

# Developing an Agribusiness Ethics Curriculum

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## 1. Introduction

From being seen as one of the classic oxymorons, business ethics is now well established in the curricula of business courses at both graduate and undergraduate levels. However, it appears that ethical analysis is found less in agribusiness curricula, despite the importance of ethical issues in the food and agribusiness system - ranging from the macro (environmental issues and sustainability, poverty and hunger, wealth and income distribution, animal welfare, control and management of science and technology) to the micro (for example, product safety and morality, labelling and promotion, workplace safety ... and so on). There is an increasing academic interests in the area, as evidenced by the publication of two recent books (Mephram, 1996; and Thompson, 1998) and the establishment of a journal, *Food Ethics*.

This paper presents an overview of alternative ethical systems and outlines the ethical issues facing managers and policy-makers in the agribusiness sector. The contribution of alternative ethical viewpoints to the analysis of each of these issues is discussed. Finally, we present some thoughts on curriculum development and approaches to teaching agribusiness ethics.

## 2. What is ethics?

White (1993) defines ethics as the activity that "explores the nature of moral virtue and evaluates human actions through a rational secular outlook that is grounded in notions of human happiness and well-being". There is quite a lot in this definition. The word "rational" implies that ethical behaviour is underpinned by logic; the word "secular" means that ethical behaviour is not simply conforming to religious doctrine; the outcome of ethical behaviour should be an improvement (however measured) in human happiness and well-being . (Note that other species are not mentioned.)

When challenged on whether or not their organizations behave in an ethical fashion, most business people would answer in the affirmative on the grounds that:

- "We would never knowingly break the law"

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- “We would never behave in a way that would harm our staff, customers, suppliers or anyone connected with the company”
- “Our company has had a code of ethics and an ethics committee for 8 years and we recently appointed an ethics officer”
- Our company is strongly grounded in the Christian beliefs of the founder”
- We are concerned enough about our reputation that we would always behave in an ethical fashion”
- “Of course we are ethical. Ethics is just good business practice”

These answers, individually or collectively, are not enough. Ethical behaviour is not simply, and more than, being law-abiding, following a set of religious beliefs, or having an ethics committee. Reputation is a powerful motivator for ethical behaviour because of the “shadow of the future” that hangs over firms whose management has behaved in an unethical way<sup>1</sup>, but truly ethical corporate behaviour occurs for reasons other than profit, in either the short or long term. Ethics is based fundamentally on a concern for the rights and welfare of present and future generations of people and, we will argue, other species as well.

### 3. Approaches to Analysing Ethical Questions

In the long history of the development of ethical thought, four approaches seem to have passed the test of time and provide useful frameworks for analysing ethical issues relating to agribusiness issues at both the societal (meta-ethical) level and within agribusiness organizations. These four approaches are:

- Utilitarianism (teleology, consequentialism)
- Deontology
- Virtue Ethics
- Rights Ethics

We will briefly discuss each of these:

#### 3.1 Utilitarianism

Utilitarianism (also known as consequentialism or teleology) derives from Bentham and Mill and is familiar to economists. It is concerned with the *outcomes* of ethical behaviour, rather than the motives that underpin it. An act is seen to be ethical if, on balance, it produces an improved balance of pleasure over pain. The words “pleasure” and “pain” suggest that utilitarianism is based on a simple type of hedonism (which was Bentham's original proposal), but the idea can be extended to higher order needs in terms of flourishing, suffering and self-fulfilment.

Utilitarianism is very much a “means justify ends” view of ethics. In its most crude form, it can be used to justify the killing of one person if the consequence of the action was that two people would be saved. We are naturally somewhat uneasy about such simple prescriptions, for at least three reasons:

- We can never be certain about the link between an act and its consequences.
- Tradeoffs are necessarily required.
- In most “western” societies, we would accept that individuals have basic rights (including the right to life) and these can not be violated even if, on balance, there was net improvement in aggregate welfare.

A less dramatic example might be “sensitivity payments” to government officials in a developing country to facilitate a business transaction. By a simple consequentialist calculation, this could be seen to be ethical behaviour because, on the face of it, most affected parties seem to be winners and there are no obvious losers. But, such payments are either illegal (in the US) or forbidden by an industry or firm code of practice. What

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<sup>1</sup> Axelrod (1984) The shadow of the future can also work in a positive way - customer and supplier loyalty that is generated from perceived ethical behaviour which, in rural communities, can extend over generations.

might be the reason for this? Probably because there is perceived to be some higher-order measure of welfare relating to the efficient operation of the economic system (for example, there is not a transparent market for bribes)

These two examples suggest that simple act utilitarianism should be constrained by some overriding rules, which is what, in fact happens in any society. The basic problem with such rules is that a) The more rules there are, the more they are likely to conflict, and b) there is no obvious basis for deciding which rule has priority - except, perhaps, the rule that leads to the greatest improvement in overall welfare!

