features of the state of corporate practice, in particular the social role voluntarily adopted by the firm insomuch as it has a social investment budget.

Why, though, set the minimal obligation equal to the social investment budget, other than the fact that it is likely not an overwhelmingly demanding figure? Obviously, this measure is in no way proportional to the needs presented by the HIV epidemic, or any other human catastrophe. The moral significance of a social investment budget must come from something else, and my claim is that the best explanation of the moral authority of Dunfee's minimal moral obligation arises from the pragmatics of discourse. By setting this minimal obligation equal to a firm's annual corporate social investment budget, Dunfee leaves untouched all of a firm's resources that are devoted in the normal course of business to research and development, marketing, acquisitions, etc., i.e., for all of its for-profit business activities, including returning wealth to owners through dividends. The fact that a firm has a social investment budget (i.e., has already voluntarily assumed the social role of a corporation *with* a social investment budget) means that shareholders are left without a discursive basis for complaining to managers that providing HIV assistance in the amount of the social investment budget will hurt their interests. There is no change in the amount of capital tied up in the non-revenue generating (social investment) budget.

Contemporary social investment budgets contain all kinds of earmarks, from the opera to universities to health initiatives, and while these may have value, it is trumped, according to Dunfee, in the case of the firms well suited to do so, by the value of catastrophe response. I argue that what really makes the difference is seen in a statement like the following:

> *I am a shareholder of a pharmaceutical firm, but I don't want you, the managers, to use the social investment budget that I have not been complaining about, not for the opera and the arts, but to save the lives of people infected with HIV, with medication that this firm invested in precisely to create an effective treatment for HIV.*

Leaving to the side the interests of existing beneficiaries of the social investment budget (e.g., "art programs [that would be] cancelled"), the significance of Dunfee's approach appears to be that shareholders of firms with social investment budgets are not well-positioned to claim that managers should not reallocate the social investment budget in service of a kind of assistance that no other organization in the world is better suited to provide.

In this way, Dunfee provides a clear call for managerial accountability and a strong case for minimum contributions by corporations to respond to pressing human needs, and, crucially, this call plausibly manages to avoid the shareholder interests objection. Unlike instrumental CSR, the prescriptive force of Dunfee's formulation comes not from a long-term view of the income statement (which could not predictably guarantee any corporate commitment in the case of any catastrophe) but from a conception of managers' role serving society by virtue of their organization's distinctive capabilities.

(III) Political Imperatives to Provide Goods

When, in a case like the HIV epidemic, public groups are asking for help from pharmaceutical companies, what right do managers have to tell the public groups that they *cannot* help? Under the classical Chicago School approach, the answer is a complete right. What managers do not have the right to do is tell the public groups that they *can* help. Managers should never entertain any marketing except to increase profits. Instrumental CSR is more equivocal and, as a result, superficial: it is the appearance of assisting rather than actually assisting that will improve corporate reputation, morale, etc., in a tangible way, so that and not actually assisting is the goal to be sought by managers. Moreover, the engagement with the social group seeking aid will not necessarily be responsive to pragmatics, because the deliberation is not fundamentally about norms but, for managers, represents an instrumental endeavor, a way to avoid value loss and, if possible, achieve gain.

According to Civic Entrepreneurship, on the other hand, groups clamoring for a corporation's unique competencies for the benefit of the needy have standing to deliberate with managers. Managers of privately-held (often publicly-traded) corporations have their hands reasonably tied as to a range of requests that might be made. Civic Entrepreneurship recognizes this without, as with the Chicago School approach, making financial imperatives the purpose of managers and their firms:

> We need to eat to live; food is a necessary condition of life. But if we lived mainly to eat, making food a sufficient or sole purpose of life, we would become gross. The purpose of business is not to make a profit, full stop. It is to make a profit so that the business can do something more or better (Handy, 2002: 5).

