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The Role of Business as a Force for Good

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Abstract: Using a sustainable world orientation, this paper will examine the role of virtue ethics models (VE) in today's globalized business environment in contrast to corporate responsibility models (CSR) of ethics. Examined through the lens of a qualitative case study framework using the coffee industry, the paper assesses and compares recent efforts to use VE and CSR models of social engagement and corporate sustainability, and vet their effects. Findings in terms of each firm's sustainability, social weal, and good governance, as defined by the CSR and VE literature, are compared. Findings indicate that a VE approach to business ethics is one that will prove superior to CSR over the long term, but that it may be difficult for firms to interpret how to create best practices that will allow for a VE approach to sustainability to create the foundation for good governance. VE standards should be applied to a company's employees and supply chain partners as well as leadership at the firm, because there must be an integration of ethics and leadership with practices and processes in each organization.

Key words: virtue ethics; CSR; sustainability; leadership; business ethics
JEL codes: M14, Q56

1. Introduction

The use of corporate responsibility models (CSR) tactics have long been employed in business. The challenge with CSR, as defined in the literature, however, is that it can serve classical, socio-economic or charitable purposes (Bakan & Burke, 2005). While socio-economic CSR is linked to a company's obligation to correct for the externalities they create through their own market action or production, which can include a heavy responsibility to both environmental and economic sustainability, classical CSR only serves to satisfy social needs and charitable CSR requires a company only to "give back" to the community. While socio-economic CSR may have an ethical or moral responsibility at its core, most companies choose to follow a classical or charitable model of CSR which is more overtly focused on presenting the image of ethics, while, in reality, using social engagement with a charitable or environmental gloss to market the firm (James & Rassekh, 2000). A virtue ethics model (VE) approach, on the other hand, requires a firm to consider the overarching impact of its actions on the world and all of its stakeholders over the short and the long term, and to correct its course accordingly (Bocken, Short, Rana & Evans, 2014; Scherer, Palazzo & Seidl, 2013). The goal is to create a foundation of good governance and cooperation between the firm and social actors, including governments, rather than imposing corporate will on political agents (Bright, Winn & Kanov, 2014; Sison & Fontrodona, 2013).

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Using a sustainable world orientation, this paper will examine the role of virtue ethics models (VE) in today's globalized business environment in contrast to corporate responsibility models (CSR) of ethics. Examined through the lens of a qualitative case study framework using the coffee industry, the paper will assess and compare recent efforts to use VE and CSR models of social engagement and corporate sustainability, and vet their effects. There is a gap in the literature with respect to this assessment, however, because most CSR and VE discussion is by and large theoretical (Bright et al., 2014; James & Rassekh, 2000; Sison & Fontrodona, 2013).

This paper uses a case study methodology to begin to explore the possible real-life application of CSR and VE, and examine how these business ethics are used to further the interests of: a) stakeholders; b) shareholders; and, c) the firm. The paper draws on the organizational and business strategy of one firm using CSR and another using VE to achieve this goal. The sample of two firms is compared using a mixed method case study assessment based on financial data, sustainability and regulatory records, and interview data. Findings in terms of each firm's sustainability, social weal, and good governance, as defined by the CSR and VE literature, is assessed and compared. The purpose of this paper is to explore how business can be a force for good and whether each or either of these models can be effective in achieving sustainability, social weal, and good governance. This paper will aim to provide a foundation for the further examination of this comparison through additional future research and, through this approach, the possible impact of business as a force for good.

2. Definition of Terms

2.1 Corporate Social Responsibility

Corporate social responsibility (or CSR) can have vast and differentiated meanings, depending on the context. It has been variously characterized within three dominant frameworks: economic, classical and socio-economic. Economic frameworks argue that it is the purpose of a firm to create wealth and by doing so these firms will help all citizens through a trickle-down effect (Friedman, 1970). Some have defined socio-economic CSR as being the equivalent of a firm's obligation to respond to externalities created by market action or production. This sort of working definition takes a distinctly economic perspective and addresses market failures (Heath, 2006). The classical CSR perception, on the other hand, may be thought of as corporate social actions with a purpose to satisfy social needs. This perspective of CSR is a uniquely sociological one rather than economic where CSR is conceived of as being the overall duty of firms to conduct or transact their business in a way which respects the rights of individuals and promotes general human welfare (Freeman, 1988). These observations then define CSR from a firm perspective with an emphasis on humanism and equality, and therefore take stakeholders into account.

In recent years, the CSR model has evolved, to a certain extent, under the rubric of the creating shared value (CSV) model (Kramer & Porter, 2011). The CSV framework is meant to be means by which companies are able to create "economic value in a way that also creates value for society by addressing its needs and challenges" (Kramer & Porter, 2011, p. 62). Nonetheless, critics of CSV suggest that there is no substantive difference between the Friedman (1970) framework for CSR and that of CSV (Aakhus & Bzdak, 2012; Beschorner, 2014; Szmigin & Rutherford, 2013). The reason that this is the case is that, like Friedman (1970), Kramer and Porter (2011) make the argument that at its center is the ideology that "capitalism is an unparalleled vehicle for meeting human needs, improving efficiency, creating jobs, and building wealth" (p. 63), and therefore positive business practices will naturally result in widespread human welfare. The context of CSR and CSV as applied to this paper will be explored further below.

2.2 Virtue Ethics

Virtue ethics (VE), according to Moore (2002), is the quest for the good, and a commitment by a firm to live according to the values that it sets for itself, such as such as integrity, trust, and justice, and for its role in society. This would, as Moore (2002) states, create a business in which ethics would be fundamental, both from an ideological and a practical point of view, in that,

> …the Aristotelian word arête is translated both as virtue and excellence helps in the realization that, in practical terms, this would mean endeavoring to produce the best of which the individual is capable. Thus the marketing manager would design and execute not just a marketing plan but the best marketing plan of which she was capable. And, bearing in mind the virtue of phronesis (practical wisdom), the concept of "best" would involve not just a plan that was conceptually and creatively excellent but one that would "deliver" as far as the organization was concerned… (p. 249)

The focus of this point of view would be a sustainable world, creating the impetus for both sustainable and craftsmanship-oriented firms (Moore, 2002, 2005) as well as ecologically and environmentally sustainable processes (Wang, Cheney, & Roper, 2015), all of which can ensure that the common good is maintained over the long term (Sison & Fontrodona, 2013).

