

Business, Society & Ethics

7 February, 2019 | Lecture #10

Shareholder Theory



Final Exam Scheduled

The final exam has now been scheduled. It will be Thursday, 2 May from 8:30_{AM} to 11:30_{AM}. It will be held in this room (lecture hall 2152).

Please let me know by the end of next week (before 5:00_{PM} on Thursday, 14 February) if you have any issues with that timing. If you and I have not talked, then you will be taking the final as scheduled.

THE PURPOSE- BASED APPROACH TO BUSINESS

**HOW DO WE ENCOURAGE
GOOD BUSINESS?**

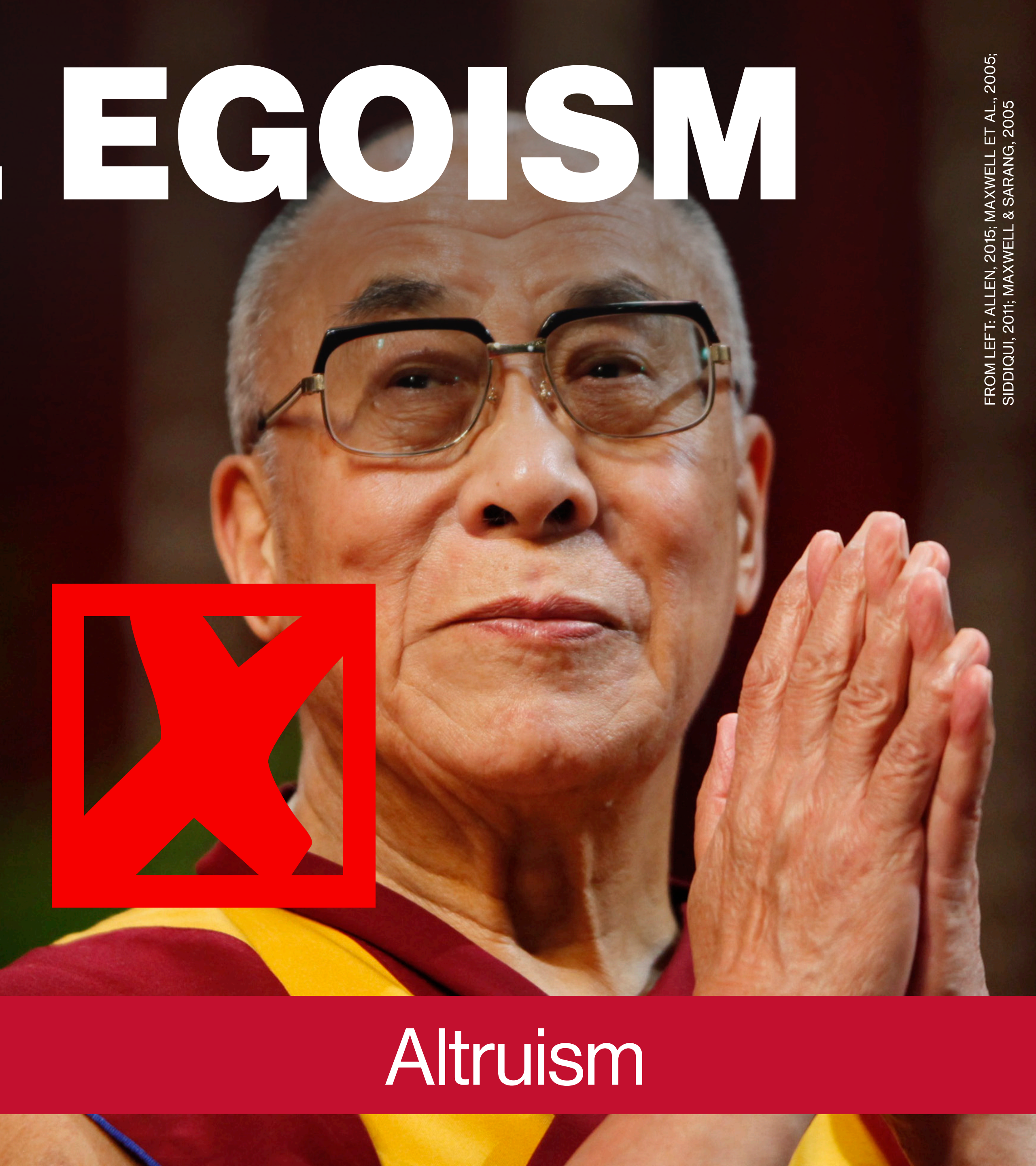
WHAT IS GOOD BUSINESS?