Accordingly, corporate assistance becomes forthcoming in the hands of managers in those cases, as when there is a social investment budget available for redeployment,[23] where the grip of shareholder interests may loosen up enough to crystallize *political imperatives*. The political imperative results when a statement like the following, under the circumstances, seems incapable of justifying a policy not to provide goods:

> Our shareholders can make no objection to our redeploying our social investment budget for the HIV epidemic. We are the only company making certain lifesaving drugs, developed specifically for HIV, and we recognize that every person who does not receive assistance from us will get more ill and may well die. Still, we do not want to provide any assistance.[24]

This statement is crafted around the exact discursive circumstances that present themselves in the given case, though surely patterns across instances can be found. The richness of the multi-party business context, however, makes it perilous to attempt to generalize a more concrete formula as to when political imperatives obtain.

My claim, though, is not about generalities but rather is that the shareholder interests objection, given its interaction with political imperatives, need not undermine the coherence of

[23] Unless otherwise noted, I will continue to abstract away from any legitimate claims of beneficiaries of the existing social investment budget. It is a weakness of Dunfee's formulation of his minimal moral obligation, in my view, that it largely obscures the legitimacy of engaging in such dialogues, with beneficiaries of existing social investment expenditures and with potential beneficiaries.

[24] I have left out other arguments that managers might make to public groups, such as the possibility that the firm would be hurt competitively by providing assistance. Dunfee attempts to answer to this argument by stipulating that the minimal moral obligation applies equally to all pharmaceutical firms. Moreover, Dunfee likely would have thought it untenable that Merck, for example, could be hurt more than it would gain by redirecting the funds allocated to its most recent suite of social investments to the AIDS crisis, especially when Glaxosmithkline is doing the same thing.

Civic Entrepreneurship. Rather, recognizing the deliberative function of managers (Scherer & Palazzo, 2007) demonstrates the role of pragmatics in managerial deliberation, and the interpersonal test can be applied to differentiate between circumstances in which a policy against the provision of goods can or cannot be justified. The political imperatives that I claim obtain whenever a policy against goods-provision cannot be justified are meant to provide legitimate cover to managers to provide goods to the poor. Therefore, as to the question whether managers can legitimately provide goods outside the market, Civic Entrepreneurship says *it depends* as reflected in the pragmatics of managerial discourse,[25] whereas the classical Chicago School approach always says no and instrumental CSR says it depends on the promise of financial return for long-run share value.

(IV) The Impact of Legitimating Political Imperatives

What I aim to have shown is that the pragmatics of managerial discourse are relevant to two things: (i) Civic Entrepreneurship's capacity to deal with the shareholder interests objection and (ii) the specification of political imperatives that give managers guidance and legitimacy for providing goods without revenue. Along the course of the argument, however, one might have developed the nagging concern that these political imperatives don't amount to much, that honoring shareholder interests leaves these imperatives little room to breathe. This point was conceded in a way by Dunfee when he acknowledged that the "few billion dollars" that might be summoned through a political imperative anchored in social investment budgets (his minimal moral obligation), though portending the saving of hundreds of thousands of lives, can hardly address the HIV epidemic.

One distinction to keep in mind is the difference between the assistance potential of corporations' capabilities and the funding required to apply those capabilities to provide goods to the poor. Consider a technique used by several major pharmaceutical companies to extend their

[25] "The test of interpersonal presentation makes vivid that the justification of policy characteristically depends on circumstances that are not exogenous with respect to human agency" (Cohen, 1992: 281).

capabilities to save lives: royalty-free licensing of ARV patents. The funding required to license patents is, for a large firm, *de minimis*, nothing more than the time internal and external counsel and their managerial counterparts spend on the licensing agreement. The benefit, however, can prove far reaching, especially when the licensee, Aspen Pharma, is a low-cost manufacturer that can produce the medication at prices the Clinton Foundation is willing to pay in South Africa, the country with the most HIV infected persons. Financial risk to the pharmaceutical company is limited to fear of grey market imports that would cannibalize their $10,000 per patient-year market in the United States and other wealthy industrial countries. It is not necessary to spell out how challenging it is for a manager at a pharmaceutical company to justify withholding a license in a country too poor for it to hope to make any money selling ARVs there. This constitutes a ripe political imperative, a clear case where managers not only *legitimately* think about helping for the sake of helping, they can take a step forward above the fray of justifiable criticism.

