

Covid-19 pandemic and the moral and social obligations of business organizations

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Abstract

People establish business organizations with the primary aim to make profit. The welfare and the protection of lives and properties of the citizens are the main responsibilities of the government. However, the social challenges facing humanity like poverty, diseases, global warming and natural disasters are so enormous and complex that government efforts alone cannot guarantee sustainable solutions. Consequently, a debate has been ongoing concerning the moral and social responsibility of business organizations to the society. Milton Friedman, an American pro-profit economist, insists that business organizations have no other obligation whatsoever to the society beyond payment of taxes and complying with government regulations. Other scholars who are pro-society insist that business firms have a duty to contribute, directly and voluntarily, to the development of the society. This paper examines this debate with a view to establishing the moral justification for the moral and social obligations of business corporations. The COVID-19 pandemic was used as a social context to help illustrate our position. We used Immanuel Kant's moral theory of categorical imperative and the United Nation's Global Compact (GC) initiative to anchor our analysis. Our contention is that since business firms belong to human beings, they ought not to be indifferent to the challenges facing the society; that they also benefit from their contributions to the society; and that they may also ask for the help of the government and the public especially in emergency situations.

Introduction

The pursuit of profit is the primary aim of any business organization, while the protection of the lives and properties of its citizens is a major obligation of the government. It is also a fundamental responsibility of the government of any country to see to the welfare of its citizens. However, the level of poverty in the world, together with other social, economic and even natural problems associated with it, is expanding obviously beyond the capability of national governments. In response to these challenges, the United Nations raised an alarm in 2005 and cautioned that:

...the global community must face the sad reality that more than 2 billion human beings still live on US \$2 or less a day. Given the scale and complexity of this, the greatest social challenge of our time, addressing poverty requires that national governments, the international community, business and civil society each contribute a reasonable share of their resources, skills and know-how to achieve sustainable solutions (cited in Leisinger, 2007, p. 2)

Here poverty is appropriately referred to as the greatest social challenge of our time, and the UN maintains that every aspect of the society should make reasonable contribution. There are also other pressing challenges like diseases, global warming and ecological disasters. These pressing challenges reinforce and exacerbate global poverty. In many countries, these issues at times overwhelm the best efforts of governments.

The year 2020 remains memorable as a period when COVID-19 pandemic devastated the world economy and caused unforeseen poverty and hardship globally. To-date no country has recovered fully from the negative impacts of COVID-19. Its negative impact globally is so devastating that it seems to justify the claim of the UN that every sector of the society ought to contribute both their resources and skills. However, one wonders whether this expectation of the UN from businesses constitute social and moral obligations. The issue we want to address is the role that corporate organizations, established primarily to make profits, can be legitimately expected to play in the society besides compliance to state laws. Are such roles optional for business organizations?

On the one hand is Milton Friedman, the American pro-profit economist, who following Adam Smith's line of thinking, contends that business organizations should only pursue profit as much as they can within the provisions of the law. What matters for Friedman is to conduct business without fraud or deception. Any business practice which is not banned by any law should go on regardless of any consequences to the society. On the other hand, some pro-society advocates like J.R. Boatright, D.H. Kamens and Robert Almeder, as we shall see later, claim that beyond the pursuit of profit within the law, business organizations ought to assist in the social challenges facing the society. They insist that Friedman is wrong in thinking that there can be no justification in expecting that a business firm which pays taxes, does not defraud anyone, and operates within the established business laws in the society, ought to make additional contribution to the welfare of the society at large. These scholars insist that for capitalism to survive, in the long run, business firms cannot afford to be indifferent to the pressing challenges in the society in which they exist. The various discussions over what should be the moral and social obligations of business obligation have led to the popularity of the concept of corporate social responsibility. The meaning of this concept as well as its consequences for business firms is also a matter of great controversy. There is also the issue of whether corporate social responsibility programmes of business organizations are mere charity, or whether they constitute social and moral obligations to the society.

