Processes and Consequences in Business Ethical Dilemmas:
The Oil Industry and Climate Change

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Abstract

This paper proposes a framework to examine business ethical dilemmas and business attitudes towards such dilemmas. Business ethical dilemmas can be understood as reflecting a contradiction between a socially detrimental *process* and a self-interested profitable *consequence*. This representation allows us to distinguish two forms of behavior differing by whether priority is put on consequences or on processes. We argue that these forms imply very different business attitudes towards society: controversial or *competitive* for the former and aligned or *cooperative* for the latter. These attitudes are then analyzed at the discursive level in order to address the question of good faith in business argumentation, i.e. to which extent are these attitudes consistent with actual business behaviors. We argue that consequential attitudes mostly involve communication and lobbying actions aiming at eluding the dilemma. Therefore, the question of good faith for consequential attitudes lies in the consistency between beliefs and discourse. On the other hand, procedural attitudes acknowledge the dilemma and claim a change of the process of behavior. They thus raise the question of the consistency between discourses and actual behavior. We apply this processes / consequences framework to the case of the oil industry's climate change ethical dilemma which comes forth as a dilemma between 'emitting greenhouse gases' and 'making more profits'. And we examine the different attitudes of two oil corporations – BP Amoco and ExxonMobil – towards the dilemma.

Key Words

Business ethical dilemma, Procedural Rationality, Consequential Rationality, Oil industry, Climate change, Kyoto Protocol

Abbreviation

IPCC	Intergovernmental Panel on Climate Change
API	American Petroleum Institute
GCC	Global Climate Coalition
UNFCCC	United Nations Framework Convention on Climate Change

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"Real sustainability is about simultaneously being profitable and responding to the reality and the concerns of the world in which you operate. We're not separate from the world. It is our world as well."

John Browne, CEO of BP Amoco[1]

1 Introduction

If ethics is a theory of social relation (Singer, 1991), business ethics is a theory of the relation between business and society. As for any relation, this one may be looked at from two points of views. From the point of view of business, the role of business is to engage in profitable activities. From the point of view of society, business is embedded in society and its activities are socially legitimate to the extent they are not detrimental to society as a whole. Situations in which a business activity leads to profit for the business actor but is detrimental to society as a whole are of particular interest to business ethics. Such situations require the individual and/or the corporation to make difficult choices, they are called *'business ethical dilemmas*'.

Climate change resulting from global warming is amongst the most important global environmental risks today. It could lead to potentially dramatic impacts on human health, food availability and security, economic activity, water resources and physical infrastructure. Much beyond today, climate change will deeply affect future generations. Despite remaining uncertainties, a large majority of scientists agree on the existence of a very serious risk (IPCC 2001a, 2001b). A significant part of climate change is induced by the emission of so-called greenhouse gases resulting from the burning of fossil fuels. Notwithstanding this deplorable effect of their products, the oil industry is amongst the most profitable industries today.

In section 2 of this paper, we elucidate the contradiction or dilemma faced by the oil industry with regards to climate change. To this purpose, we build upon a theory of rationality that distinguishes and combines 'processes' and 'consequences' of business behavior. In this approach, a rational business actor aims at reaching the most profitable consequences from a business point of view. But the process by which these consequences are attained also matters from the point of view of society since it may have detrimental impacts on society as a whole. Processes and consequences are thus the supports of two types of judgments that reflect the two points of view that one can adopt to address the relation between business and society.

In section 3, we analyze business attitudes towards ethical dilemmas, contrasting those in which priority is put on reaching the best consequence for the business actor (consequential attitude) and those in which the priority is put on implementing a process that is in line with societal concerns (procedural attitude). We illustrate our analysis with the example of two major oil corporations: ExxonMobil and BP Amoco. The behavior of the former is best understood as dictated by a consequential attitude while the behavior of the second reflects a procedural attitude that gives priority to processes – even though consequences are not forgotten. This shows how the distinction between processes and consequences helps to effectively distinguish between business behaviors in the face of a complex ethical dilemma.