These sorts of arguments have gone on for many centuries and are not finally resolved (which is, perhaps the way it should be). However utilitarianism is the basis of many practical modern applications of philosophy -for example, animal welfare, discussed further below. It has the advantage of being unbiased and impersonal (the principle of utility maximisation requires that the actor does not favour one affected party over another) and, for managers, aligns well with the analysis of decisions in terms of their impact on *stakeholders*.

### **3.2 Deontological Ethics**

Utilitarianism focuses on the consequences of an act; deontology focuses on the motives for it. Deontology, deriving from Immanuel Kant (1724-1804) is a moral theory “according to which certain acts must or must not be done, regardless to some extent of the consequences of their performance or non-performance” (Honderich, 1995. Page 187). Note the phrase, “to some extent”. Deontology is not the same as absolutism which argues that certain acts are wrong whatever the consequences. For example, bribery is forbidden by law or ethical sanction, but there will be exceptional cases where it is acceptable.

The key feature of Kantian ethics is its focus on the *individual*. The system is built on three foundations; rules, duties and rights. We have a *duty* to respect *rules*, and this process establishes the *rights* of those to whom we have a duty. The most fundamental right is that of individual *autonomy*. Kant argues that all rational individuals will deduce the same maxims (rules) because they are constrained by the principles of universalness (would I want everyone to behave in that manner?) and reversibility (would I want that rule applied to me?).

Some criticisms of deontological ethical systems are that they:

- Don't explain *why* a particular right should be respected
- Don't provide clear links between rights and duties
- Don't provide a basis for prioritising rights
- Don't give clear guidance on the circumstances in which it would be acceptable to violate a rule or right

The appeal of Kantian ethics is that it focuses on a higher order morality (the motives for behaviour) than consequentialism (with what some would see a crude emphasis on outcomes) although Solomon (1993) argues that “utilitarianism shares with Kant that special appeal to anal compulsives in its doting over principles and rationalisation (in crass calculation) to the neglect of individual responsibility and the cultivation of character”. This brings us to the next ethical paradigm, virtue ethics.

### **3.2 Virtue Ethics**

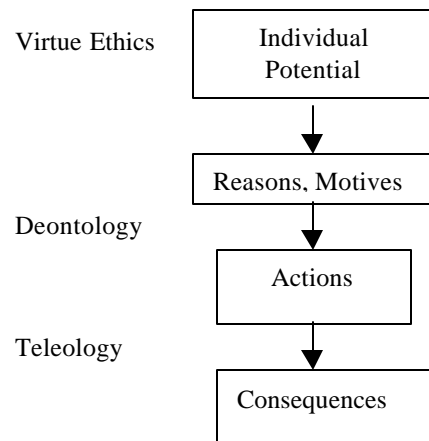
Virtue ethics derives from Aristotle and has something in common with Kant in its emphasis on the individual. Aristotle argued that people have inherent potential and the basic criterion for judging any human action is whether or not it enhances this potential – mentally, morally and socially. It is less elegant – in logical terms – than teleological and deontological ethics and does not provide clear cut rules for decision-making. But, it addresses a very important issue – the development of individual potential.

Solomon (1993) develops framework for virtue ethics in business which encompasses:

- Community - employees as members of a corporate community

- Excellence - in both ethical behaviour and business performance
- Integrity – both of the organization and individual employees (recognising that individual employees may have a commitment to higher-order morality – whistle blowing)
- Judgement - on ethical and other matters
- Holism – not isolating business and professional roles from the rest of our lives.

The relationship between teleology, deontology and virtue ethics is illustrated in Figure 1.



*Figure 1: Links Between Ethical Systems*

### **3.4 Rights-Based Ethical Systems**

Kantian ethics come nearest, but none of the three ethical systems discussed so far give much thought to a basic ethical question – the rights of the individual.

Rights are regarded as supra-legal entitlements shared equally and universally by all people. The multitude of documents which promote this ethical view include the U.S. Declaration of Independence and many United Nations declarations from the second half of the 20<sup>th</sup> century.

At the most basic level, people have the right to subsistence, security and liberty. The basic rights are seen as a precondition for the exercise of more complex rights (Dower, 1996)

## **4. Business Ethics**

Business ethics emerged in both academia and business in the USA in the 1970s – later in Europe. It is now taken seriously by most major corporations. The *Economist* (April 22, 2000) reports that the Ethics Officers Association (a US organization) which began with 12 members in 1992, has 650 today.