3. Background to the Issue

3.1 Origins of CSR

In 1970, Milton Friedman stated that the only social responsibilities of business are to increase its profits. His argument centered around the fact that if businesses were to contribute to social charitable works or social services even, they would be, in effect, imposing taxes and deciding how the tax proceeds shall be spent. In this way, Friedman suggests, we would as a whole be disrupting the work of Adam Smith's 'invisible hand' behind the market (Wells & Graafland, 2015). As a monetarist, Friedman (1970) believed that an increase in the velocity of money may in fact be the key to national economic change instead of social program investment over the long term. His explanation of this theory was that a rapid rate of monetary growth would stimulate spending, both through the impact on investment on market interest rates and through the impact on other spending. His focus, within this overarching theory of how money works, is employment. With an advance on monetary velocity, Friedman (1970) stated, it would become more possible to employ more people at a higher wage rate, and this in effect will increase the rate of growth within a country. As a whole, when the velocity of exchange goes up, then more jobs are created, and, as a whole, society is better off (Wells & Graafland, 2015).

While Friedman (1970) made his claim about CSR before the advent of the challenges associated with rapid inflation in the United States and the subsequent economic crises, his call to action for profit generation is something that is still taken seriously in the present business environment. It is assumed that Friedman's (1970) fundamental assertion that the reason that his philosophy will work is because of the fact that it ties into the base Machiavellian instincts of the average business leader. A Machiavellian management style can allow leaders to see past any immediate challenges and conceive that acting contrary to an ethical standard is acceptable because it is only a short-run manipulation in order to attain long-run gain. Nonetheless, as James and Rassekh (2000) note,

> We are motivated [to write their paper] by the fact that virtually every textbook in business ethics devotes at least a section to Smith in connection with the role of self-interest in capitalism and a section to Friedman in relation to the social responsibility of corporations. However, many of these presentations are often a confusing explanation of self-interest and how Smith and Friedman interpret and use that concept (p. 660).

James and Rassekh (2000) argue instead that Friedman (1970) accounted for the idea of the virtue of justice, and has since recanted his point of view that the only focus of businesses should be profit. The fact is, according to James and Rassekh (2000) that the argument put forward by Friedman (1970) is much more complex than it looks, and it has often been grossly misunderstood. Friedman (1970) argued for a focus on personal gain because he recognized that it would be in the best interest of an individual to ensure that their society is also safe, secure and growing in a profitable manner. In other words, the interpretation of the idea of self-interest should be broadly rather than narrowly applied.

It can be argued that corporate self-interest is also at the heart of the ideology behind CSV. While Kramer and Porter (2011) suggest that the aim of CSV is to put aside a profit motive per se in favor of a broader set of corporate aims in which value is created for all stakeholders, the reality is, as they state, a company cannot successfully create value for external stakeholders such as clients, consumers, and the environment without simultaneously making a profit through which they can generate the capital to achieve its goals. In other words, there is an assumed Smithian economic frame within which CSV has to operate in order for it to be feasible (Szmigin & Rutherford, 2013).

4. Fundamental problems with CSR and CSV

There is a strong possibility that the Friedmanian CSR point of view is naïve considering the course of action put forward by profit-focused companies over the last ten years in particular. It becomes clear, looking at the progression of factors leading to both the global economic crisis and the Enron affair, as examples, that business leaders felt that they had both the right and the responsibility to make risky and unethical moves, since their shareholders' earnings depended on them doing so. It is clear that neither US banks, nor Enron's management nor their Boards of Directors were moved by anything other than financial success. The fundamental problem is that there is a need to take a direct stance on this issue through an examination of CSR tenets and start working towards a more ethical future for business, because the justification (if not the underlying reason) for these corporate managers' actions were the interests of shareholders. As Boatwright (1994) explains this perception by corporate managers, there is "the supposition of a contract between shareholders and management and, in particular, of an agency relation whereby the managers of a corporation agree specifically to act as agents of shareholders in the latter's pursuit of wealth. This basis is logically independent of ownership, but if we ask what enables shareholders to contract with management or act as a principal, one answer is their status as owners" (p. 396). What this means is that whether or not there is a legal responsibility to consider shareholder needs above and beyond another other considerations, company managers may in fact perceive that responsibility as primary. This is linked to the fact that the fiduciary interest of ownership seems to preclude every other social or financial consideration in the minds of many business leaders, which Boatwright identifies as the shareholder paradox.

One of the problems, however, is that if one takes away the focus on shareholders as the primary fiduciary responsibility of the firm, argues Boatwright (1994), then to whom are managers responsible, other than to themselves? In this way, the ethical framework for management relies heavily on individual points of view and considerations of values and justice (Vogt, 2015). Returning to the arguments made by Friedman (1970), ethical leadership in this way is sustainable leadership and business practices. The process of placing corporations, which naturally push towards growth through increased sales, in an industry which needs to maintain a sustainable future, is an act of short-term thinking and the exploitation of need. This means that business leaders are working towards fulfilling a profit incentive rather than an incentive to do the right thing over the long term. But in focusing on the long term, business managers will actually produce a more secure future for their business, their profit and for themselves.