When confronted to an ethical dilemma, an actor can prove that he/she is ethical if he/she sacrifices a business interest by implementing a process that takes social concerns into

[1] Browne (1997, p. 8)

account.[2] In fact, neither ExxonMobil nor BP Amoco has yet had to bear any business sacrifice that would credibly demonstrate such ethical behavior. Today, the observation of corporate behavior suggests that business ethics often remains at the level of the discourse and argumentation. This raises the question of the good faith of business actors.

In section 4, we take our analysis to the discursive level so as to address this question for the attitudes identified in section 3. Our main finding is that good faith relates to two types of consistency that apply distinctively to the two types of attitudes analyzed. In short, attitudes giving priority to consequences tend to raise the question of the consistency between beliefs and discourse, while attitudes giving priority to processes question the consistency between discourse and behavior. Our analysis further characterizes the possible discourses of business in the face of ethical dilemmas.

We believe that it is neither possible nor desirable to define a set of principles, norms or rules that, if followed by business, would guarantee ethical behavior. By considering business behavior as combining a judgment on the process with a judgment on the consequences, we rather try to make explicit the tension inherent to business ethical dilemmas. In this manner, we intend to clarify important aspects of the relation between business and society, in the search for the 'deeper meaning' of business ethics (Sudhir and Murthy, 2001).

2 The oil industry's climate change ethical dilemma

2.1 Where an environmental issue creates a business dilemma

The earth's climate is driven by a continuous flow of energy from the sun. This energy is sent back to space in the form of infrared radiation, although part of it is trapped in the atmosphere by so-called greenhouse gases (H_2O, CO_2, CH_4, N_2O, HFC, CFC,…). Concentrations of most of those gases in the earth's atmosphere are rising as a consequence of human activity. This raises the risk of global warming of the earth surface temperature and of significant sea level rises and climatic changes.

Among greenhouse gases, carbon dioxide (CO_2) emissions resulting from the burning of fossil fuels – coal, oil and gas – are pointed to as the main cause of human induced climate change. The oil industry is thus confronting a major issue: its core product, oil as an energy source, is questioned as potentially highly damageable to the global environment.

If greenhouse gases emissions alter the world's climate, and if we want to avoid or limit climate change, we have to reduce our net emissions of those gases. As a first political answer, the nations of the world have signed and ratified the 1992 United Nations Framework Convention on Climate Change (UNFCCC), which provides a diplomatic framework to address the issue, both at the preventive and at the adaptive levels. The *'ultimate objective'* of the Convention is *'the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system'*. (UNFCCC 1992, Article 2). At the time, developed countries agreed to the aim of returning to their 1990 emission levels of carbon dioxide and other greenhouse gases by the year 2000 (ibid., Article 4.2 (b)), but this commitment was in no way legally binding and most nations

[2] Clearly, an actor can also be ethical without incurring any sacrifice but then he/she will not be able to prove it. This point is further addressed in Section 4.2 below.

have not reached this goal. In 1994-1997, the objective of the international climate change negotiations was to reinforce developed countries' action through the definition of legally binding commitments of reduction or limitation of greenhouse gas emissions. The Kyoto Protocol was adopted in late 1997. It contains legally binding emissions limitation or reduction commitments by industrialized countries for the period 2008-2012 as compared to 1990 levels. The Protocol has not yet entered into force, since this is conditioned to ratification of the text by at least 55 Parties, incorporating developed countries (so-called Annex 1 Parties) which in total accounted for 55% of total Annex 1 countries CO_2 emissions in 1990. Ratification by the US (36% of Annex 1 1990 CO_2 emissions) is highly uncertain, even more so since President G.W. Bush declared the Kyoto Protocol 'fatally flawed' in March 2001 and stepped back in the negotiation process.[3]