Note that instrumental CSR may lead to the same exact conclusion. When the pharmaceutical companies began licensing ARVs in the early 2000s, their reputations had been clobbered by their own lawsuit (over 40 companies joined as plaintiffs) against Nelson Mandela himself,[26] arguing that his government lacked the authority to pass a 1997 law that would have allowed for the compulsory licensing and parallel importation of ARVs. When, following a shift in US government policy in 1999 (the government had stood by the pharmaceutical companies' lawsuit), the lawsuit was dropped, these companies desperately needed a reputation face lift. The fact that royalty-free licensing provides so much ARV bang for the buck makes it an easy choice for managers bent on reputation damage control.

Recognizing the distinctness of capabilities and funding helps managers appreciate the opportunity to extend the reach of their firm's goods by partnering with governmental and non-governmental organizations that may be able to help pick up the funding slack. No other

[26] Mandela's oldest son had already died of AIDS when the lawsuit was filed in 1997.

organization has the requisite capabilities, but all kinds of organizations can provide the needed funding. From this vantage point, managers' commitment to providing their firms' goods, acknowledging their need to answer to shareholders, leads their corporations to become richly embedded through managers' institutional activism (Bower et al, 2011, pp. 153-83) in associations of governmental and non-governmental organizations. In this vein, the country with the highest HIV treatment rate (85%) in sub-Saharan Africa (Botswana) owes that success to a partnership among Merck, the Gates Foundation and the government of Botswana that began in 2000. In addition to providing access to their expertise, Merck and the Gates Foundation committed $50 million each, and Merck has donated its ARV drugs to the effort. Merck and other pharmaceutical companies have also adopted the policy that they "will make no profit of [their] current HIV/AIDS medicines in the world's poorest countries and those hardest hit by the pandemic."[27]

These experiences suggest that the most significant result of a robust Civic Entrepreneurship among managers is found less in the amount of money that gets committed through political imperatives that attach to corporations but rather in the orientation of managers' basic calling towards the provision of goods and assistance by virtue of their firm's distinctive competencies (Selznick, 1957). Managers who understand their purpose in this way seek the opportunity to provide their firm's goods to all people. The obstacle that managerial excellence seeks to surpass is finding a ways of making ends meet.

Conclusion

In *Organizations in Action,* sociologist James Thompson (1967: 52) describes the pattern of relief that tends to follow human catastrophe:

> When a major disaster strikes a community, the resources designed or earmarked for disaster recovery are in short supply. In a surprisingly short time and with little of the

[27] This language comes from Merck's 2005 Annual Report. In an extension of its expertise to provide assistance, Glaxosmithkline announced in 2010 a 10-year $80 million program for preventing mother to child transmission of HIV in sub-Saharan Africa.

> random, aimless behavior sometimes attributed to disasters, resources designed for other purposes are disengaged from their normal employment and adapted to disaster-recovery activities. This applies both to human and nonhuman resources.

Whether corporations contribute to disaster relief primarily as sellers of goods purchased by others or as leaders providing goods (directly, as sellers or both) is very much in the hands of managers. What role we think, and managers think, they legitimately play at the helm of corporations is determinative of the socially-sanctioned choices they are inspired to make when disaster strikes or a still unmet need festers away. I have attempted to show that managers occupy a distinctive discursive frame situated between constituencies like shareholders and the many public groups that, emboldened by Internet-organizing, are more and more, and more effectively, pleading before corporations on behalf of persons in all kinds of situations, including those in dire need of assistance. Respect for the pragmatics of these discursive engagements provides managers guidelines for stepping forward in a way that heeds the shareholder interests objection. Specifically, the crystallization of political imperatives points the way, under the mantle of legitimacy, for managers to get involved, notwithstanding an absence of revenue in doing so.

In concluding, I will point out one more potentially influential discursive factor in the pragmatics of managerial discourse. The accounting concept of "good will" accounts for that portion of a firm's value that cannot be accounted for by its tangible assets. I would like to suggest that corporations may accumulate good will by virtue of their social engagement. This, of course, is perceived in instrumental CSR's quest to monetize reputation enhancements, but I would like to point, in a sketchy way, to a less instrumental conception of good will that depends principally on the importance of the social role a corporation plays and has played. In some way, my idea is that good will grounds the claim on behalf of a corporation by its managers that funding and opportunities should be forthcoming to the corporation in light of the good social keep it has kept. Thompson observed that in the disaster relief context,

> Property rights may be may be waived or ignored as tools and equipment are pressed into service. Contractual arrangements for restitution of commandeered facilities may be forgotten—until later (p. 53).