Why is this not always the case? Why do most managers fail to see the benefit of focusing on the long term over immediate gains? In recent CSR tactics, the link is made to marketing rather than to ethical behaviour. Many companies do not want to have a negative effect on society for the simple fact that the individuals at the helm do not want to face the fact that they are responsible for a negative impact on their community (Schwartz & Saiia, 2012). The corporations' motive, and that of their employees, is still profit, and not the interest of their consumers. There is, therefore, a disconnect between the ideology put forward by Friedman and the reality of the corporate world, even if there is no difference in practice. Grant (1991) points out a more significant fallacy in Friedman's assertions, however, namely that each business and each market is situated in a social context and is in fact part of our social world, whether they want to be or not. As Grant (1991) writes, Friedman's "characterization of business as an autonomous activity is simply false, empirically. Business does not operate in regal isolation, totally disconnected from other areas of life" (p. 907). In other words, the actions of business and of individual managers, employees and the decisions they make are part of the human experience and condition, and we cannot ensure that people are acting for the right reasons for themselves, least of all in the best interests of society (Schwartz & Saiia, 2012). To assert that the only CSR focus of a company needs to be profit, therefore, is ignorant of the impact that businesses have on the lives of billions of people around the world.

The thesis of Grant (1991) aligns with the reality of the way that most businesses approach CSR under Friedman's utilitarian recommendations in the present day. There are varying primary stakeholder approaches within a utilitarian framework to the problem. An obstructionist approach avoids corporate social responsibility; managers engage in unethical and illegal behavior that they try to hide from organizational stakeholders and society (Schwartz & Saiia, 2012). In a more defensive approach, managers rely only on legally-established rules to take the minimal position toward corporate social responsibility. Finally, in an accommodative approach, managers make choices that try to balance the interests of shareholders with those of other stakeholders. All of these approaches can be seen as normative in some respect. Nonetheless, none of these approaches could be argued as working primarily in the best interests of the broader social world, only in the best interests of the social world within each firm (Schwartz & Saiia, 2012; Wang et al., 2015).

The difficulty with CSV, as an evolutionary form of CSR, is that the reality of CSV is likely to be different in application than the assumption theoretical aims of Kramer and Porter (2011) (Aakhus & Bzdak, 2012; Beschorner, 2014; Pirson, 2012; Szmigin & Rutherford, 2013). As Aakhus and Bzdak (2012) explain,

> … there may be a deeper critique of Porter and Kramer's effort to build an umbrella framework about the business-society relationship than the position that they have simply repackaged innovative ideas from the late twentieth century. Indeed, it may be that Porter and Kramer's emphasis on finding the business and social value sweet spots, leads to blind spots about what societies value. This may be especially true in regard to addressing the adverse harms of business conduct. Has the shared value concept and its underlying rationale gone any further than the 1950s mantra that what is good for business is good for society? (p. 237)

In essence, what may work for a few select firms located in the US, as Aakhus and Bzdak (2012) point out, may be broadly inapplicable to companies on a multinational level. This has led Beschorner (2014) to make the criticism that "Porter's and Kramer's criticism and rejection of corporate social responsibility depends upon a straw man conception of CSR and their ultimate reliance on economic arguments is too normatively thin to do the important work of reconnecting businesses with society" (p. 106). Ultimately, as Pirson (2012) points out through a critical analysis of muliple firms, companies who take on "very innovative shared value creating ventures ended up opting out of shared value creation strategies and embraced either financial or social value primacy strategies" (p. 31).

Given these criticisms, the choice between best practice societal support options for firms seems to be substantial: either work in the best interests of the firm or work in the best interests of society. Shared value, as it stands and as defined by Kramer and Porter (2011), cannot be said to be a moderating best practice that contains portions of both ideologies (Aakhus & Bzdak, 2012; Beschorner, 2014; Pirson, 2012; Szmigin & Rutherford, 2013).

5. The Separation Thesis and Types of Social Responsibility

The reason that the separation thesis serves to illustrate the conundrum faced by businesses in addressing their social responsibility is that "multi-fiduciary stakeholder analysis is simply incompatible with widely-held moral convictions about the special fiduciary obligations owed by management to stockholders. At the center of the objection is the belief that the obligations of agents to principals are stronger or different in kind from those of agents to third parties" (Freeman, 1994, p. 409). What this means to the current study is that there is a fundamental disconnect between the agentic role of corporate leaders as representative of the interests of one single stakeholder: the stockholder. As long as the stockholder relationship is held sacrosanct by the business, there is no possible way of developing a CSV framework that is likely to serve the needs of anyone other than stockholders. The means that the aims of a company to create an ethical business model is on shaky ground from its very conception.

At the same time, philosophically, it is also impossible to separate a company from its social responsibilities (Harris & Freeman, 2008). The reason that this is the case is that each company exists in the world, interacts with multiple stakeholders, and therefore is responsible for its ethical place and social effects on those stakeholders. There cannot be a difference between corporate aims and social aims as they are entwined (Harris & Freeman, 2008). Sen's (1987) *On Ethics and Economics* suggests that companies *try* to enforce the separation thesis as it helps to exonerate their actions with respect to their CSR choices and the stockholder orientation of most firms. This does not mean that there is a separation, only that the perception of such a utilitarian framework approach is needed in order for companies to appear pure in their social motives, whether or not this is the case.

As noted by Freeman (1998), in order to determine if a corporation is in fact behaving in a socially responsible manner the very first thing that should be measured are the character and interests of the organization's stakeholders, and establish a baseline of behaviour for future measures of CSR. The underlying rationale is that past behavior is a strong indicator of future behavior relative to stakeholder demands. There are varying primary stakeholder approaches within a utilitarian framework to the problem. An obstructionist approach avoids corporate social responsibility; managers engage in unethical and illegal behavior that they try to hide from organizational stakeholders and society. In a more defensive approach, managers rely only on legally-established rules to take the minimal position toward corporate social responsibility. Finally, in an accommodative approach, managers make choices that try to balance the interests of shareholders with those of other stakeholders. All of these approaches can be seen as normative in some respect. Nonetheless, none of these approaches could be argued as working primarily in the best interests of the broader social world, only in the best interests of the social world within or linked to each firm.