If the Protocol is ratified, the pressure on the oil industry will be tremendous. Directly, oil corporations will be asked to reduce their own emissions of greenhouse gases: emissions relating to their industrial processes – extraction, refining, distribution,… Indirectly, a shift towards technologies consuming less or no fossil fuels will take place. This will greatly affect the oil market. But even today, the fact that the issue is recognized as very serious by governments, civil society actors, increasing numbers among the public, as well as many in the business community, creates a situation of pressure for the oil industry. This pressure is not simply of regulatory nature. If climate change policies were already translated into regulatory constraints, the problem for the oil industry would be one of regulatory compliance. Whereas the issues here concern the industry's attitude in the absence of laws, and industry's strategy towards the development of regulation. These issues are best addressed through a business ethics approach.

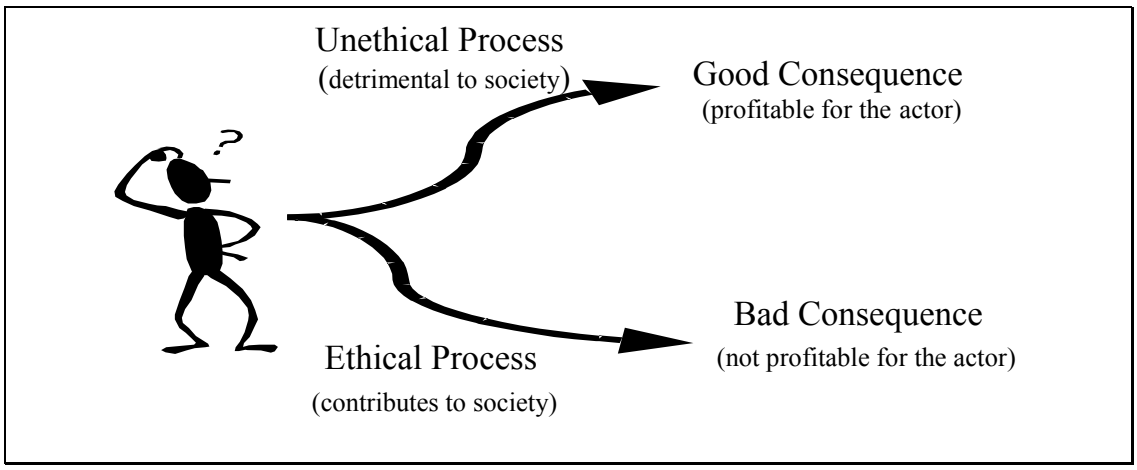
2.2 Characterization of the dilemma

We propose to characterize a business dilemma in terms of the behavior of the business actor. To this purpose, we need to reflect distinctively and conjointly the pursuit of his/her self-interest as well as the embedding of the actor's behavior in a social context. The starting point is thus to combine the traditional economic approach to rationality with a more sociological approach to social values and their rational influence on the choice of behavior (Granovetter, 1985). The model we use acknowledges that any behavior is composed of both a process and a consequence, a characterization that structures the way we understand an actor's choice of behavior (Le Menestrel, 1999, 2002). The distinction between processes and consequences supports two types of judgements that combine to influence an actor's choice of behavior: judgements on the processes and judgements on the consequences. Consequential judgments evaluate *what* the actor expects as the result of its action, from its own point of view. Procedural judgments evaluate *how* these results are achieved – e.g. how profits are made – in other words how the business activity itself, distinctively from its consequences for the actor, affects society as a whole. To judge on the profitability of the outcome, we thus refer to a particular actor whereas to judge on the quality of the process, we enlarge the frame of reference to society as a whole. In this manner, consequential considerations reflect the self-interest dimension of behavior while procedural considerations reflect its ethical dimension.

[3] For a complete analysis of the international response to climate change and of the Kyoto Protocol, see Grubb et al. (1999). Detailed description of the latest negotiation sessions can be found on the International Institute for sustainable Development Website at: http://www.iisd.ca/climate/index.html.

