

Using Stakeholder Empathy to Promote Corporate Social Responsibility

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Abstract. The requirement of the Association to Advance Collegiate Schools of Business to include business ethics in the curriculum has prompted business programs to teach ethics either integrated across the curriculum or in standalone classes. The question addressed here is how to engage students in thinking deeply and empathetically about ethical issues impacting corporate social responsibility (CSR). This research focused on using a thought experiment developed by John Rawls in which students examined CSR issues from the perspective of six stakeholder groups. A pre-test/post-test design measured the effectiveness of an instruction module on CSR coupled with an active exercise using Rawls' veil of ignorance and original position. Results indicate that students placed greater responsibility on the stockholders and board of directors after taking this module. The implication of the Rawlsian technique to use stakeholder empathy is discussed as a tool for engaging business ethics students.

Keywords: business ethics education, john rawls, veil of ignorance, original position, stockholders, board of directors.

1. Introduction and Literature Review

One of the primary goals of teaching business ethics is to thoroughly engage students in thinking about the ethical implications of business decisions. Done correctly, this deep reflection will lead to a greater awareness of corporate social responsibility (CSR) and, when these students become decision makers, the implementation of more socially responsible policies. This is the reasoning behind accrediting agencies like AACSB requiring the inclusion of ethics and integrity (Bagramoff and Perry 2020, p. 15) in the curriculum (also see Carson 2013; Haines *et al.* 2009). The question addressed by this research is how students in a business ethics class can be engaged in thinking about the ethical implications of various organizational decisions that impact CSR.

Regardless of whether the ethics component of the business curriculum is accomplished with a dedicated course in business ethics and social responsibility or diffused across the curriculum with an ethics component in several core classes, how this ethics component is implemented is a key issue (see Medeiros *et al.*

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2017). Rule-based ethics classes are probably the easiest to implement but are often criticized (Maclagan 2012) because they are prohibitive in nature and, as Johnson *et al.* (2013) notes, it leaves students wondering what actions they should take. The shortcomings of rule-based instruction have prompted others to suggest more values-centered approaches (Arce and Gentile 2015) focusing on moral identity (Gu and Neesham 2014), moral awareness (Lowry 2003), and moral courage (May *et al.* 2013). This personalized approach reinforces the idea promoted by Thor *et al.* (2014) that students learn the implications of unethical behavior better if they view the outcomes personally from the perspective of a victim of unethical behavior. As Cohen (2012) states, “business ethics should be concerned with cooperative, mutually beneficial outcomes [and] we ought to focus on cultivating empathetic experiences” (p. 359).

The idea of compassion and empathy has been developed by Maxwell (2008) to promote moral development in professional ethics education. In this approach, empathy – the ability to understand a situation through the thoughts and feelings of others – is an important dimension in the development of ethical behavior. A broad, interdisciplinary perspective on empathy in business ethics was developed by Martineau and Racine (2016). They explored the role of empathy in business ethics from the disciplines of neuroscience, social psychology, philosophy, and ethics and concluded that empathy is significant for informed decision-making, moral engagement, and “is a rampart against a cold, impersonal, and dehumanized business” (p. 1). Cartabuke *et al.* (2019) demonstrated a “positive relationship between empathy and social justice attitudes” (p. 613) in establishing empathy as an antecedent to social justice.

But empathy toward whom? An overlooked approach to empathy and its role in business ethics is that of viewing governance decisions through the eyes of various stakeholders. One such empathetic approach emphasizing the perspectives of multiple stakeholders as a method for students to view the world of business ethics holistically was advocated by Brinkmann and Sims (2001). Employing stakeholder theory (Freeman 2010 and Phillips 2003) in this manner is an important part of business ethics education because it requires students to view the firm’s specific organizational issues from multiple, often conflicting stakeholder positions. Thornton (2013) proposed a similar method of examining an ethical issue from multiple perspectives, each of which represents a group of stakeholders with some interest in the business enterprise who want to be considered in the decision-making process. Empathy in these stakeholder approaches involves visualizing an organizational decision from the perspective of various stakeholders.