The good will concept I am suggesting would undergird a corporation's equitable claim for social support owing for the property rights "forgotten" in the act of providing the immediate assistance called for by disaster. If this sense of good will operates durably in a society, it could very well become the basis for managerial extension of greater resources than could otherwise be justified before shareholders. At work would be shareholders' waning discursive grounds for prohibiting such activity *when* society has a well-developed *ethos* honoring corporate good will.

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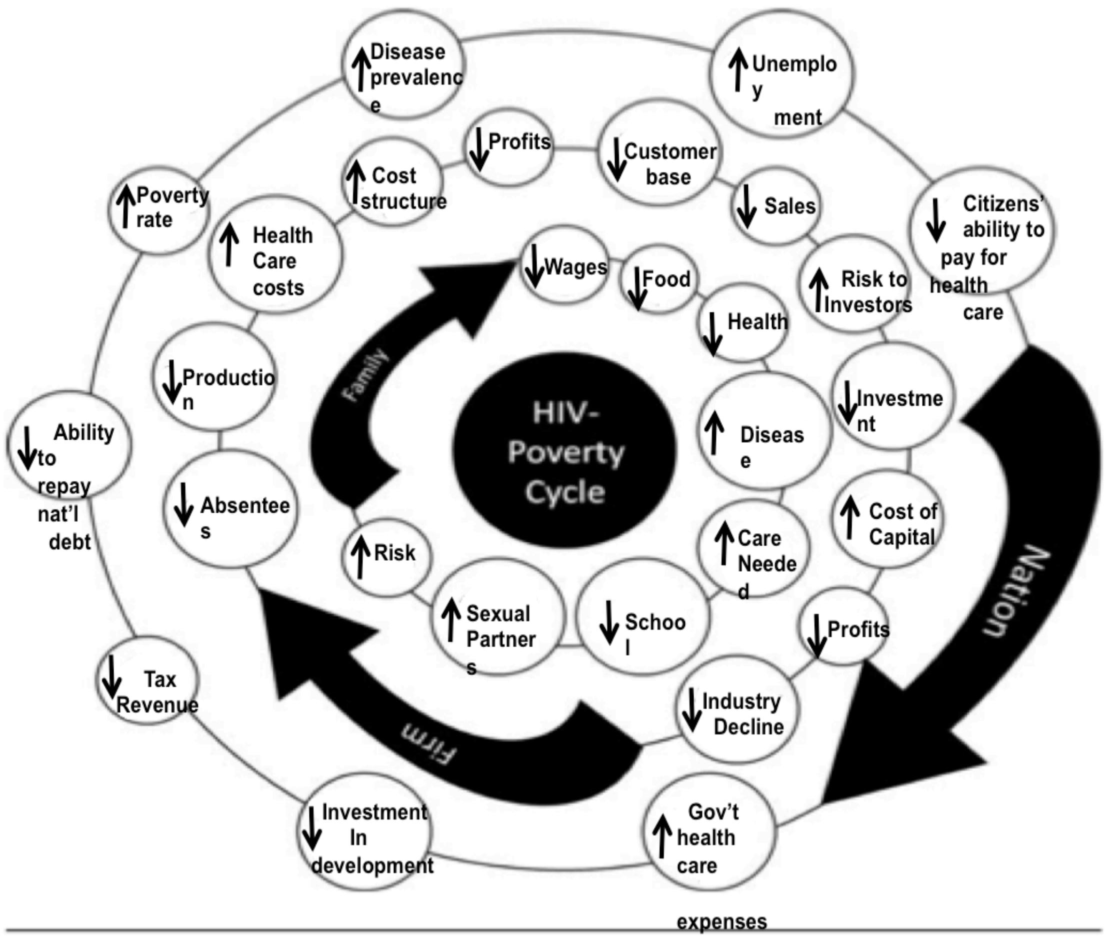
Figure 1

Macrolevel and Microlevel Relationship Between HIV and Poverty



Note. Chart begins at #1, with sickness lowering family wages, and reads clockwise ending at #28, with macrolevel unemployment reducing citizens' ability to pay for their own health care.

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