This process/consequence duality renders explicit the dialectics inherent to ethical dilemmas (Figure 1).

Figure 1: An ethical dilemma: when a 'right' process does not lead to a 'good' consequence



When we say that the role of business is to engage in profitable activities, we assume that the objective of the business actor is to make profit. When we say that business is a social activity, we assume that a business process can be valued in itself with regards to its contribution to the society independently of the profits being pursued. A rational choice of behavior thus combines a procedural type of rationality and a consequential type of rationality. Although economic rationality, due to its mathematical formulation, reduces rational behavior to the choice of the best consequence, it remains a limit-case according to which the social context is assumed not to matter (e.g. Velasquez, 1992; See also Weber, 1978, pp. 26-31 for the two types of rationality).[4]

Processes and consequences combine in a very peculiar manner. On one hand, they belong to distinct levels. On the other hand, they are not independent since a process is bound to lead to a consequence. Therefore, if one tries to get rid of the procedural dimension of choice by including all procedural considerations into some sort of 'enlarged' consequence, one effectively creates another process – that which will lead to the enlarged consequence – and nothing but an assumption could determine whether such process matters. What this model reflects is the assumption that we cannot express the 'good' in terms of 'right' and reciprocally, or, in other words, to substitute processes for consequences which, by the very way they are conjointly defined, is not possible. The benefit is to give procedural considerations a meaning distinct from the consequential ones so as to avoid assuming implicitly that processes do not matter.

In this approach, it is not profit as such that is ethical or unethical: it depends on how this profit is made. In other words, the business ethics approach proposed here takes for granted that business aims at a profitable business consequence. But it also includes procedural considerations on the way such consequences are attained. We have seen that economic rationality tends to operate a *reduction* of the procedural dimension to the consequential one, leading to the choice of the rational behavior to the sole pursuit of consequences. Conversely,

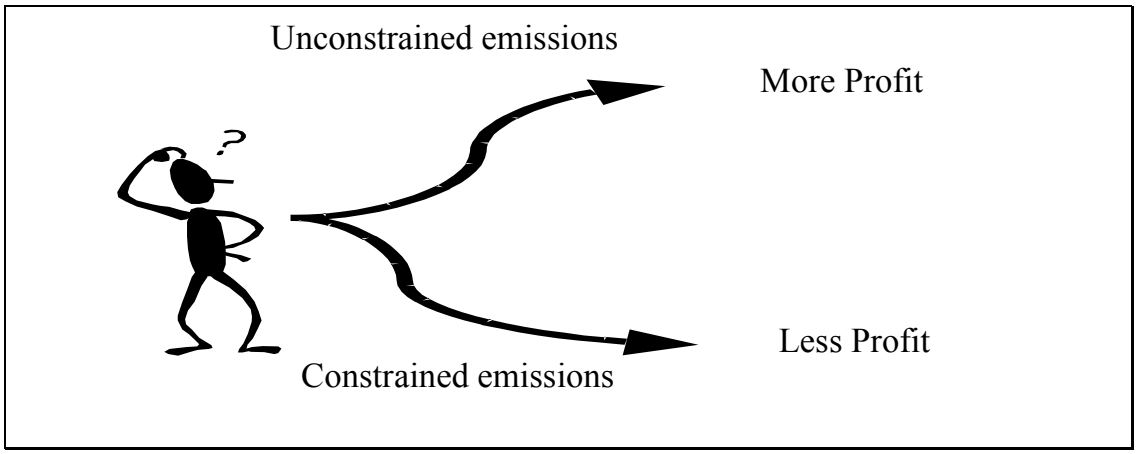
[4] A more general discussion on the procedural and consequential dimensions of rationality can be found in (Le Menestrel, 1999).

one may hold that consequential considerations should not be part of the ethical analysis. In such a purely procedural approach, one has no right to not being ethical, neither in theory nor in practice. In both cases, the tension inherent to business behavior is occulted so as to select one alternative as the definite answer. In our view, these are ways to elude the irreducible tension inherent to ethical dilemmas (Le Menestrel, 2002).