As this debate is still ongoing, the United Nations in 2001, launched a programme called the Global Compact (GC) initiative, which it says is meant to "humanize business" activities. This initiative claims that business firms ought also to respect human rights, protect the environment, maintain international labour standards and shun corruption. This move by the United Nations looks like an endorsement of the moral and social responsibility of corporate organizations. The thrust of this paper is to show the grounds which justify the claim that business organizations have moral and social obligations to the society beyond the pursuit of profit and abiding by legal demands like taxation. COVID-19 is used merely as a social context to further illustrate the point that the social challenges of our time cannot be left for the government alone. Reference to the COVID-19 pandemic is also necessitated by the unprecedented donations from the private sector to help both the government and the masses in the fight against the pandemic as well as

the severe hunger that accompanied it (Channels Television, 2020, para. 2). For instance, during previous pandemics like HIV/AIDS and Ebola, the business firms in Nigeria didn't pull their resources to partner with the Nigerian government. The sudden generous donations which have followed the COVID-19 pandemic make one to wonder whether business organizations are accepting the view that they have moral and social obligations to the society.

The Controversy Surrounding the Moral and Social Responsibility in Business

It is quite easy for business firms to claim to be socially responsible. They try to prove this usually by doing pet projects, which they often see as mere charity to their host communities. This implies that they view such gestures as mere display of corporate philanthropy. Most of such projects are classified as corporate social responsibility, (henceforth CSR). It is not surprising then that the idea of CSR has gained ground in business discourse. According to Ray Ekpu (2007) the expression was first used in 1953 by Bowen in his book entitled the *Social Responsibility of Business*. Bowen attempted to raise awareness of the social obligations which business organizations might be legitimately expected to fulfill in the society. As of today, CSR has become a big issue with many definitions. Lord Holme and Richard Watts define it as: "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large" (cited in Ekpu, 2007, p. 20). One thing we can notice in this definition is that to be counted as socially responsible, corporations should behave ethically and also consider the interest of the society at large. This view gives room for morality in business.

In line with the above definition, J.R. Boatright explains that CSR is the selection of corporate goals and the evaluation of outcomes not solely by the criteria of profitability and well-being of an organization, but the ethical standard or judgments of social desirability (Boatright, 1993, p. 373). This implies that business firms should be mindful of ethical standards of the society while they operate. Consequently, the social desirability of business goals should be taken into serious consideration. In fact, the concept of CSR has far reaching implications for corporate organizations. The consideration of social desirability points towards an obligation to the society beyond legal stipulations. Improving the quality of life of both their local community and the entire society is seen as an issue that should concern business firms. This supports the view of the UN mentioned earlier that every aspect of the society ought to contribute both their resources and skills in the global fight against poverty, diseases and other social and economic problems. It should be noted that the moral and social obligations of business firms are still a controversial matter. Some scholars oppose it vehemently insisting that business is just for profit. Others think that business firms owe more obligations to the society.

An American economist Milton Friedman is the leading advocate of the pro-profit group. According to him: "there is one and only one social responsibility to 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, engage in open and free competition without deception or fraud" (Friedman, 2001, p. 79). For Friedman, a business organization can do whatever it can to increase profits (including fixing high and arbitrary prices) so long

as it does not deceive or defraud anyone. For him and his supporters, business firms can do whatever practices which are not morally permissible so long as what they do is not against the laws of the state. For instance, Friedman would argue that if environmental laws on pollution are inadequate, a corporate manager would be irresponsible if he takes the initiative to embark on pollution control measures that are helpful to the society, but which is not stated in the law. His only reason for this position is that such environmental protection initiative will reduce profits. Mentioned above are the key arguments in opposition to the social and moral obligations of business organizations.

For many reasons, other scholars have condemned the position advanced by Friedman. For instance, Boatright (1993) arguing from the viewpoint of consequences, contends that although it is true that the "money spent on product safety or pollution control may reduce the potential return to shareholders, but the alternative is to conduct business in a way that threatens the well-being of others in society" (p. 380). One clear danger here is that the law regulating such businesses with harmful practices might be inadequate, or the regulatory agency might be weak. Under such circumstances, the life of the masses will be in danger. For instance, this has been the case with the Multi-national Oil Corporations in Nigeria which continue to engage in the deadly act of gas flaring owing to the loopholes in the Nigerian laws and the weaknesses of our regulatory agencies. This callous act has endangered both human and animal lives, affected agriculture adversely and also polluted the environment of the Niger Delta part of Nigeria. As we shall see later in the GC, the UN maintains that business firms owe the society both moral and social obligation to take precautionary approach to environmental pollution.

