

Opinion

Multinational companies

No business can be right in a war that's wrong

Western companies should end their business relations with Russia. It is their moral duty to contribute to peace-making by their actions, says a group of business ethicists in Switzerland and Austria.

April 13, 2022 - 09:00

Opinion by Thomas Beschorner



with Guido Palazzo, Markus Scholz and Peter Seele, Opinion by Thomas Beschorner

Some large corporations are currently breaking off economic relations with Russia, removing Russian products from their product ranges, and closing their production facilities or branches in the country. Among these are Ikea, Apple, all the major credit-card companies, and Coca-Cola.

Others, however, like Swiss food giant Nestlé or the largest foreign bank in Russia, Raiffeisen Bank International, are continuing to do business in and with Russia. These companies argue not in terms of their own obvious

interests, but see themselves as having a social responsibility – to their own employees in Russia on the one hand, and to the Russian people on the other.

There is then a third group of companies, who have not had a word to say so far about their corporate responsibility.

Who is right? And what can we require of companies from an ethical point of view?

Economist Milton Friedman proclaimed 50 years ago that the social responsibility of companies was to maximise their profits and that they should forget all talk of morality. The debate has come quite some way since then – in theory as well as in practice.

The insight has prevailed that corporate responsibility is not a matter of making donations (which Friedman was mainly thinking of), but a duty belonging to the core business of companies. It is not a question of how companies should distribute their profits, but how they make their profits in the first place.

What's more, companies are regarded today as political actors. For a long time Western companies operated in more or less democratic frameworks, in which morally questionable behaviour would be monitored and penalised at a political level. It was only with the globalisation of value creation after the fall of the Berlin Wall that the argument of morally neutral corporate decision-making got into difficulties. Suddenly managers were under pressure to justify their decisions before world public opinion.

In 1995, when the Abacha régime in Nigeria executed the writer Ken Saro-Wiwa, who had led protest actions against the Shell oil and gas company, Shell responded to appeals to intervene from human rights activists by shrugging its shoulders and pointing to its political neutrality.

Since the 1990s the realisation has gradually grown that companies no longer do business just in well-regulated democratic settings, but also under repressive regimes. Or they may be active in countries where political authorities are too weak or unmotivated to enforce existing laws.

Only a few multinational companies would now dare react in such situations how Shell did in Nigeria,

indifferently pointing to their neutrality. It might be possible to make a profit for a while in broken societies, but it's tough to stay morally clean in the process.

Corporate responsibility

We are getting a vivid picture of these issues at the moment. Faced with Russia's war of aggression, society demands that corporations take a definite position. And this demand isn't just limited to donations or contributions, either. It concerns corporate activity itself. It points to the relevance of corporations as key players at the social and political level. Companies that do not leave Russia now are in danger of losing their social acceptance.



▲ In the middle of society: A demonstration against the war in Ukraine in front of the Swiss parliament in Bern © Keystone / Peter Klaunzer

Whether companies like it or not, they are already always active right in the middle of society. They are thus called upon to act – and of course looking on or looking away is also acting in “silent complicity” with a state that violates international rights.

In this present war, we are not dealing with some abstract norms which leave it open what the right thing to do is.

Society has already decided – for corporations too – in terms of international law, politically and ethically. Economic sanctions have been invoked against Russia as an effective and impactful response.

So it is up to businesses to do all they can, in the spirit of the measures that have been invoked, to bring this war to a speedy end and reestablish peace between the parties. For companies this should not be a matter of winning the approval of society. It is not just a matter of broad cost-benefit thinking and how best they can enhance their reputation. It is the responsibility and the moral duty of companies that their actions contribute to the restoration of peace.

It goes without saying that companies need to comply with sanctions. But their moral responsibility goes beyond that. It can be summed up in five points:

- Corporate responsibility means **taking active measures** to weaken Russia, the aggressor state, economically.
- The norm for all companies should therefore be the **breaking off of any and all economic relations** in or with Russia. Examples include divesting of corporate participation in Russian companies, closing down production facilities in Russia, and a ban on Russian products.
- From an ethical point of view there can be **only a very few exceptions**, such as supplying medicines or providing services which contribute to the general safety of the population – such as maintenance for atomic power stations. This situation may change in the future, if, say, the Russian people are suffering from severe shortages. Currently, this isn't an issue.
- **Any exception needs to be justified.** Reasons like “duty to maintain supply” for the Russian people, or job losses in Russian branches, are weak. They can't be used as counter-arguments to divestment, because when fundamental moral categories like international law or the dignity of the human person are being violated, no other arguments can outweigh them. They are rather part of a frequently observed “culture of excuses”. But no business can be right in a war that's wrong.
- Corporate responsibility means not just sanctions, but also **commitment** on the part of companies. This may include measures to cushion the impact for employees of Western companies in Russia who have lost their jobs. That is part of an employer's duty to the welfare of employees. It can involve humanitarian aid for the Ukrainian people but also making products and services available.

Companies are now called upon to reflect a great deal more on their importance as social and political actors, and to show themselves to be good corporate citizens in the world. As such, they are a responsible section of society and can contribute to finding solutions for the urgent problems society is facing. Companies are certainly powerful players, also on the global political stage. Right now, they can help shape the future.

Thomas Beschorner is professor of economic ethics and director of the Institute for economic ethics at the University of St Gallen. He wrote this article with the following co-authors:

Guido Palazzo is professor of corporate ethics at the University of Lausanne.

Markus Scholz is professor of business ethics & corporate governance at the Vienna Technical Institute (FH Wien).

Peter Seele is professor of economic ethics at the University of Lugano.

This article first appeared in [Zeit Online](#).

Translated from German by Terence MacNamee



In compliance with the JTI standards

More: [SWI swissinfo.ch](https://www.swissinfo.ch) certified by the Journalism Trust Initiative