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CORPORATE SOCIAL RESPONSIBILITY

Anchoring Social Purpose Beyond ESG

by Julian Friedland

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Anchoring social purpose through moral self-awareness.

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We now live in a hyper-marketized world in which nearly every interaction is potentially strategically leverageable. The convenience and ubiquity of modern communication technology induces the business sphere to encroach inexorably on the personal, to the point at which we are rarely more than a fingertip's reach from being right back to work. What's more, the omnipresence of social media encourages young adults to promote their consumer activities as personal brands (Monarth, 2022). Ironically, many early 20th century economists such as Keynes expected just the opposite – that with the help of labor automation, we should be undergoing by now a kind of healthful de-marketization of life in which the typical working day would come to fill but 3 hours in a 15-hour week. Job displacement from increasing automation and the sharing economy may well be pushing us in that direction, facilitating a shift in lifestyle priorities.

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Still, financial success remains a laudable goal, especially in increasingly competitive environments where it can act as a measure of one's merit and mettle. It can also allow one to maximize philanthropic activity through what some Utilitarians now defend as effective altruism (Singer, 2015). The trouble, as Keynes observed more than a century ago, is that financial rewards can also become virtually one's only aim, thereby obscuring all that is really worth living for. When taken to the extreme, he saw it as a narrowly self-interested 'purposive' mentality that continually looks to future gains to find happiness, thereby obscuring it in the present.

> *The 'purposive' man is always trying to secure a spurious and delusive immortality for his acts by pushing his interest in them forward into time. He does not love his cat, but his cat's kittens; nor, in truth, the kittens, but only the kittens' kittens, and so on forward forever to the end of cat-dom. For him jam is not jam unless it is a case of jam tomorrow and never jam today. Thus by pushing his jam always forward into the future, he strives to secure for his act of boiling it an immortality (Keynes, 1963, p. 370).*

‘Jam tomorrow’ is an artful reference to Lewis Carroll’s *Through the Looking Glass* (1909) in which Alice is only offered “jam tomorrow or jam yesterday but never jam today” and it remains a poignant caricature of the contemporary personal-cum-professional mindset. We are so focused on the instrumental aims of future financial gains that we neglect the existential question of the ultimate purpose of the business organization including the quality of our professional lives within it. Over the last generation, this instrumental lens has come to encroach on the personal and social spheres so much that even our lives outside work can become subsumed by the capitalizing tendencies of branding and social influence. Thankfully, this mindset is now being challenged somewhat by myriad global business leaders as they finally begin to confront the realization of the importance of articulating a clear social impact mission at the core strategic level. The growing benefit corporation movement is a case in point. Another is leading outdoor clothing and gear company Patagonia’s recent conversion to a non-profit so that all of its net proceeds going forward can be devoted to attacking the root causes of climate change. Accordingly, the academic community issues rising calls to re-discover social purpose via consciousness-raising conference themes and paradigm-shifting journal issues. As a result, a consensus seems to be forming that responsible business activity must place a clearly-defined social purpose within its core strategic aims.

Conflating Means and Ends

For this to happen however, business organizations must learn to distinguish between the instrumental *means* of doing business and the functional *ends* legitimizing it (Friedland & Jain, 2022). For while profit is the impetus by which business takes place, it cannot plausibly count as its only raison d’être. As Aristotle observed long ago, profits are but the incentive for investors and entrepreneurs to engage in efficient business practice, and not the ultimate function of any activity as a whole. For all economic action is only fully rational when taken towards praiseworthy ends (Leshem, 2016). Otherwise, no legitimately representative government would sanction – let alone encourage – its creation, thereby condoning all manner of potentially exploitative activities replete with harmful economic externalities.

Unfortunately, numerous corporations which have managed to articulate a strong social purpose face renewed shareholder opposition, thereby threatening to compromise their aims. Take Blackrock for example, which has strived to brand itself as an investment firm committed to creating long-term stakeholder value via environmental, social and governance (ESG) metrics. It recently found itself mired in a major public relations battle over its divestment from petroleum-based funds. In response, it opted to wax equivocal over the significance of long-term value creation, taking it to now mean purely financial value, thus contorting itself into a tenuous positon whereby it claimed that sacrificing shorter-term petroleum returns in favor of green technology futures will ultimately benefit its investors most (Blackrock, 2022). Such back-peddling turns on a conflation between means and ends. Blackrock exists of course because its clients seek returns on the investments it manages, which is the *means* by which is does business. However, this cannot constitute the functional *ends* of the business activity as a whole. For as the company's CEO eloquently put it in his earlier 2018 strategic statement, businesses exist for broader social purposes, and therefore must consider community, environment, workforce diversity and long-term welfare (Fink, 2018).