The market failures model of corporate management, as defined by Heath (2006), suggests that CSR needs to focus on the regulatory environment in which firms operate, and that there should be an increased legal entrenchment of the social responsibilities of business in order for firms to meet the needs of society as a whole. This is especially important, as noted by Heath (2006) due to the fact that there is an increasing reliance on business for the public good due to the political shift towards privatization of public support systems. As Health (2006) points out, business does not operate in isolation, totally disconnected from other areas of life, and this is becoming more and more true over time. In other words, the actions of business and of individual managers, employees and the decisions they make are part of the human experience and condition. We cannot ensure that people are acting for the right reasons for themselves, least of all in the best interests of society. To assert that the only CSR focus of a company needs to be profit, therefore, is ignorant of the impact that businesses have on the lives of billions of people around the world through many levels of both private and public governance.

If CSV, as a means of approaching CSR, could be harnessed as a means of expanding conscious awareness of all stakeholder needs within a firm, it may be possible to engage all stakeholders in true value creation (Pavlovich & Corner, 2014). This approach may even serve alternate aims within the firm such as corporate differentiation or social innovation (Herrera, 2015; Spitzeck & Chapman, 2012). At its core, however, a move towards creating conscious awareness of all stakeholder needs within a firm could be said to be a shift towards a virtue ethics framework rather than one based on CSR.

6. Introduction of Virtue Ethics in Business

The conventional idea of virtue is linked to the ways in which people measure their behaviors by the values of society as a whole. As McGhee (2013) explains,

> Virtue ethics contrasts with other normative theories in the Western philosophical tradition because it addresses the question “Who should I be?” rather than “What action should I do?” It is concerned with character and personal disposition rather than right conduct. Another different aspect of virtue ethics is the way in which, through its focus on social context and a sense of collective purpose, it is readily applicable to situations, such as business activity, where an agent is involved in a shared enterprise. In virtue ethics, what makes an action right is that it is what a virtuous person would do in the same circumstances. This makes important the particular context in which an action is considered (p. 2266).

In other words, if individuals can exhibit specific values which are considered to be positive within the context of a certain group or society, then they will be thought to be virtuous, but these values have to be put into action, not only by the individual but also by all members of the firm at the same time. At the same time, however, it is also clear that these values could be considered to be internal in each person because of the fact that some personality or character traits may lead a person to be seen as doing well, and therefore as virtuous, according to the norms of society. Expanding this concept further, we can see that we are all part of society and a larger community than simply the business world alone.

True virtue for businesses, therefore, involves looking at how to develop traits that are beneficial to society as a whole, rather than to their own needs alone, and then to transfer these traits to an actionable plan (Fontrodona, José, Sison, & De Bruin, 2013; Koehn, 2014; McGhee, 2013; Reynolds, 2015). Nonetheless, without such a plan and with only regulatory structures controlling the framework for a profit motive alone, companies do not always look at the greater impact of their actions, namely the long-term results of driving down costs, cutting jobs, taking environmental shortcuts, and other ethical dilemmas. By creating a possible future where workers, consumers, other businesses, and the world around us are all treated in an ethical manner, companies can create the conditions in which more people will be able to afford and buy products and services, and better and more sustainable products and services will be able to be developed (Sullivan, 2015). A market failure approach is therefore in the best interests of business leaders and their shareholders, but even this has not been proven to work because of the short term orientation of the profit motive (Fontrodona et al., 2013).

The reasons as to why this happens are as follows. In CSR tactics such as the stakeholder model presented by Freeman (1998), the link is made to marketing rather than to ethical behavior. Many companies do not want to have a negative effect on society for the simple fact that the individuals at the helm do not want to face the fact that they are responsible for a negative impact on their community. The corporations' motive, and that of their employees, is still profit, and not the interest of their consumers. There is, therefore, a disconnect between the ideology put forward by Friedman (1970) and the reality of the corporate world, even if there is no difference in practice. The process of placing corporations, which naturally push towards growth through increased sales, in an industry which needs to maintain a sustainable future, is an act of short-term thinking and the exploitation of need. This means that business leaders using Friedman's (1970) and Freeman's (1998) models are working towards fulfilling a profit incentive rather than an incentive to do the right thing over the long term. Whether or not there is a legal responsibility to consider shareholder needs above and beyond another other considerations, company managers may in fact perceive that responsibility as primary if there are no other checks and balances in place. This is linked to the fact that the fiduciary interest of ownership seems to preclude every other social or financial consideration in the minds of many business leaders, which can be considered to be the shareholder paradox (Sen, 1979; Wang et al., 2015).

To this end, virtue ethics serves as a modern philosophical assessment of ethics that can combine an examination of human rights and justice (Vogt, 2015). Rawls (1999) argues that the "democratic interpretation" of the principle of justice is the best interpretation of the idea of virtue, whereby there is a balance between benefit and equality. Specifically, Rawls (1999) is interested in ensuring that the notion of justice would be fair, and would take into consideration both the interests of those who did not have political or social advantages, but also the necessity of liberty. The democratic interpretation lends itself to favor equality of opportunity over liberty of opportunity, in that it offers an analysis of the application of justice which may be utilized to serve those who may not have access to power (Vogt, 2015). Rawls (1999) demonstrates that any underlying assumptions in formulating a process for justice must come from a place of egalitarianism, otherwise they will not be fair. Rawls (1999) puts the focus on the violence that utilitarianism does to our notions of liberty and equality. This is because, in seeking utility at the expense of equality, society will only work towards a situation where those who are able to provide more utility receive benefit (Sen, 1979; Vogt, 2015). Ultimately it is in society's best interest, according to Rawls (1999), to ensure that everyone is treated equally and with fairness. Anything else would be working against the principle of justice, but in some ways, our own collective good. As Rawls (1999) writes, "if men take a certain pleasure in discriminating against one another, in subjecting others to a lesser liberty as a means of enhancing their self-respect, then the satisfaction of these desires must be weighed in our deliberations according to their intensity, or whatever, along with other desires" (p. 30). Rawls (1999) is arguing that there is an obvious discrepancy between different measurements of what is good, which can affect how people perceive their pursuit of utility.