In defence of the moral and social responsibility of enterprises Robert Almeder (2001) developed what one might call morality-in-the-market-place argument. He asserts that the view represented by Friedman is unjustifiable because making profit is not the only criterion to measure human happiness and success. He even contends that disregard for the negative impacts of business activities on the society is unprofitable; because it will, in the long run, lead to more stringent regulations against corporations. According to him, "being socially responsible in ways that go beyond legal profit-making is by no means a dubious luxury for the capitalist in today's world. It is a necessity if capitalism is to survive at all" (Almeder, 2001, p. 92). This point has been illustrated by the case of Shell multinational oil corporation in Ogoni, Rivers State of Nigeria. Their focus on the pursuit of profit, to the utter neglect of the environment and the welfare of the host communities, has led to community hostilities culminating into the shutdown of operations of Shell in that area for more than twenty years. That must have caused a huge loss of revenue to both Shell and the Nigerian government.

In fact, business corporations can receive many benefits from being morally and socially responsible and responsive. For example, donations to the public help business firms to manage local dependencies and create trust (Kames 2006:45). Creating trust in the public is viewed to be useful especially where corporation operate in volatile communities. CSR can even boost the sales of corporations. For instance, a survey of 400 opinion elites conducted by APCO across 10 countries found that: "Positive CSR information has led 72% of the respondents to purchase a company's product or service and 61% to recommend the company to others. Conversely, negative CSR news has led 60% to boycott a company's product and services (<https://www.sourcewatch.org>). This

means that corporations taking the initiative to give back to the society can even be a sort of advertising and facilitate their public relations. However, the main issue is not whether enterprises benefit from their social investment. The crux of the matter remains whether business enterprises owe any moral and social obligation to the society, and if yes, on what ground?

Justification for the Moral and Social Obligations of Business Organizations

Here, we are going to use the moral principle advocated by the German philosopher Immanuel Kant to make a case for the justification of moral and social obligations of business organizations. Kant developed the principle of categorical imperative as the underlying principle that should guide moral conduct in the society. He argues that to behave in a morally correct manner, one ought to act in such a way that if one's principle of action were to be made a universal law, it will not contradict itself (Kant, 1948, p. 84). This means a person or organization acting in such a way that if others were to follow their principle of action, it would be reasonable to expect that the society would function well. The point is that every action has a principle behind it, and some actions will contradict themselves if they were to be applied as a general rule. For example, he explains that someone who makes a false promise in order to obtain a loan which he intends never to repay would eventually ridicule the act of making promise in the society. This is because his principle of action is that one can make a false promise when in need in order to fraudulently obtain one's need. Such a principle cannot work as a universal or general principle of action, because if others were to apply the same principle, people will no longer trust one another and no one would believe promises anymore. Thus, such a principle of action is self-contradictory.

One can evaluate the issue of the moral and social obligations of business firms from the viewpoint of Kant's universalization principle. It is very clear that people establish business in order to make profit. Thus, if one should wish that it should be made a universal law that everyone who establishes a business should make profit, then it is reasonable to expect that this means well for everybody. There is no contradiction in everybody making profit. In fact, the society will flourish if everyone makes profit. However, the problem with the pursuit of profit arises if it is pursued to the detriment of others or the society. That is, if the pursuit of profit puts the life of others in danger, whether the law recognizes such danger or not. We can use environmental pollution to illustrate our point. In a country where the law allows or tolerates the emission of poisonous chemical substances like gas flaring into the environment, thereby endangering both human life and the environment, is it morally right for business corporations to go on with such activities? Do they not owe an obligation to the public to maintain global best practices regarding safety regardless of inadequate local laws? Business firms who hide under the inadequacies of the local laws to destroy the environment will face public criticisms (and even conflicts) which will likely lead to more strict laws. To insist on business practices which harm people for the sake of making profit is to maltreat the victims and to rate profit higher than human life.