WHAT IS THE PURPOSE OF BUSINESS?

ETHICAL EGOISM



Prudence



Altruism

Business is a system of
competition
for individual profit.



THE DOMINANT CONCEPTION OF BUSINESS

PHILANTHROPIC OBLIGATIONS

ETHICAL OBLIGATIONS

LEGAL OBLIGATIONS

ECONOMIC OBLIGATIONS

THE DOMINANT CONCEPTION OF BUSINESS

PHILANTHROPIC OBLIGATIONS

ETHICAL OBLIGATIONS

LEGAL OBLIGATIONS

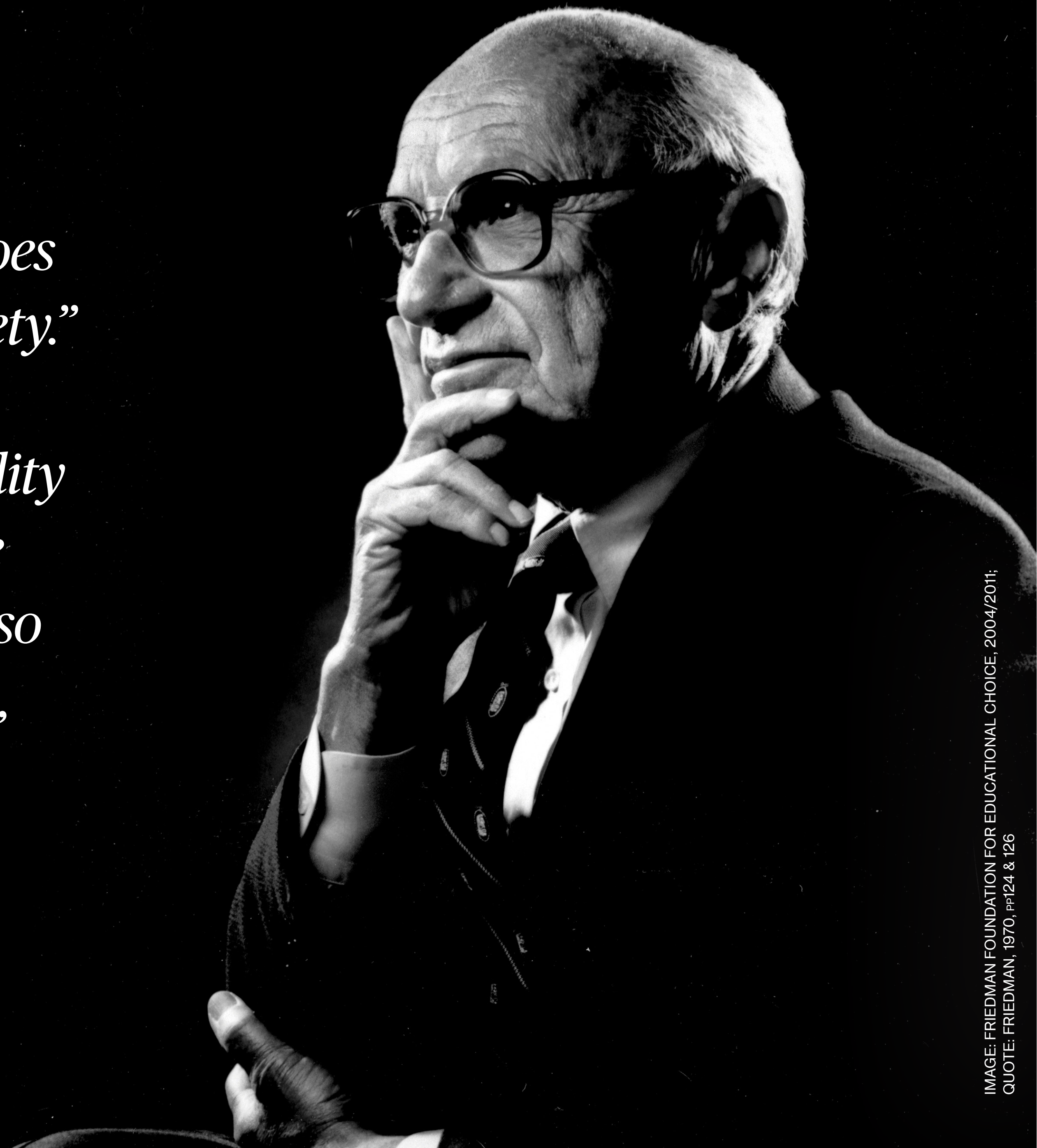
ECONOMIC OBLIGATIONS

**The purpose of
business is to profit
*shareholders***



“The use of the cloak of social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society.”

“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud.”





Goldman Sachs

The image shows the Goldman Sachs logo in large, metallic, three-dimensional letters mounted on a light-colored wall. The letters are highly reflective and illuminated from within, giving them a glowing appearance. The background is a plain, light-colored wall.