Nonetheless, there is also an underlying challenge in this statement that connects to the idea of liberty. If everyone has a different viewpoint of what is wrong and what is right, and at the same time has the ability to pursue their own utility through the principle of liberty, then someone who gains utility or pleasure from diminishing others is necessarily going to act in way that will damage society (Koehn, 2013). This is especially the case in a cross-cultural and globalized business environment where there are different definitions of what constitutes an ethical approach to business, and how personal liberties may contradict with ethical responsibilities (Fernando & Moore, 2015; Koehn, 2013; Racelis, 2013). The concept of justice that Rawls (1999) has developed, on the other hand, determines that there is value in understanding that all individuals in society need to have access to opportunity, whether through participation in government, the economy, or other social structures such as the workplace. Rawls' (1999) principles of justice are structured in this way because of the fact that, as he understands fairness, individuals should not be giving precedence or opportunity because of the arbitrary nature of existence. No individual chooses where they are born, the color of their skin, their gender or their parents, for example. This means that on a fundamental level, we must all recognize that justice means fairness with respect to opportunity and the pursuit of wealth and happiness (Vogt, 2015; Wang et al., 2015).

This does require, however, the institutionalization of an ethical foundation in the firm that points to a specific application of these virtue principles (Herrera, 2015). The principles of justice lack efficacy in any substantive sense without a shift in actual practices (Sen, 1987). This requires the removal of major sources of limiting freedoms inside and outside of the firm: structural limitations as well as the tyranny of top-down leadership in which opinions and challenges to the status quo cannot evolve over time, economic opportunities as well as systematic profit strategies, creation of public facilities as well as overactivity of repressive or destructive resource practices (Sen, 1987). What this means is that a truly virtuous and ethical firm will not necessarily be able to be achieved without an interest in human rights and resource governance. More specifically, the procedural definition of creating a firm within a virtue ethics model alone does not guarantee an ethical company (Herrera, 2015). With this aim, actual virtuous practices and institutions which are influenced by stakeholders must be able to flourish so that all stakeholders can actually benefit from their services and support. To this end, an ethical approach to business requires what Sen (1987) calls the discipline of critical moral scrutiny, in that the challenges to equitable practices intrinsic to the firm, and intrinsic to capitalism as a whole, need to be brought to light and critically assessed on a regular basis.

7. Case Study: CSR versus VE

7.1 Methodology

This paper utilizes a case study methodology to explore the possible real-life application of CSR and VE, and examine how these business ethics are used to further the interests of: a) stakeholders; b) shareholders; and, c) the firm. The paper draws on the organizational and business strategy of one firm who has stated that they are using CSR (Firm 1) and another who has stated that they are using VE (Firm 2) to achieve this goal. The choice of firms has been achieved through a search of the literature and media, and initial qualitative interviews have been conducted with individuals at those firms in order to narrow qualifying factors. Based on a guarantee of confidentiality, the interviewees from the firms involved have provided detailed information on internal financial data, sustainability and regulatory records, and reflections on their experiences of CSR and VE. With respect to the participants, both firms are coffee shop chains and coffee retail suppliers with locations in multiple states in the United States as well as in other countries. While they are not comparable in size, as Firm 1 is much larger than Firm 2, they are both publicly traded firms and have a similar if not identical target market.

The aim of the study was qualitative naturalism. Qualitative naturalism in case study research is achieved by searching for patterns in observed data, and by coding and memoing. Searching for patterns involves identifying similarities and dissimilarities in communicated information and comparing these to other findings, such as those in the literature. In this case, the two firms' policy and outcome data available in the public domain was categorized and assessed in addition to the directly collected qualitative interview data. The first stage of the approach to the data was describing the information precisely as it is collected. The second stage was a method of studying then reducing the information by systematically deconstructing it into units of meaning. After this was complete, the researcher then strove to show commonalities or contrasting opinions within the research information. These processes helped shed light on the information that is contained and helped to identify how, why, and to what extent specific properties of the ethical policy experience are unique to the individual firms and, if any, these properties were shared. Once the relevant case study phenomena were formally identified, then the researcher was able to compare and contrast the results between the interview data and the document analysis of firm data in order to draw conclusions. Excerpts have been drawn as quotations, below, or examples from the written record in support of an observation or a relationship between ideas, as needed.

7.2 Participant Firm 1

Firm 1, based in the United States but with a global presence, has a top-down approach to CSR business ethics that is grounded in its risk management structure, but it also includes a code of ethics that is applied to all employee actions. Three overlapping roles are in place to ensure that ethical actions are taken, and this is the foundation of the firm's framework for CSR as well, as their operations are connected to actions that are imposed by the firm under these roles. As noted by the representative from firm, these include a Chief Compliance Officer who looks over enterprise risks, governance structures, environmental and other forms of government regulation, as well as service protocols and product safety. The company's Chief Risk Officer looks at risks connected with sustainability and is responsible for engaging the firm in being proactive about meeting the needs of the environment. Finally, the Chief Ethics Officer creates business standards and active processes for each level of the firm. These include not only external social responsibility protocols, but also ways to ensure that employees comply with risk management issues and are held to the internal code of ethics. Violations of this code are managed under this office. As a result of these internal processes, the firm representative suggests that there is a high level of regulatory compliance taking place.

The firm's social responsibility standards are tied to the fact that, as a coffee shop chain, they are part of a consumer supply chain that is linked to the production of agricultural and consumer product waste. As a result, the firm's social focus is on creating the means for their firm and its customers to control waste so that the company can manage the recycling process. The company manages its corporate governance and sustainability practices and procedures not only through these internal structures, but also through its membership in network of socially responsible investment companies, environmental organizations and other public interest groups that work with companies to address sustainability challenges and processes.