Another interesting argument from Kant, which is helpful in our discussion, is that as human beings, to help others where one can is a duty (Kant, 1984, p. 64). Many examples could be used to demonstrate both the contradiction in a corporation declining to participate in CSR, and also show that it is an obligation to help others where and when one can. For example, when there is a road accident, it is the primary duty of the Road Safety Corps, the Police and Ambulance Services to attend to the victims. However, if an accident happens and there are passers-by who could have salvaged the situation, but

who refused to help, simply because it is not their legal responsibility to attend to accident victims, every rational and impartial person would see their excuse as trivial. In fact, the public will condemn their refusal to help as a wicked act. The basis of the duty to help others, where one can, stems from the fact that as human beings, we are mutually inter-dependent. This is equally applicable to business organizations, because they belong to human beings. Business corporations might, from time to time, need the assistance of the public. For example, if a company is robbed or vandalized, the management would expect that anyone in the society who has useful information on the matter should avail the police of it.

From the discussions above, it can be said with a great deal of justification that in the face of a global economic crisis worsened by COVID-19 pandemic, business organizations ought to help both the government and the masses to raise fund to fight the challenges associated with COVID-19. Since the year 2020, the Corona Virus Disease outbreak which started in Wuhan, China in November 2019 has spread globally and caused a heavy catastrophe. The global lockdown caused by the pandemic paralyzed business activities and exacerbated poverty globally. The health challenge it created is also fatal. Millions of people have lost their lives and jobs. Although some COVID-19 vaccines are available, they are still very expensive such that some poor countries cannot afford enough supply for their citizens. Where the health and economic challenges posed by COVID-19 are beyond the capacity of the government, business organizations within such places have a moral and social responsibility to contribute both their resources and services for the survival of mankind. They cannot afford to be indifferent to the sufferings of the masses under such a situation.

It is on this note that we commend those business corporations that voluntarily contributed their resources to help Nigeria fight both COVID-19 pandemic and the severe economic hardship that accompanied it. The Central Bank of Nigeria (CBN) had in 2020 opened a COVID-19 Relief Fund and appealed to the private sector for support to help fight COVID-19 in Nigeria. The response from both individuals and corporate organizations in Nigeria was amazing. A coalition of the private sector against COVID-19 known as CACOVID was formed. Generous donations in terms of cash and materials were quickly gathered. Some of the outstanding contributions include that: "Aliko Dangote has donated N2bn to the fund, the same as the CBN. Some other 13 individuals and companies- including Abdulsamad Rabi (BUA Sugar), Segun Agbaje (GT Bank), Tony Elumelu (UBA), Oba Otudeko (First Bank of Nigeria), Jim Ovia (Zenith Bank) –also donated at least N1bn" (Channels Television, 2020, para. 2) Mentioned above are among the earliest donations. Many other business groups complied later. Corporate organizations like FBN Merchant Bank, Heritage Bank, Polaris Bank, Development Bank of Nigeria (DBN), Wema Bank and Keystone Bank also donated N100 million each (Uzoho, 2020, para. 6). Besides their generous donations, there were also partnerships between the government and the private sector. For instance, Guaranty Trust Bank assisted the Lagos State government to erect a 110-bed isolation facility at the Onikan Stadium (Unah, 2020, para. 4). Food items shared as palliatives were also among the generous responses from the Nigerian private sector. Something very interesting about these donations is that they were not given with ulterior motives. On this note Unah (2020) reports that: "A top official at Guaranty Trust Bank told African Business that the private sector's support is mainly driven by genuine philanthropy" (para. 7). They saw the need to give back to the society.

Our contention is that those business corporations in Nigeria which gave palliatives to Nigerians or to the Nigerian government during the peak of the COVID-19 pandemic

did what they ought to do. They fulfilled their moral and social obligations to the society. Besides, many corporations in many countries are demanding bailout funds from their various governments. Bailout funds are derived from the taxes of the masses. Hence, the business organizations are indirectly demanding bailout funds from the masses. So, we are mutually inter-dependent. Business firms also need the people and the government as well.

The United Nations Global Compact (GC) Initiative for Businesses

The United Nations in 2001 launched a programme it called the Global Compact (GC) initiative. It designed this programme as a framework to guide business corporations worldwide based on what it identifies as ten universally accepted principles in the area of human rights, labour, the environment, and anti-corruption. Thus, the UN explains that: "The global compact is first and foremost concerned with exhibiting the social legitimacy of business and markets" (United Nations, 2001). This came up within the context of severe public criticism and distrust of business firms due to their overemphasis on the pursuit of profit. The ten principles adopted by the UN are:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human right abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour;
6. The elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery. (United Nations, 2001)

The above principles, as we can see, cut across many aspects of life in the society and point towards the moral and social legitimacy of businesses. Thus, one can see that the moral and social responsibility of business organizations are vast and go beyond corporate giving.