This statement reflects a broad-based commitment to shared *social* – and not mere *financial* – value. It evinces an understanding that its clients have a shared interest in, say, helping to avert climate change, not merely because this will benefit them in the narrow financial sense, as the company now maintains, but because it is crucial to their stakeholders' very wellbeing if not survival. As such, the company is justified in making calculated cuts in financial gains in service of its broader social purpose to protect the environment that makes business itself possible. Ultimately, the distinction between means and ends is essential to establishing a moral market system founded on a more balanced conception of human nature than the cynical Ayn Randian image of an egoistic Atlas brazenly shrugging off all concern for the common good.

In point of fact, no fully rational actor – including Atlas – would shrug off his functional duties, thereby forsaking the world along with his reputation. Rather, he would – as he does in legend – enlist other members of his community to share his burden. Indeed, Heracles willingly trades places with him for a time and later builds two great pillars to liberate Atlas permanently, much as he saves Prometheus from an eternity of torture. Similarly, the fully rational economic actor does not ignore her conscience at every point of purchase. She operates within a community of stakeholders with shared aims and interests in supporting the common good. To this end, there is evidence that ethical consumers are happier and have stronger repurchase intentions resulting from positive moral self-image (Hwang & Kim, 2016). Hence, individuals tend to engage in responsible economic behavior largely because of how those actions reaffirm their own aspirational moral identities within a community of shared goals and values. Indeed, all our economic choices are framed to a significant extent by common moral conceptions of who we are as a society and who we collectively aspire to be. Historically, past and continuing moral progress takes place in myriad overlapping domains of economic activity. Such domains generally comprise the *conditions* under which trade may occur (environmental protections and worker rights including child labor bans and animal rights), as well as *whom* can own or trade (no longer only men of a certain race) and *what* can be owned or traded (no longer persons of any race), and have reified a common evolving assessment of shared moral identity (Friedland & Cole, 2019, 192-4). On the other hand, if everyone were simply a shrugging egoistic *homo-economicus*, never acting beyond their own self-interest, none of this moral progress would have taken place, and life for the average person would likely still remain quite lonely, nasty, brutish and short (Hobbes). Thankfully, human nature does in fact afford aspirations more edifying and complimentarily integrated, which might thus be more aptly characterized as *homo-virtus* (Friedland & Cole, 2019).

Activating Homo-virtus via moral self-awareness

The instrumentalist narrative provided by Keynes offers a partial description of how a temperate and balanced profit motive was supplanted by an unbridled greed motive. Another negative aspect of such trends is what scholars refer to as moral crowding-out, namely, the tendency of social and economic actors to lose their intrinsic motivations to behave in civic and socially responsible ways (Sandel, 2012; Bowles, 2016). It is the unfortunate backfiring consequence of the increasing reliance on financial incentive nudges in place of appeals to personal and civic virtue. This now ubiquitous practice in social and organizational policy normalizes a cultural environment in which individuals increasingly expect instrumental rewards for engaging in virtuous, civic, and socially responsible activities that they used to do for their own sake. This atmosphere subtly reinforces egoistic attitudes, which can lead to cynicism about human nature that may in turn help rationalize – if not legitimize – greed at the leadership and investor levels.