Business ethics can encompass both the higher-order questions relating to economic systems and the role of business in society, as well as ethical issues within a company such as its investment policy (now closely monitored by ethically-oriented shareholders), occupational health and safety, remuneration of employees, “whistle blowing” .. and so on. Even such questions as the nature of the negotiation process, which involves a series of “ambit claims”, is subject to ethical scrutiny. An ambit claim is, after all, a lie – and is therefore

unethical? (Carr, Bowie in White, 1993). Perspectives on ethical questions at both the societal and firm level differ between countries – giving rise to interesting questions on ethics and cultural relativism.

Two fundamental questions in business ethics are:

- Given that the history of ethical thought is firmly grounded in consideration of ethical questions from the perspective of an individual person, can a business organization be considered in the same way as a person?
- Where do the responsibilities of business begin and end – only with shareholders or should a wider group of stakeholders be considered?

## 4.1 The Corporation as a Moral Person

“Did you ever expect a corporation to have a conscience when it has no soul to be damned and no body to be kicked”<sup>2</sup>

This eloquent quotation addresses a philosophical question; can a corporation be considered as a “moral person”. The philosophical arguments are subtle and complex (French, 1979) but the existence of ethics committees, ethics officers, ethical mission statements and investment policies etc, does mean that business organizations are, in operational terms, proclaiming themselves as having an ethical identity – in much the same sort of way as they are a legal one.

## 4.2 Stakeholders

Stakeholder analysis is a powerful approach to analysing the relationship between the corporation and its environment from the perspectives of marketing, business strategy, government/business relationships and, for our purposes here, ethics (Baron, 1996). Milton Friedman, in much-reproduced article in the *New York Sunday Times Magazine* argued that “The Social Responsibility of Business is to Increase Its Profits” (In Jennings, 1999). The theme of the article was that profitability is the **only** responsibility of business, implying that shareholders are the only relevant stakeholders. Friedman, we presume, would have been happy with the idea of including stakeholders such as customers, suppliers, employees and financiers on the grounds that proper management of these stakeholder groups would contribute to profitability, but he was certainly very unhappy with the idea that business should be concerned with wider social responsibilities. Time (and Friedman) has passed on and today, most corporations would acknowledge their wider responsibilities.

## 4.3 Ethics and Profits

While profitability, in the short or long term, should not be the primary motivation for ethical behaviour, there is increasing evidence that ethical corporate behaviour can be profitable for at least three reasons:

- Reducing costs – for example, ethical concerns about environmental questions, leading to an active environmental policy, can result in significant cost reductions (The 3M Corporation)
- Happy employees. Employees don’t like working for companies they perceive to be behaving unethically and are often the driving force in introducing ethical policies (The Economist, April 22, 2000)

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<sup>2</sup> Baron Thurlow, British Lord Chancellor, quoted in French, 1984.

- Happy shareholders. Individual shareholders and Funds Managers are looking for investment opportunities in ethical corporations.

There is a nice potential linkage between corporate ethics and two ideas in the current business strategy literature. Firstly, ethics may be source of “first mover advantage” - a company that leads the way through ethical policies on (say) environmental questions is likely to be able to influence legislation in its favour when governments seek to make these policies law. Secondly, the resource-based theory of the firm sees culturally imbedded and difficult-to-imitate competences as a key source of competitive advantage (Hunt and Morgan, 1996). A pro-active ethics policy, based on a variety of ethical models (as outlined in Section 3) and encompassing a broad range of stakeholders (including, for example, future generations and species other than *homo sapiens*) could meet the criteria of cultural imbeddedness and inimitability rather well.

## 5. Ethical Issues in Agribusiness

### 5.1 Agribusiness as a Virtuous Activity?

The authors are of the generation that grew up with the idea that producing food was an unequivocally ethical activity. One of us has a background in agricultural science – which, in the 1950s and 60s, was certainly a virtuous pursuit for a young person. We agricultural scientists could claim some wonderful successes culminating perhaps, in “The Green Revolution”. Even the corrupt practices of U.S. agricultural policy had their ethical upside – agricultural surpluses were the basis of an important American ethical initiative, the Food for Peace program. There were warning bells from writers such as Rachel Carson (“Silent Spring”) and Peter Singer (“Animal Liberation”), but these were not heard by most in the agricultural science and agricultural policy fraternities.

Today, nearly everything to do with the production, processing and distribution of food bristles with ethical issues – the environmental impact of agricultural production, animal welfare, GMOs, chemical nasties in food, big business owning genetic material, the increasing power and decreasing accountability of multinational agribusiness companies and, perhaps most importantly of all, chronic malnutrition affecting 10-20 percent of the world’s population. There has never been greater distrust of science and scientists and even the once-virtuous activity (at least to Australians) of international trade in agricultural products is threatened – now for reasons other than protecting farmers.