How do educators engage students in an empathetic examination of organizational decisions from the perspective of various stakeholder groups? Cohen (2010) applied the work of John Rawls (1964, 1971) and the concept of justice as fairness to business ethics and stakeholder theory. Rawls, a political philosopher, presented justice as fairness as society’s main institutions fitting

together to form a unified scheme of social cooperation. He further suggested that social cooperation is possible but is hampered by arguments and actions based on self-interest. Subsequently, Cohen (2012) introduced the idea of empathy in business ethics education to complete the theoretical connection between Rawls' justice as fairness, stakeholder theory, and empathy. Empathy, the opposite of self-interest, can only be achieved if individuals are able to step out of their own world and view issues and decisions from the perspective of others.

To combat self-serving arguments of fairness, Rawls proposed a thought experiment in which individuals went behind a "veil of ignorance" and assumed an "original position" wherein they were unaware of their own attributes, including personal values, race, gender, or level of income. Evans and Evans (2014) adapted this Rawlsian approach to societal structure as a conceptual approach to unraveling competing stakeholder interests in governance issues and organizational decisions. The current adaptation of Rawls requires individuals to set aside their own stakeholder identity and self-interests to empathetically view organizational decisions from each, potentially competing, stakeholder perspective.

Using perceived stakeholder interests and responsibilities as a tool to encourage students to view issues from multiple perspectives can promote empathy. In turn, empathy can be used as a tool to assign responsibility and power to stakeholder groups for specific issues. In this research, students were asked to assign responsibility to various stakeholders for several facets of CSR by setting aside their own potential self-interests behind Rawls' "veil of ignorance". Students were asked to rank the power and responsibility of stakeholder groups for several organizational decisions impacting CSR before and after an instructional module in stakeholder ethics and CSR. Because of the educational enrichment achieved through lectures and the use of the Rawlsian technique promoting empathy, it was hypothesized that greater responsibility would be assigned to stockholders, acting through the board of directors, for decisions impacting CSR after students took an instructional module in CSR. Stated more formally:

H_0 : The numerical rankings of power and responsibility for the stockholders, acting through the board of directors, after the unit on CSR (R_A) will be less than or equal to the numerical rankings before the instructional unit on CSR (R_B) for each of the twelve CSR issues. Thus, the null hypothesis is: $R_A \leq R_B$.

H_1 : The numerical rankings of power and responsibility for the stockholders, acting through the board of directors, after the unit on CSR (R_A) will be greater than the numerical rankings before the instructional unit on CSR (R_B) for each of the twelve CSR issues. Thus, the alternate hypothesis is: $R_A > R_B$.

2. Methods

Participants

The participants in this study were 193 undergraduate students in a required business ethics and social responsibility class at an AACSB-accredited college of business at a flagship university in a rural western state in the United States. Students participated anonymously so detailed demographic information was not collected. However, some general descriptions can be made about the population surveyed. There was an approximately equal number of men and women, primarily Caucasian with a small number of Native Americans and African Americans. The respondents were mainly traditional-age students, and most were enrolled in common business majors including accounting, finance, management, marketing, international business, and management information systems. A small number of business minors and other students representing disciplines across the university also participated. Although these participants were undergraduate students, their experiences as consumers, employees, community members, and managers or stockholders gave them competency to examine business decisions thoughtfully from multiple stakeholder perspectives.

Instrument

A survey instrument was developed which required students to rate stakeholder power and responsibility for several corporate issues related to CSR. The stakeholders were the stockholders as represented by the board of directors, management, employees, the government, the community, and consumers. These would all be considered legitimate stakeholders by the standards of Freeman (1994), Phillips (2003), and Santana (2012), and represent both internal and external stakeholders as defined by Sirgy (2002).

The issues related to CSR were as follows: (1) the level of compensation of the Chief Executive Officer (CEO) and other members of top management; (2) the number and extent of the health and safety features of the products and services offered by the business; (3) workplace health and safety; (4) environmental decisions, including air and water discharge and refuse disposal; (5) employee compensation, including wages and benefits; (6) work policies and procedures, including disciplinary practices and supervision practices; (7) the amount and frequency of stock dividends; (8) property and income taxes; (9) what products and services to offer, and at what price; (10) ending the enterprise, including by the declaration of bankruptcy; (11) employee stock ownership; and (12) responding to sustainability issues and climate change. These issues were selected because they were broad enough to represent many governance issues impacting CSR and were also congruent with Roloff's (2008, p. 245) framework of issues-focused decisions in multi-stakeholder networks.

The participants were instructed to perform this rating of stakeholders from behind Rawls' "veil of ignorance" to encourage students to set aside their potential self-interests and view the issues from the perspective of each