Profitability



Whole Foods Market

The image shows the storefront of a Whole Foods Market. The name "Whole Foods Market" is displayed in large, white, three-dimensional letters with green outlines, mounted on a dark grey awning. Below the awning, there are large glass windows and doors. In front of the entrance, there are several wooden crates filled with various types of pumpkins and gourds. A person is visible walking past the entrance on the right side of the image.

Philanthropy

SHAREHOLDER THEORY

FROM LEFT: MCDERMID, 2013; [WHOLE FOODS], N.D.



Profitability



Philanthropy



CORPORATE SOCIAL RESPONSIBILITY

THE TRIPLE BOTTOM LINE



The Conflicting Concerns Model

FROM LEFT: MCDERMID, 2013; [WHOLE FOODS], N.D.

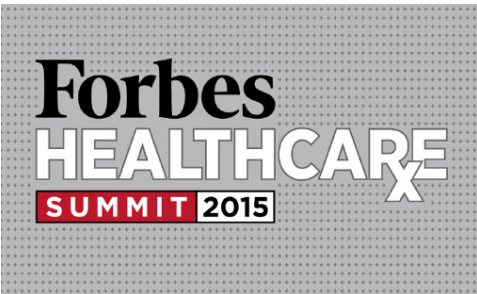
Goldman
Sachs

Business Interests

VS.