### 5.2 A Framework for Ethical Analysis

In Section 3 we identified four approaches to the analysis of ethical questions; teleological, deontological, virtue ethics and rights ethics. We also identified potential stakeholder groups impacted by the decisions of governments and business. Mepham (1996) combines analytical approaches with stakeholders (although he doesn’t use these words) in a matrix – in his case, for analysing the impact of biotechnology. This is reproduced below in Figure 2

	<b>Well-Being</b>	<b>Autonomy</b>	<b>Justice</b>
<b>Treated Organism</b>	Eg Animal Welfare	Eg Behavioural Freedom	Respect for <i>telos</i>
<b>Producers (eg Farmers)</b>	Adequate income and working conditions	Freedom to adopt and not to adopt	Fair treatment in trade and in law
<b>Consumers</b>	Availability of safe food, acceptability	Respect for consumer choice (labelling)	Universal affordability of food
<b>Biota</b>	Conservation of the biota	Maintenance of biodiversity	Sustainability of biotic population

Figure 2: An Ethical Matrix (Source: Mepham, 1996, Page 106)

In figure 2, the column headings correspond (roughly) to; teleology/utilitarianism, Kantian deontology (the most important feature of which is respect for individual autonomy), and rights ethics (from left to right). Note that the “stakeholders” include both the individual organism impacted by the biotechnology and the wider environment (the “biota”).

This table could be usefully extended to include more stakeholders (for example, the owners of the biotechnological intellectual property whose rights to autonomy and fair treatment should also be considered). The power of this sort of framework is not that it can yield “the answer” to an ethical policy question; rather it facilitates discussion at many levels – individual organizations, industries and any other stakeholder groupings.

Section 5.1 provided the motivation for undergraduate and graduate students in agribusiness to study agribusiness ethics. The current section provided a framework for thinking about agribusiness ethics topics. We will now outline some possible topics for an agribusiness ethics course.

### 5.3 Key Ethical Issues in Agribusiness

We have identified ethical issues in agribusiness at both the macro levels (for example, malnutrition) and the micro (for example, whistle blowing by employees of agribusiness firms). Following is a (very) brief summary of some of these issues and related ethical paradigms.

#### 5.3.1: Malnutrition

- Hunger and poverty are incompatible with the development of autonomy (Kant) and human potential (Aristotle).
- Rights and Distributive Justice (Rawls, 1971)

Key Reading: Dower, 1996; Rawls, 1971; Shue, 1980

#### 5.3.2: Science and Technology (Biotechnology)

Key Issues:

- Falling ratio of public/private science funding
- Intellectual property issues – private ownership of genetic material
- Power and Justice – shifting power relationships arising from technology, rights of agricultural producers and consumers to adopt/not adopt (developed v developed world)
- Autonomy and choice for consumers (labelling, traceability) See Figure 2.
- Environmental impacts of biotechnology

Key Reading: Mepham, 1996, Chapter 7

### **5.3.3: Trade**

Key Issues:

- Autonomy/choice for consumers (theoretically enhanced, but note impact of trade on self-sufficiency) and producers (restricted).
- Externalities, environmental consequences
- Distributive justice: “ ..trade can widen the gulf between rich and poor people in the same economy and between rich and poor countries” Marsh, 1966 Page 26

### **5.3.4: Power and the control of resources**

Power shifts in the agribusiness system:

- To retailers because they are closest to the consumer and are becoming global (increasing their already substantial buying power)
- To the life science companies) because they increasingly control access to cost-reducing technology that used to be in the public domain.

### **5.3.5: The Environment**

Utilitarianism/Rights theories: Rights/welfare of present and future generations. Rights/welfare of non-human species.

Unpredictability of relationships between acts and consequences (teleology)

Key readings: Cherfas, 1996; Moles, 1997

### **5.3.6: Animal Welfare**

Rights and welfare of sentient non-human species (Singer, 1976; Hughes, 1997)

### **5.3.7: Business/Government Relationships**

- Bribery
- Command and control legislation versus self regulation at the industry and firm level
- The interface of ethics and the law (the ethics of intellectual property)

### **5.3.8: Ethics Issues for Agribusiness Managers**

- The morality and safety of food products
- Ethical issues in manufacturing: occupational health and safety, sweatshops
- Ethics and employees: workplace diversity and discrimination, intellectual property issues and employees, the ethics of trade unions
- Ethics and information: Bluffing, labelling and advertising, obtaining information about competitors, insider trading
- Pricing: The ethics of price discrimination

## Conclusion: Why Agribusiness Ethics is an Exciting Topic for Students:

- Because it has never been more relevant (Most of the disparate causes addressed by the Seattle protestors related, in some way, to agribusiness)
- Because agricultural science and agricultural business are no longer value-neutral activities (They never were, but we didn't think too much about it)
- Because the subject can be made to "come alive" through the multitude of cases showing unethical behaviour by nations, industries and individual firms

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