Financially, this firm's assets are in the region of $55 billion. The company has experienced revenue losses during the last two fiscal years, but also managed to increase its assets over the same time period. This can largely be attributed to its efforts to expand its business ventures globally as well as within the United States, and to invest in its renovation of existing physical properties in the process, as indicated by its significant increases in assets related to equipment and fixtures. At the same time, the company has also increased its risk with respect to receivables related to its grocery store product expansions, which are at an all-time high. This, combined with challenges related to an increase in accrued liabilities, means that the company's financial position has gotten weaker over time.

In this firm, interviews reveal that there is a concern with the company's financial position and its effect on the amount of money that can be shared with stockholders. Stockholder value has decreased over time, especially during the last two fiscal years during the expansion process. There is pressure within the firm to ensure that there is a high level of value for stockholders that is created over the medium term as a result of the expansion tactics. This does not mean, however, that there is a reticence to continue with the firm's environmental responsibility standards.

In essence, the company considers its environmental responsibility standards to be a factor in its CSR approach, but interviews suggest that there is a marketing orientation to this set of practices. In the interview with the Chief Ethics Officer, for example, the individual suggested that:

> We are committed to making the environmental plan work. I mean, it's difficult right now, because of the money we've sunk into this Europe plan. It's a different set of standards, you know. It means we have to do the same things differently there. But really, it's all about the customers. I mean, they have expections and so do we. We want to do this with them. But if we pulled out of the same environmental standards game there, there would be pushback. We can't afford the possibility of that right now with so much at stake.

In other words, there is a framework for understanding the issues that is based on a financial perspective rather than a strictly ethical one. The role of the Chief Ethics Officer is to provide guidance for the application of ethical standards within the firm, but his perspective on the matter is still one that is based on a profit and stockholder orientation rather than a stakeholder orientation, or one grounded in environmental resource management.

Discussing the same issues with the Chief Compliance Officer revealed a similar point of view, one grounded in necessity rather than choice.

> I'm happy with the company's environmental responsibility standards. I'm one of the people who pushed for them. It makes things easier. If my aim is to comply with standards set in place in multiple locations, government policies, you know, it makes my job easier, makes everyone's job easier. We're not here to make things extraordinary, but I think we do a better job than most people. We aim higher than the environment standards in our supplier countries, of course, because you know we face a legal risk otherwise. But it helps when everyone is on the same page.

There is a utilitarian point of view that marks these conversations with both the Chief Compliance Officer and the Chief Ethics Officer. There is an expectation that there is a responsibility to external standards, but it is also evident that internal standards lack creativity. The firm considers itself to be exceptional in comparison to its peers, and it is possible that this is the case in terms of the way that it approaches government environmental standards; the company's Chief Risk Officer shared its internal policies and these indeed surpass American standards. Nonetheless, it was also evident from these practices that there was a limited vision for why and how these policies were put into place, other than to limit risk and ensure a better marketing presence for the firm.

The research continued with a mid-level manager at the firm in order to assess whether the same utilitarian ideology was also present within the ranks, and to understand whether or not there was a different ethical perspective at work at a non-strategic level of the firm. The mid-level manager interview shared the following:

> It's not usual that a coffee company does this, this kind of approach. I really believe in us. I do. I really do. We've got this focus, something I haven't seen in this industry. It's not just ethics, it's more. I don't know if it's new. It's not, I don't think, in other industries. It's different, I think though, for coffee. We're caught up in a business that is so dependent on the environment and if we don't do our job, who will?

This employee is clearly connected with the perceived ethical vision of the firm, with a more ideological orientation than those at the vision and strategy level. She believes that the firm chooses to do its work for a specific ideological purpose, and, to a certain extent, to sustain its own long term viability. This suggests that she sees the ethical vision as something akin to a utilitarian function, in that without sustainability the company will, like others in the field, not be able to survive.

For Firm 1, therefore, there is a need to recognize that the utilitarian ethical orientation of the firm can serve as an ideological inspiration for employees. There is a both an internal and an external social value attached to the choice made by the firm to orient itself to environmentalism, even if this approach has been chosen strategically as a means to decrease risk.

7.2 Participant Firm 2

Firm 2, based in the United States but with a significant presence in South America, is a smaller company with assets of around $2 billion, recently announced its intention to focus on a VE approach to governance. The rationale for the change in direction away from CSR is that, over the last five years, the company has increasingly become aware of challenges in its supply chain in Brazil, which is the world's largest coffee producer. There have been challenges associated with the exploitation of this natural resource, according to Martinelli, Naylor, Vitousek, and Moutinho (2010), who note that the success of the coffee growing sector "has been associated with widespread destruction of Brazilian ecosystems, especially the Cerrado and the Brazilian Amazon rainforest" (p. 431). Brazil's laws have been designed to try and stem the tide of environmental degradation and deforestation by requiring all agricultural producers to support wild areas as well, but results have been minimally successful. As well, any pesticides and fertilizers used by farmers eventually seep into the water system, since these are water-soluble. As a result, the viable length of production of coffee in a specific farm area, as noted by Watson and Achinelli (2008), is only fifteen years due to soil erosion caused in part by these chemicals.

In addition to the environment, Firm 2 has noticed challenges with respect to the labor supply. In Brazil, raw beans are sent to a central wholesaler which manages the buying of coffee through a number of different farms. While this approach is efficient from an economic perspective, as Watson and Achinelli (2008) write, the central processing system means that small farmers and laborers are subject to a lack of competition for their goods. They are subject to set prices which they have no power to adjust based on anything other than global commodity prices. In this way, because the costs of production for smaller producers are higher, these individual farms make less money per bag of coffee than large producers. This has led to exploitation of these small farm owners, which has led to the consolidation of growers in Brazil, as noted by Watson and Achinelli (2008). The way that the system in Brazil works is that the government exercises its laws "over the segments located within their own borders, and core-based coffee traders and manufacturing companies controlling the rest of the chain" (Talbot, 2006, p. 129). In other words, the power in the food commodity chain is within the government and the central wholesalers. This can lead to extreme forms of environmental degradation, as noted by Bitzer, Francken, and Glasbergen (2008). With the balance of power taken away from producers, and therefore less money for their work, Bitzer et al. (2008) write, producers do not have the ability to make the financial investments necessary to ensure that their production will be sustainable over the long run.