Social Interests

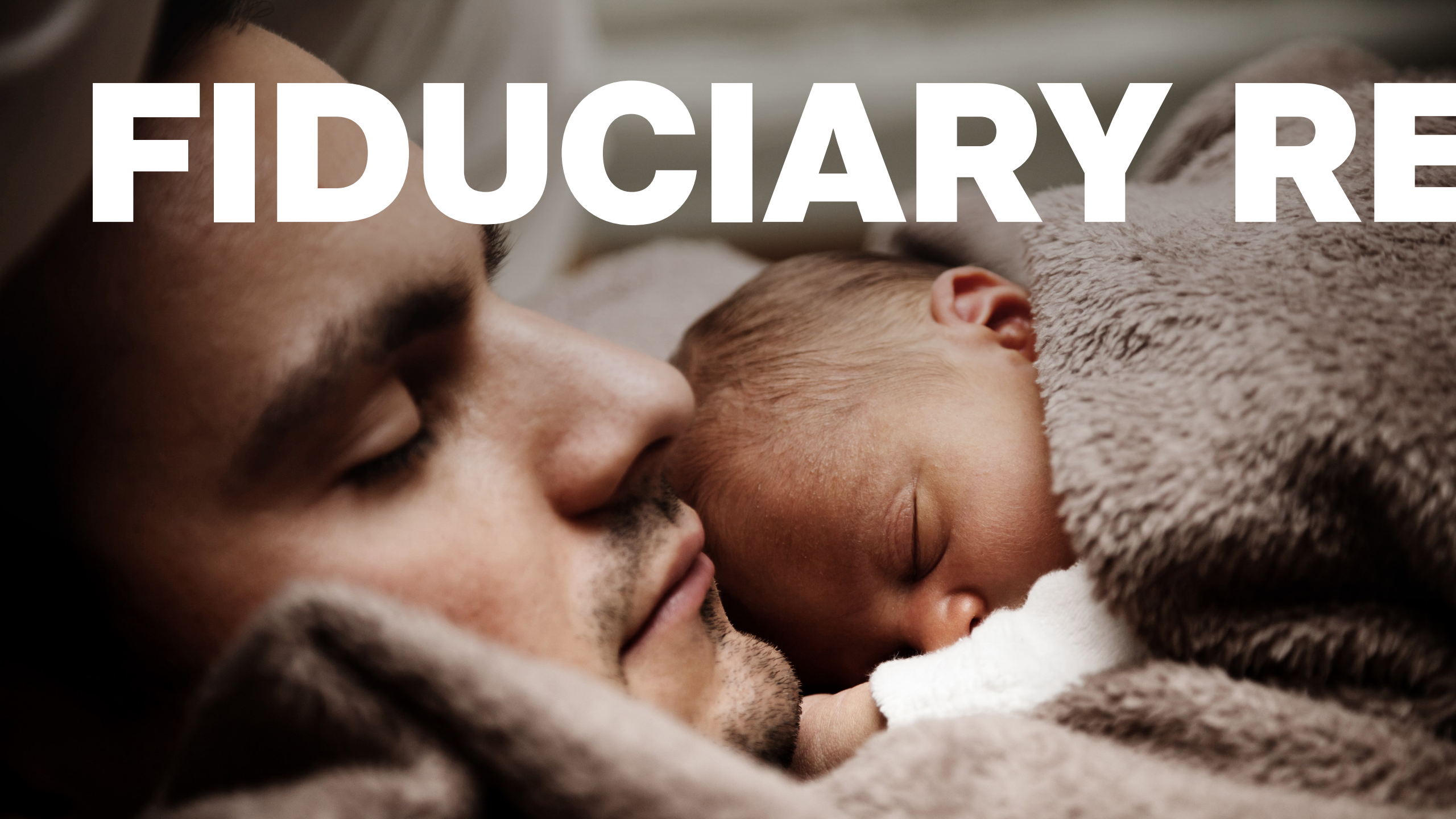
WHOLE FOODS MARKET



*“There is no legal basis for the
idea of shareholder supremacy.”*



FIDUCIARY RELATIONSHIPS



CLOCKWISE FROM TOP LEFT: [FATHER AND CHILD], 2011;
CANLAS, N.D.; [PROFESSOR GRAY], 2012; JUNG, 2010

A wide-angle, high-angle photograph of a large audience seated in a conference hall. The audience is facing a stage area. On the stage, there are several large screens and banners. The central screen displays a portrait of a man in a suit. To the left and right of the central screen are banners with the text "Siemens Hauptversammlung 2013". There are also smaller screens showing various images of people. The audience is seated in rows, and the hall is dimly lit, with the stage area being brighter. The text "Management is the trustee..." is overlaid on the image in a large, white, sans-serif font.

Management is the *trustee*...

and shareholders are the *beneficiaries*.

Is Greed Good for Business?

Critics believe that ethical egoism and shareholder theory have serious problems in understanding the true purpose of business.

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Acknowledgements

Introductory slide photograph by Pomyan (2011). A special thanks to S. Hagan for helping me design the introductory slide. Special thanks also to A. M. Salaz for helping me format the APA citations and references for previous versions of these slides. My purpose-based approach to business is heavily influenced by my reading of Duska (1997). My depiction of the dominant conception of business is based upon the classic “Pyramid of Corporate Social Responsibility” (Carroll, 1991, p. 42). My depiction of the triple bottom line is based on Lyngaas (n.d.).