

The Ethical Balance Sheet: Re-examining Profit and Social Responsibility through Classical Ethical Frameworks

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Abstract

In today's interconnected and crisis-prone global economy, the long-standing debate between shareholder value maximization and broader stakeholder responsibility has acquired renewed urgency. This paper introduces the concept of an "Ethical Balance Sheet" as an analytical lens to examine how corporations negotiate ethical tensions while pursuing profitability. Using a descriptive and comparative approach, the study revisits three foundational ethical traditions—Teleological ethics, Deontological ethics, and Virtue ethics—and evaluates their relevance in contemporary corporate decision-making.

Drawing on historically significant corporate case studies, including the Ford Pinto controversy, the Rana Plaza industrial disaster, and Patagonia's purpose-driven business model, the paper highlights the practical consequences of ethical choices made by organizations. The analysis suggests that although outcome-based reasoning rooted in utilitarian logic continues to dominate managerial thinking, an ethics of virtue—anchored in character, prudence, and long-term responsibility—offers a more sustainable and risk-resilient pathway for businesses operating under increasing social scrutiny.

1. Introduction

The conventional view that the primary responsibility of business is profit generation has been progressively challenged over the last few decades. The well-known argument that corporate executives exist solely to serve shareholder interests now appears increasingly inadequate in a world marked by widening inequality, environmental degradation, and ethical failures across industries. Businesses are no longer evaluated only through financial statements; they are also judged on their social and environmental footprints.

In this context, the idea of an Ethical Balance Sheet becomes relevant—one that accounts for moral obligations and societal impact alongside economic performance. This paper situates the discussion within the historical evolution of corporate purpose, tracing the transformation of business entities from socially embedded institutions in early civilizations to profit-oriented industrial organizations, and finally to modern enterprises expected to generate shared value.

The central question guiding this study is: How can classical ethical frameworks be meaningfully integrated into corporate decision-making to balance profitability with social responsibility?

2. Review of Literature

2.1 Changing Conceptions of Corporate Purpose

Historically, business organisations were not conceived purely as profit-making machines. In ancient legal

systems, including Roman law, collective entities such as hospitals and charitable institutions were recognised for their societal roles. The industrial expansion of the twentieth century, however, led to unprecedented corporate concentration, prompting regulatory interventions aimed at curbing excessive power and protecting public interest.

In recent decades, the discourse has shifted toward sustainability, ethical governance, and shared value creation. Corporations are increasingly expected to align economic objectives with social welfare, environmental stewardship, and ethical accountability.

2.2 Shareholder and Stakeholder Perspectives

Table 1: Broad Phases in the Evolution of Corporate Purpose

Period	Dominant Perspective	Institutional Emphasis
Ancient Era	Socially Embedded Entities	Welfare-oriented institutions
Early 20th Century	Regulatory Moderation	Control of industrial dominance
Late 20th Century–Present	Stakeholder and Shared Value Models	Sustainability and ethical integration

The contemporary debate on corporate responsibility largely revolves around two contrasting viewpoints. The shareholder-centric approach emphasizes fiduciary responsibility toward owners, arguing that social objectives should not dilute profit goals. In contrast, stakeholder theory asserts that long-term business success depends on balancing the interests of all groups affected by corporate activities, including employees, consumers, suppliers, and local communities.

While both perspectives continue to influence managerial thinking, ethical failures across industries have exposed the limitations of narrowly defined financial rationality.

3. Research Methodology

This study adopts a descriptive and analytical research design, relying on secondary sources and illustrative case studies. The methodology consists of three key steps:

Ethical Framework Mapping: Corporate decisions are examined through teleological, deontological, and virtue-based ethical lenses.

Comparative Case Analysis: Selected cases of ethical failure and success are analyzed to observe real-world outcomes of different ethical orientations.

Synthesis of Prior Research: Existing studies on ethical decision-making in management are reviewed to identify dominant patterns and emerging shifts.

This approach enables a nuanced understanding of how ethical theories operate in practice rather than in abstraction.

4. Descriptive Analysis: The Three Ethical Pillars

4.1 The Ethical Balance Sheet as a Decision Framework

The Ethical Balance Sheet concept brings together outcomes, duties, and character into a single evaluative structure. Rather than privileging one ethical approach, it highlights the interaction among consequences, obligations, and organizational values in shaping responsible corporate behavior.

4.2 Teleological Ethics: Outcome-Oriented Reasoning

Teleological ethics evaluates actions based on their consequences. In business contexts, this perspective

often translates into utilitarian cost–benefit calculations aimed at maximizing overall gains. While such reasoning offers clarity and managerial convenience, it also carries significant ethical risks when human well-being is reduced to numerical estimates.

The Ford Pinto case illustrates the dangers of excessive reliance on outcome-based logic. Decisions driven by financial calculations underestimated the moral cost of human suffering, ultimately damaging both public trust and corporate reputation.

4.3 Deontological Ethics: Duty and Moral Constraints

Deontological ethics emphasizes adherence to moral duties and universal principles, irrespective of outcomes. From this standpoint, certain actions—such as violating basic human rights—are unacceptable, regardless of potential economic benefits.

The Rana Plaza tragedy underscores the consequences of ignoring ethical duties toward worker safety and dignity. Profit-driven production targets overshadowed fundamental obligations, resulting in one of the most devastating industrial disasters in modern history. Deontological reasoning reinforces the idea that ethical boundaries must not be crossed, even under competitive pressure.

4.4 Virtue Ethics: Character and Long-Term Excellence

Virtue ethics shifts attention from rules and results to the moral character of decision-makers and organizations. Rooted in Aristotelian philosophy, this approach emphasizes practical wisdom, integrity, and the pursuit of collective well-being over short-term gains.

Patagonia serves as a compelling example of virtue-driven business practice. By embedding environmental responsibility and ethical purpose into its core strategy, the company demonstrates that moral commitment can coexist with commercial success. Such organizations cultivate trust, employee loyalty, and long-term resilience.

5. Conclusion and Managerial Implications

5.1 Conclusion

The Ethical Balance Sheet framework reveals the strengths and limitations of each ethical tradition. While teleological reasoning remains dominant due to its calculative appeal, it often fails to safeguard human dignity. Deontological ethics establishes essential moral safeguards, but virtue ethics offers the most comprehensive foundation for sustainable and responsible business practice.

The findings reinforce the view that corporate social responsibility is no longer optional or symbolic. Instead, it constitutes a strategic necessity in an era where ethical failures carry profound social, legal, and reputational consequences. Organizations that cultivate ethical character alongside economic competence are better positioned to achieve enduring legitimacy and shared value.

5.2 Recommendations

1. **Adopt the BUILD Framework:** Organizations should *Be Open, Understand Perspectives, Integrate Interests, Leverage Resources, and Drive Long-Term Value*.
2. **Integrate the Triple Ledger:** Managers should assess decisions via the Teleological Ledger (impact), Deontological Ledger (rights), and Virtue Ledger (culture).
3. **Redefine Performance Metrics:** Move success markers beyond quarterly earnings to include broad-based stakeholder performance and "Shared Value" indicators.

6. Bibliography

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