Some business firms in Nigeria, like Shell Petroleum PLC, MTN Group Limited, and Nestle CWA etc., have endorsed the UN Global Compact initiative. However, adherence to the principles of the Global Compact is what matters most. Nestle CWA has categorically stated their commitment to the UN initiative thus: “Nestle’s own Corporate Business Principles incorporate the 10 UNGC Principles and we reflect the basic concept of fairness, honesty and respect for the people and the environment in our business actions” (Nestle CWA, para. 1). The position of Nestle CWA underscores the importance of the Global Compact to the society. Hence, mere giving of palliatives or display of corporate philanthropy is not enough to fulfill the moral and social responsibility of business organizations. For instance, Shell claims that it spends about \$60 million yearly in its corporate social responsibility programmes to help the communities where it works (Ibeanu, 2008, p. 29). Unfortunately, Shell also engages daily in gas flaring which endangers the life of the people and the environment of their host communities. In this regard Ibeanu (2005) laments that: “Gas flaring by major oil companies like Shell, Agip, Mobil and Elf is said to release 35 million tonnes of carbon dioxide and 12 million tonnes of methane into the atmosphere annually” (pp. 59-60). It should be noted, therefore, that mere donations from business corporations cannot justify environmental pollution or other harmful business practices. They have the obligation to take measures that will prevent business activities from endangering human lives. This obligation is binding regardless of whether it is stated in the state laws or not. The UN looks at this as a duty that businesses owe to the society at large. It demands business firms to be morally and socially accountable to the society.

The South African telecommunication giant in Nigeria, the MTN, seems to have realized the importance of the UN Global Compact, as well as their social responsibility to the society. This is the reason which forms their policy thus: “We aim to sustainably maintain and grow our business in a way that is environmentally and socially responsible” (MTN, 2021, para. 11). To ensure that this policy is put into practice, MTN gives updates to the UN through its UNGC Communication in Progress forum. Consequently, the MTN Group declares: “We hold ourselves accountable in a transparent manner by adhering to the United Nations Global Compact on human rights, labour standards, environmental responsibility and fighting corruption. In the same spirit we apply the Global Reporting Initiative’s Guidelines on sustainability reporting” (MTN, 2021, para. 11). Besides compliance with the UN Global Compact, one can also clearly see

from the above policies of the MTN that the company admits that it has an environmental and social responsibility to the society.

Conclusion

The issue of the moral and social obligations of business organizations involves an ethical dilemma. This is because any attempt to fulfill this obligation might clash with the quest to maximize profit which is the primary goal of business. However, some of the arguments raised in this paper point to the fact that making some sacrifices for the development of the society can be very beneficial to business organizations as well. Since business organizations exist in the society and are owned and managed by human beings, they ought not to be indifferent to the challenges facing the society. Hence, in addition to paying taxes and complying with business regulations, business firms, especially the wealthy ones, have moral and social obligations to assist directly and voluntarily in the development of the society and wellbeing of the masses. This obligation applies more in difficult and emergency situations like poverty, diseases, accidents, war, hunger and natural disasters. The protection of the environment is also another core moral and social obligation of business organizations. This duty not to do things that will gravely harm human life and the environment is binding regardless of whether it is written in the state laws or not.

Furthermore, the social challenges facing the human society today especially poverty and disease will overwhelm any government. The negative impacts of COVID-19 have been fatal worldwide and have aggravated the challenges facing humanity. Even the economies of the most advanced countries have been severely affected. The best health care systems have been overwhelmed. Although many vaccines have been discovered, they are still very expensive, and the available dose grossly insufficient. Left on their own, many countries cannot presently afford to procure enough dose of the vaccine for their citizens. Business organizations, therefore, should partner with the government to procure the vaccines and also help the masses to survive the hunger majority are facing presently. Since corporations are owned and managed by human beings, societal problems concern them too.

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