The firm's social responsibility standards are tied to the fact that, as a coffee shop chain, they rely on their suppliers and will continue to rely on them over the long term. Firm 2 sees their role as part of a value sequence of engagement in a large scale sustainability action orientation. Firm 2 does not have an explicit CSR strategy nor do they have a stated code of ethics, but they see environmental and labor security as the biggest risk that they have to manage. Nonetheless, as noted by Bitzer et al. (2008), because of the way in which central wholesalers work in Brazil under the auspices of the government, truly fair trade is not necessarily possible. Firm 2 sees part of its responsibility to change the regulatory and trade environment in Brazil so that fair trade becomes more viable.

Financially, this firm's assets are in the region of $2 billion, as stated above. The company has experienced revenue gains during the last two fiscal years, but compared to Firm 2 have only a fraction of its expansion capability. Although the firm has made efforts to expand its business ventures globally as well as within the United States, they have not done so quickly because they do not want to increase its risk with respect to accounts payable. This means that the company's financial position has gotten better over time, but that growth has been slow. Firm 2, in trying to retain a VE focus and work as advocates for changes in trade practices, however, may be placing some of its financial assets at risk.

In speaking to the firm's Chief Executive Officer and Chief Marketing Officer, it was found that there was a different ideological orientation from Firm 1. As the Chief Executive Officer explained,

> The company's demand for its products and services strongly relies on the firm's ability to engage consumer lifestyle identities, and so maintaining a strategic focus on lifestyle is a means by which we can engage consumers to remain loyal. There are many substitutes and complements for this type of product including other types of coffees and teas, as well as caffeinated beverages sold at convenience and grocery stores. We have to do better, however. It's not just about the market. I've been to the rainforest and I've seen what's happening first hand. We have customers with a higher than average income, at least in places like the United States, and can afford to purchase their products on a daily basis, and so I think we have to inspire them to think at a higher level. This isn't just about them and their demands for a cappucino every day. It's about how we can build a better future. I'm sorry if I sound like I'm making a speech, but I make this same speech every day and I'm going to keep doing it until we have a change in how we create a coffee business. Not just for us. For all of us in this business. I want to see [large coffee chain, not Firm 1] make a real impact, not just kowtow to consumer expectations.

There is a passion and a focus revealed by this interview, and the same point of view was also evident in the discussion with the company's Chief Marketing Officer.

> I'm excited about our customers. I know that every day it's my responsibility to make them hear what we have to say. With our new ethical product line, it's a slog. I know that the firm will have to revisit the level of demand, revisit customer needs, revisit customer markets for a newly launched product that has been recently offered with the aim of adjusting the supply of the product that is offered and the factors associated with that new group of products on an iterative basis. I get it. But it's worth it. I've got to plan the overarching strategy of the firm over the long term, and that's not just our environmental responsibility, it's our social one as well. Quantitative measurements need to be taken for assessing market opportunity, planning marketing programs, and controlling the marketing effort. We can do this together. I think everyone's on the same page.

Interviews with a regional market manager revealed the same perspective. There was an awareness of the market needs of the firm, but this cam second to the firm's orientation to its role as an awareness builder.

> We're good. You know that? There is a reason that [large coffee chain, not Firm 1] has never moved into Italy with its cultural heritage linked to drinking espresso, despite opening stores in other European nations that drink a lot of espresso, such as France and Germany. And we've been asked to go there. Asked. And it's not just because we make good coffee. We make good decisions. I'm going over there next week to make a presentation on our new strategy and what we're

going to do with the environment. We're creating partners who want to do the same thing.

What these interviews bring to light is a foundational interest in virtue. This company wants to become a group of advocates for building a new strategy that changes the way that not only the firm, but also the industry works as a whole. They are creating new sources for their business interests, both internally and externally, asking for creative solutions to what are perceived as old social and environmental problems, and shifting the status quo as a result.

8. Comparison of findings for Firms 1 and 2

The production of coffee is clearly problematic from both an environmental perspective and a social justice perspective, and therefore produces ethical challenges that are crucial to the responsibilities of a firm. The production of coffee has been shown to lead to environmental degradation and deforestation, and the overuse and damage of coffee supply nations' water supply and underground water systems. In addition, the production and distribution of coffee has a negative effect on labor rights, especially due to the fact that pesticides and fertilizers can do damage to the environment and to people's health. Looking at the example of the food commodity chain of coffee presented by the representative of Firm 2 and the literature, it is clear that consumers of coffee cannot truly understand whether it is fairly traded and produced in a sustainable manner; only firms that manage this process are likely to be aware of the entire situation. As a whole, therefore, these challenges, if replicated in different areas and across the food commodity chain, could lead to widespread permanent damage to the environment. This, over the long term, can have deleterious effects on both Firms 1 and 2 and their ability to sustain their own business models.

What can observe from the case of Firm 1 is that their CSR strategy is only aligned with actual ethical behavior within the firm and with its suppliers in the most basic and ancillary way possible. The thrust of the firm's overarching code of ethics and standards is that it means to decrease its regulatory and market risk. The firm has been able to grow in a significant way because of this approach, and because it does the minimum necessary to ascertain and maintain its ethical position. The firm does not claim to be interested in fair trade practices outside of occasional promotions, nor do they see themselves in an advocacy role despite the fact that they are able to wield considerable influence because of their vast purchasing power.

The reason that the company takes this position, according to its representative interviewed for this case study, is because the firm occupies several different niche markets and has a diversified brand, and gains their coffee supply from different vendors every year. The coffee does not come through a single supply chain but rather through a combination of buyers and brokers from which Firm 1 is distanced. Firm 1 sees its supply chain partners, rather than itself, as responsible for the sustainability of the supply chain because, as in the Friedmanian conceptualization of CSR as described above, the company perceives that its role is to provide financial support for best practices which will guarantee the intrinsic sustainability of the coffee industry.

