



Do Multinational Corporations Have an Ethical Obligation to Assist Those in Need?

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At the recent World Economic Forum in Davos, Switzerland, one particular topic drew unusually strong support -- the need for organizations across the board, both public and private, to contribute more to the war on global poverty and illness.

Part of this push towards greater social advocacy is directed squarely at corporations, whose resources are seen as necessary to address such specific problems as the AIDS crisis in Africa and the lack of vaccines for children throughout the developing world. At the same time, critics of the corporate social responsibility movement respond that a company's main duty is to its shareholders, not society at large. Pay the shareholders dividends, some would argue, and let them decide what to do with the money, including donate it to charitable causes.



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Last month, Wharton legal studies professor [Nien-hê Hsieh](#) tackled this topic during a luncheon presentation on "Multinational Corporations (MNCs) and the Ethics of Assistance," in which he noted that two principles may justify corporate social responsibility in special circumstances: Rescue and fairness.

A Question of Survival

Hsieh framed the issue as a "managerial challenge" and posed the question: "Is it possible for managers to heed calls for assistance in a way that does not undermine the business enterprise and its for-profit nature?" He noted that requests for help from MNCs are the result of several key factors. Multinational corporations often operate in countries characterized by unrelenting poverty. "The annual revenue of the five largest corporations is more than double the GDP (gross domestic product) of the poorest 100 countries in the world," Hsieh said. "So it is very natural for people to ask, 'Why are MNCs not doing more to assist those people in need?'" From the perspective of citizens in poverty-stricken countries, the companies would appear "well placed to do so."

The calls for MNC assistance are widespread -- from activists to advocates of world economic reform. As an example, Hsieh listed the demands by activists made on pharmaceutical companies at the Fifteenth International AIDS Conference held in Thailand in July 2004:

- Immediate reduction in the price of anti-HIV/AIDS medications to levels affordable for populations of developing countries.
- Removal of all conditions from concessionary price reductions.
- Permission for governments to employ compulsory licensing, parallel importing, or other mechanisms to protect public health.
- Guarantees for an uninterrupted supply of donations to all developing countries without arbitrary time limitations.

The calls for MNCs to do more to meet the needs of people living in developing economies are not limited to activists. For example, Hsieh outlined the efforts by United Nations Secretary-General Kofi Annan to persuade business leaders to join the Global Compact -- an initiative calling on businesses to respect and promote the cause of human rights, labor and the environment. Annan first stated these goals at the 1999 Davos conference and reiterated the same goals at Davos last year: "In just a few short years, the prevailing atmosphere has shifted from belief in the near-inevitability of globalization to deep uncertainty about the very survival of our global order," he said. "This is a challenge for the United Nations. But it obliges the business community, too, to ask how it can help put things right."

As a strategy for addressing the "managerial challenge," Hsieh proposed taking existing examples of assistance and asking on what basis such assistance could be justified in a manner consistent with the for-profit purpose of the business enterprise. In Hsieh's view, this is where the principles of rescue and fairness come in.

The Rescue Principle at Work

During his presentation, Hsieh discussed the HIV/AIDS crisis, focusing on Sub-Saharan Africa and citing the following facts:

- Last year, three million people were newly infected with HIV.
- 25 million people are now estimated to be infected with HIV.
- Two-thirds of all people infected with HIV live in Sub-Saharan Africa, but it is home to 10% of the world's population.
- In all seven southern African countries, prevalence rates are 17% or higher, and in Botswana and Swaziland rates are over 35%.
- Last year, there were 2.2 million AIDS deaths, representing 75% of the world's three million AIDS deaths.

Hsieh then outlined the following examples of assistance from three pharmaceutical companies:

- *Diflucan Partnership Program*: Pfizer donates the antifungal Diflucan to treat opportunistic infections in persons living with HIV/AIDS in countries with prevalence rates of 1% or higher.
- *Positive Action*: By partnering with the Centre for African Family Studies, GlaxoSmithKline aims to increase the participation of persons living with HIV/AIDS in national and international policy discussions.
- *African Comprehensive HIV/AIDS Partnership*: Partnering with the Gates Foundation in Botswana, Merck commits \$50 million and continues donations of the antivirals Cirxivian and Stocrin for the duration of the partnership.

According to Hsieh, these examples of corporate assistance can be justified in a way that addresses the managerial challenge -- if you start with the rescue principle. The rescue principle has been articulated by a number of philosophers (including Thomas M. Scanlon, a Harvard philosophy professor, whom Hsieh referred to): "If you are presented with a situation in which you can prevent something very bad from happening, or alleviate someone's dire plight, by making only a slight (or even moderate) sacrifice, then it would be wrong not to do so." To help explain the rescue principle, Hsieh considered the case of the drowning child, an example made famous by Peter Singer, a leading and sometimes controversial philosopher who is professor of bioethics at Princeton University. "Suppose that I am walking past a shallow pool and see a child drowning," said Hsieh. "Most of us would agree that I have a moral

responsibility to save the child, even if this means getting wet. What underlies this responsibility is the principle of rescue: namely, that when I am confronted with the opportunity to prevent great harm from occurring at little cost to myself -- mainly getting wet and muddy -- then I ought to engage in the prevention of that harm."

In the case of the pharmaceutical companies providing assistance, all three examples meet the criteria to be justified as instances of rescue: The plight is urgent (requiring prompt action); the companies are positioned to help alleviate the plight; and the sacrifice incurred is moderate. As Hsieh has written: "In the context of the HIV/AIDS epidemic, especially in a place like Sub-Saharan Africa, there is good reason to think that the provision of assistance by pharmaceutical companies can be defended with reference to the principle of rescue."