We thus assume that the consequential and procedural dimensions co-exist and are distinct, i.e. that they cannot be reduced one to the other. Different types of behavior may be identified. Suppose for instance that a business activity not only generates profits for the company but also contributes indirectly to societal objectives. In such a situation, the right process leads to the best consequence. This reflects a consistency between individual and social levels evoked earlier. Suppose however that a business activity generates profits but that the way these profits are generated has detrimental consequences for society. It creates a form of dissonance between the two points of view and a *'business ethical dilemma'* occurs.

The issue of climate change creates an ethical dilemma for the oil industry. Schematically, the *'oil industry's climate change ethical dilemma'* can be characterized as a dilemma between the search for a profitable oil industry and the fact that CO_2 emissions induce climatic changes that are potentially highly detrimental to society. More precisely, emitting CO_2 is an unwanted and inescapable side effect of the process that leads to a profitable oil industry. From the point of view of the oil industry, the constraining of CO_2 emissions is primarily considered through its negative impact on profits. From a societal point of view, it can be considered in terms of reduction or suppression of an environmental risk that will induce bad consequences for society. The actor faces the choice between (1) a 'right' process that leads to a 'bad' consequence and (2) a 'wrong' process that leads to a 'good' consequence. The 'right' process here is the one where CO_2 emissions are constrained, and the 'bad' consequence is less profit. While the 'wrong' process corresponds to unconstrained CO_2 emissions and the 'good' consequence is making more profit (Figure 2).

Figure 2: The oil industry's climate change ethical dilemma



Such an approach does not provide us with some ultimate answer as to how an ethical dilemma should be solved: in line with the right process or in the search of the best consequence. In a sense, solving ethical dilemmas is beyond rationality, as the appropriate choice of action cannot be deduced from a theoretical study and remains the responsibility of the actor. Considering the procedural and consequential dimensions of behavior is interesting

as a tool to capture the essence of business ethical dilemmas and to highlight the possible tension between individual and societal levels of a business activity.

3 Business Attitudes toward Ethical Dilemmas

Because they cannot be reduced and because they reflect a dissonance between the individual and societal levels, ethical dilemmas are not comfortable situations. There is an inherent tension proper to ethical dilemmas that is characterized by the very peculiar type of trade-off between processes and consequences. We expect actors to act differently depending on whether they intend to give priority to the consequential dimension or to the procedural dimension and we can differentiate behaviors accordingly. In other words, we distinguish between business behaviors that favor their self-interest over social responsibility (consequential attitude) and business behaviors that sacrifice some economic interest for ethical considerations (procedural attitude).

An actor who gives priority to the consequential dimension is likely to weaken the reasons to consider its process as detrimental to society and at the same time to strengthen the negative impacts of alternative processes. An actor giving priority to the procedural dimension is likely to strengthen the reasons to adopt an alternative process that is less detrimental to society while exploring potential additional profits that would come as consequences of his/her intended behavior. Let us further illustrate and analyze these two attitudes by returning to the oil industry's ethical dilemma and examining two very different types of attitudes, which have been chosen by two major oil corporations – ExxonMobil and BP Amoco.