While these aggregating factors have conditioned the regrettable socio-behavioral predicament in which we find ourselves today, the good news is that since these attitudes were instilled by deliberate policy choices, they are largely learned behaviors that may therefore also be unlearned. This can be accomplished via cognitive boosting (Hetwig & Grüne-Yanoff, 2017), in which economic actors are encouraged into moral reflection instead of conditioned toward behavioral reaction (Friedland, Myrseth & Balkin, 2023). Such boosting can be effectuated for example in internet applications by *showing notices* that act as cognitive speed bumps, thereby engaging ethical reflection, which functions within 'system two', namely, the 'thinking slow' part of cognitive dual process theory (Kahneman, 2011). Financial incentives on the other hand function within 'system one', namely, the 'thinking fast' part of cognition. Unlike incentive nudges which trigger behavioral reactions, ethics boosts reinforce individuals' moral motivation while leading them towards increased moral self-awareness. Moral self-awareness (MSA) is a 4-stage evolving mindset construct informed by reflection on moral identity, namely what one's actions say about oneself given (a) the negative impact on others or society that one's action may affect, and (b) what one contributes to others and/or society by taking a given action (Friedland & Cole, 2019). It is rooted in moral identity, a concept which has become well-established in the social-psychological literature as converting moral reasoning, cognition, and feelings of goodwill into actual moral action (Aquino & Reed II, 2002). It harnesses the moral emotions of pride, shame, and guilt, thereby supplying powerful motivation for leveraging a pivot from the *homo-economicus* to the *homo-virtus* mindset (Friedland & Cole, 2019). The 4-level construct is described as follows:

- ***MSA level 1 - social reflection.*** At the first level, individuals rely chiefly upon negative feedback from others to guilt or shame them into acting conscientiously. Imagine notices reminding public park visitors to pick up after their dogs or to refrain from feeding the birds. Such notices have been shown to be particularly effective in organizational contexts, even undoing egoistic priming. For example, college students primed to be self-interested via a Tragedy of the Commons group decisionmaking experiment, gradually learned to temper their self-interest in subsequent rounds after being shamed by other subjects left with fewer resources (Sadowski et al., 2015).

- ***MSA level 2 - self-reflection.*** At the second level, individuals become more self-reflective – often following another person's positive example to avoid a negative social impact. It could be as simple as noticing a person stop to pick up someone else's litter and toss it in a trash bin on their way to work, and deciding to follow their good example. Unlike at level 1, where actors rely on negative social pressure to improve their behavior, actors begin to embrace an aspirational ownership of their own self-improvement. Evidence of such behavior was observed when subjects were 2.5 times more likely to avoid littering after having observed that others had taken the trouble to clean it up (Cialdini et al., 1991).

- ***MSA level 3 - anticipatory self-reflection.*** At this level, individuals become increasingly forward-looking, making efforts to avoid negatively impacting others. This attitude tends to arise after reflection on negative consequences of one's past behavior has led to a sense of guilt or shame. Agents then choose to effect a positive change in their behavior in order to correct a mismatch between their actions and their aspirational self-image. Showing notices can activate this mindset to help actors, say, lower their carbon footprints via carbon-count data provided for high footprint purchases, such as air travel or luxury automobiles.

- ***MSA level 4 - proactive self-reflection.*** At the fourth and highest level, individuals begin to see themselves beyond being part of the problem, by committing themselves to becoming part of the solution (Golpadas, 2014). As such, they no longer simply focus on avoiding negative behavior, but also on realizing long-term positive outcomes for all stakeholders potentially affected by their actions. Here, agents realize their aspirational self-image by recognizing their place within a broader system ideally working toward the greater good. This for example is a mindset that Patagonia founder Yvon Chouinard invited his customers to embrace by turning the entire company into a non-profit social enterprise. Others such as Paul Newman with Newman's Own, and even Nike, to a lesser extent have done the same. The reason these and many others have largely escaped investor backlash is due to their long-standing and well-defined commitments to social purpose, which leverage the moral self-awareness of their stakeholders.

Conclusion

It is understandable that under the renewed attack on ESG reporting, many firms such as Blackrock are tempted to downplay their social impact contributions, with ‘greenshading’ as the latest buzzword. However, they would do better to stand firmly behind a clearly-defined social purpose at the core of their business function. The missing component of their conventional management models is a broader picture of what motivates economic actors beyond financial interest. Specifically, the neoclassical *homo-economicus* paradigm neglects the core virtue-aspirational dimension of human nature which is essential to a complete conception of economic behavior. To embrace this fuller picture of human motivation is not to overthrow capitalism but to save it from itself.

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Julian Friedland

Julian Friedland is associate professor and coordinator of ethics and social responsibility in the College of Business at Metropolitan State University of Denver. His research focuses on how moral psychology and reasoning – especially moral self-awareness – can optimize corporate social responsibility in management, marketing, and AI design.