Justifying assistance with reference to a principle of rescue reflects Hsieh's notion that companies can "prioritize" -- rather than "balance" -- claims in response to requests for assistance. Balancing requires a manager to weigh the interests of different stakeholders, while prioritizing requires managers to think sequentially: Once a claim is fulfilled, the next claim can be met, and some claims can legitimately be seen as trumping others. In contrast to balancing, prioritizing protects companies because, as in the case of rescue, there is a "built-in limit to the amount of assistance required," and there is "no requirement to alter the purpose of the business enterprise."

Questions of Responsibility

The presentation sparked multiple questions, many of them relating to whether the principle of rescue applies to managers, shareholders, or the firm itself.

One participant noted that firms "are not passers-by. Owners of the firm have obligations, but not the firm." Another participant asked, "Why should it be the firm? Why shouldn't an individual buy the pharmaceutical supplies -- and give them away? Why do they have to be given away in kind?" One participant responded, "Why should anyone concede that the firm doesn't have duties? Or discretion?"

Some raised questions about the perception of a company that provides rescue and assistance. The case of an individual providing rescue -- as with the drowning child -- was seen as dramatically different from the corporation providing rescue. By virtue of providing assistance, is a corporation then seen as "good"? If you give assistance once, is it then expected? Is rescue, in fact, cumulative? Will the extension of aid be good for business? If so, will this public perception influence the view of shareholders as to the firm's "duty" to provide rescue?

Other questions referred to the preponderance of competing opportunities to provide rescue -- from HIV/AIDS to Tsunami victims to drowning children -- and how corporations decide who gets the aid. "How do you choose among them?" asked one participant. "If the money (that is flowing to the Tsunami victims) went to Sub-Saharan Africa, it would literally save lives. You are talking about thousands and thousands of lives if you just took those supplies today." This, in turn, sparked debate about the definition of "urgent" and "needy" -- and if these definitions influence when, where and how international rescue or assistance is applied.

And finally, there were questions about the nature of rescue. "Does the duty of rescue go up to the extent that the ease of rescue matters?" asked one participant. "Let's say you have this moderate effort or sacrifice. But if it's no sacrifice, is that a bigger duty to rescue?" When is a company "no longer under the duty of rescue?" Also, "should the nature of the firm be taken into account? Pharmaceutical firms are about helping people. Does the nature of the business affect their answer to rescue? Does it make a difference?"

In debating these questions, the group returned to the rescue illustration of the drowning child, and added

a distinction to reflect the situation of the manager: Does the obligation to provide assistance change if the rescuer is on his/her way to an important meeting, resulting in consequences for a company or employer if the meeting is missed? Or consider the case of a cab driver: Does he have a moral obligation to stop his cab and provide rescue to someone in need if he, in reality, doesn't own the cab but works for someone else? Does the right to rescue extend to the cab owner, as well as the driver?

One participant concluded: "I'm not sure we are all on the same page in terms of whether or not you have a duty to help, if you are talking about the shareholders and then you bring in the issue of the managers who are acting as agents of the shareholders. I think we are struggling to figure out the duty of the managers."

Fairness: India and Ikea

Hsieh also considered calls for assistance in cases that do not involve rescue. He introduced the example of the provision of education in India's "carpet belt" with help from Ikea, which sources its carpets from the region. Partnering with UNICEF, Ikea has established over 100 "bridge schools" to enable children to join the mainstream educational system.

Hsieh then introduced the "principle of a minimally fair benefit," which states: "In an exchange, if some, but not all, parties are above a minimal threshold of well-being and entitlement, then it would be wrong for the parties far above the threshold not to assist other parties to come closer to that threshold." If lack of basic education places one below the minimal threshold, Hsieh argued, then the provision of assistance by Ikea might be defended with reference to this principle of fairness. In the context of an exchange, he added, "heeding calls for assistance need not undermine the purpose of the business enterprise. The challenge is not whether it is permissible to provide assistance, but rather to determine whether all parties are above the minimal threshold and if not, what can be done to move parties closer to the threshold within the limits of the exchange."

With little time for conclusions before the seminar ended, Hsieh suggested some practical and theoretical considerations:

- For corporations to make transparent the potential need to engage in assistance and to specify the limit on resources for assistance before that assistance is offered.
- To shift from thinking in terms of balancing needs to prioritizing needs.
- To locate managerial responsibility within a broader framework of moral responsibility.

Hsieh's call for what he terms a "broader framework" -- and, perhaps, the future of debate on the issue of MNC assistance -- was spelled out clearly in a lecture he gave last fall. Noting that there are currently more than 1,500 companies participating in the Global Compact for assistance, Hsieh explained that "in general, businesses do pay attention to key stakeholders in making business decisions, and many corporations engage in a number of philanthropic activities and corporate social responsibility programs.

"My point is not necessarily to exhort business to do more by way of providing assistance. Instead, the point is whether there is a way in which to think about the provision of assistance that allows us to decide when heeding certain calls is appropriate and when heeding certain calls is not, from the perspective of respecting the fundamental purpose of the business enterprise," he said.

"Businesses will continue to face the need to make decisions regarding [aid] because of constantly changing circumstances and continued calls upon them to [do this]. As such, there is a need for a framework according to which businesses can decide whether or not it is appropriate to heed a given call." The goal now, he said, is to "provide an outline for such a framework."

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