The opposite can be said to be true for Firm 2's VE approach to its role in the industry and within the organization. Despite the fact that the company claims to have a vested interest in advocacy, they currently take a laisser-faire approach to VE. It is clear, from the interview with the firm's representative, that this is an important topic of interest to the firm, and that they have spent a great deal of time and money pursuing a strategy to support their suppliers in dealing with local environmental and labor issues. At the same time, it is not clear whether this strategy is going to be able to serve the firm over the long term because Firm 2 lacks an ethical governance structure that is, in itself, sustainable. As noted by Crossan, Mazutis, and Seijts (2013), this is one of the challenges in creating a virtue ethics framework; while a flexible ideology can breed responsiveness to ethical quandaries, it also requires a rational decision making process to be put into place so that there is a foundation for long term success in both establishing a culture of virtuousness in a firm, and in practicing this in everyday business activities.

With respect to sustainability, it can be said that Firm 1 is creating a foundation for sustainable engagement at a superficial level. By engaging with other firms in their industry so that they can create a framework for maintaining resources at a large scale, they are part of a means by which positive ethical change can take place. At the same time, they are also not likely to stand out from the crowd to try and shift the status quo; they are content to remain in their current market position by not raising consumer concerns about any environmental or labor issues. Firm 2 is working to further sustainability through their personal and corporate efforts in the field, and by trying to influence policy changes in their supply chain target countries. At the same time, they are a smaller firm without significant influence. This means that the effect that they want to make is not the one that they are actually making; their limitations are tied to their relative size and the scope of their impact in Brazil alone.

Looking at social weal, Firm 1 is less concerned about their ability to be virtuous than their ability to follow the rules set out for them by the governments they deal with in their production and sales processes. Firm 2 has committed themselves to social betterment and justice. The profit orientation of Firm 1 cannot be the ethical equal of Firm 2. Nonetheless, over the long term the efforts of Firm 2, if they are successful, will serve the profit interests of Firm 1.

With respect to good governance, Firm 1 has the ability to engage in very clear business practices, which can lead to governance tactics that are measurable and reviewable, so that goals can be set and achieved. Firm 2 has yet to establish such practices so that there is a clear pathway from their virtue orientation to actualizing their goals as a firm. While Firm 1's governance approach has, to date, placed the focus on fulfilling governance issues and preventing risk rather than actually moving social and environmental sustainability forward in their firm, they are able to manage their perceived CSR needs within a hierarchical and measurable process structure. Firm 2 has not been able to achieve this goal to date.

9. Conclusions

This paper has shown that a VE approach to business ethics is one that will prove superior to CSR in terms of sustainability, social weal, and good governance over the long term (Bocken et al., 2014; Scherer et al., 2013; Schwartz & Saiia, 2012; Sison, Hartman, & Fontrodona, 2012). In the short term, however, it may be difficult for firms to interpret how to create best practices that will allow for VE to create the foundation for good governance (Fontrodona, José, Sison & De Bruin, 2013; Sullivan, 2015; West, 2014).

In looking at the activities of both Firm 1 and Firm 2, it can be said that while there is a dangerous lack of truly ethical behavior among the leaders of Firm 1 and in terms of the application of their policies, Firm 2 lacks the ability to actualize some of what they want to happen with respect to their advocacy, social justice, and social change work. As well, what is evident from both of these cases is that there is a much greater level of momentum with respect to Firm 1's level of financial success in comparison to that of Firm 2. It is for this reason that the literature suggests that the current wave of interest in VE may need to be mitigated by best practice examples (Anderson, 2014; Crossman & Doshi, 2014). Both companies like Firm 1 and Firm 2 need to recognize that they may not have all of the answers that they need to claim to be truly ethical (Chell, Spence, Perrini, & Harris, 2014; Crossman & Doshi, 2014). Going forward, to achieve this goal, companies need to be able to hold themselves to a high standard in which they strive to do right by their stakeholders on an ongoing basis, and this same standard should be applied to the company's employees and supply chain partners as well. In this way, VE is not simply about making the right decision, but rather about making sure there is an underlying standard for what is expected of organizational behavior, which is kept in check by company leaders. To achieve this goal, Rotfeld (2007) points out that ethical organizational behavior involves clearly paying attention to what others say and mean, and not filtering what one hears with one's own values and ideas. This points to the fact that we all have different ways of interpreting information, and that being transparent in business requires an ethical framework in which to approach a business relationship, whether this transparency takes place inside or outside of the company (Fernando & Moore, 2015; Koehn, 2013; Racelis, 2013; Wang et al., 2015). Thompson, Thach, and Morelli (2010) point out, as well, that some of the ethical concerns observed by legal proceedings against businesses in the United States have highlighted the fact that these concerns can be traced back to the leaders of these firms. This is because, as noted by Millar, Delves, and Harris (2010), "followers require a degree of predictability from leaders and see ethical integrity as a warranty of this" (p. 110). Without a clear definition of what it means to be ethical and responsible, there is little chance that a company will follow a clear path towards these goals.

Given these factors, it is necessary for a company which has a focus on ethics to start at the top. All employees must be subject to the same code linked to expect ethical behaviour and the values tied to the virtues expected by the firm. This means that leadership is a key factor in ethics, in that "individuals' moral character, therefore, becomes the key motivation that drives business pursuit of excellence. That is, while the pursuit of 'external goods' is determined by business institutional characteristics and its reliance on market mechanisms, the pursuit of internal goods is derived from the moral and ethical character of the individuals in business" (Wang et al., 2015, p. 3). Ciulla (2004) also notes that an ethical leader, who is aware of his or her impact on company culture and how culture should shape decision-making, must be able to consider who benefits in the case of corporate decisions. This can be achieved through the integration of ethics and leadership into an organizational framework. This kind of framework is one that can prove successful if the company's management team is willing to create a longer-term vision for the future.

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