3.1 Priority on consequences

Exxon – and later the merged ExxonMobil – adopted a consequential attitude toward climate change.[5] Its strategy of preventing political action that would constrain CO_2 emissions was chiefly implemented through efforts in denying the existence of a problem. In the early days of the debate, Exxon was mainly contesting the science of climate change, based on its complexity and associated uncertainties. In this manner, it was contesting that the CO_2 emissions from its products and industrial processes were having a detrimental impact on climate. In 1998, Exxon's website read: *"At this time, models used to predict global climate change are incomplete, and the issue continues to be a matter of scientific debate. It appears that climate variability is still too large and too complex a subject for current measurements and projections to be able to determine whether reliable links exist between human activity and future global warming."* Exxon's objective was to convince the public and policy-makers, mainly in the USA, that human-induced climate change was not an issue requiring mandatory restrictions on greenhouse gases emissions. As time went by, efforts were also directed at addressing the economic impacts of the policy proposals under examination, which were viewed by ExxonMobil as unacceptably costly and threatening to the US and the world economies. The uncertain science was deemed insufficient to justify the supposedly certain and massive economic costs that would ensue. In parallel, came more and more arguments against the founding principles of the Kyoto Protocol that ExxonMobil believes are fundamentally flawed.

[5] See van den Hove et al. (2001a, 2001b) for a more complete presentation of BP Amoco and ExxonMobil climate change strategies and of the role of the GCC and API.

For the actor who intends to behave with his/her focus solely on consequences, a typical attitude in the face of an ethical dilemma is thus to downplay the socially detrimental character of the process. As shown by the example, this is carried out by first denying the problem itself. When societal acknowledgement of the problem grows, the actor denies that it is the business process that generates the problem. The causality between the business process and its unintended social consequences is questioned: "*there is no proof that we are causing a problem"*. If it turns out that the causality becomes proved or admitted within society, the actor argues that the current process is legal: "*we have the right to do so"*. Since legal constraints are often local, pointing at others outside the local jurisdiction can reinforce such attitude: "*others do it too and it would be unfair to change the rules for us and not for them"*. This is exemplified by the following statement by an Exxon Mobil executive: *"If burning fossil fuels proves to be a significant factor in global climate change, then excluding developing nations from the [Kyoto] agreement raises the question of whether or not it is fair – and more important, whether or not it will work. (...) Because they would be exempted from requirements to cut carbon dioxide emissions, developing nations may attract more industry and jobs from industrialized countries that do restrict fossil fuel consumption. That means fewer jobs in countries that do impose such limits." (Flannery 1999, p. 8)*

One notes that this sequence of positions eventually acknowledges the procedural dimension, hence the ethical dilemma. At this stage, the actors intending to give priority to consequences will endeavor to weaken the socially beneficial character of an alternative process. This can be carried by first denying its feasibility. The burden to prove such feasibility then falls upon society. Once – and if – shown feasible, the alternative process is questioned with regards to its beneficial character to society: 'a change of *process will not solve the problem'*.

This argumentation on the procedural dimension is reinforced by an argumentation on the consequential dimension. Says Flannery from ExxonMobil: *"To reach the [Kyoto reduction] target, the United States would have to stop all driving, or close all electric power plants or shut down every industry, or reduce emissions in each area by 1/3."* (Flannery 1999, p. 7) The main idea is to ascertain the negative business and social consequences of the alternative process: '*it would be too costly to do otherwise'*. At this stage, the argument is that the social benefits of the alternative process do not compensate for the costs: '*it is not worth it'*. Another illustration is the following statement by ExxonMobil CEO Lee Raymond: *"Although the science of climate change is uncertain, there is no doubt about the considerable economic harm to society that would result from reducing fuel availability to consumers by adopting the Kyoto Protocol or other mandatory measures that would significantly increase the cost of energy. Most economists tell us that such a step would damage our economy and almost certainly require large increases in taxes on gas and oil. It could also entail enormous transfers of wealth to other countries."* (ExxonMobil, 2001) Moreover, arguments are used to indicate that a change of process is detrimental to society in other regards: '*It will be the source of other problems'*: *"Although it is hard to predict what the weather is going to be this weekend, we know with certainty that climate change policies, unless properly formulated will restrict life itself"* (ExxonMobil, 2000).

Direct critics on the legitimacy of imposing a change of process have been supplementing these arguments. In particular ExxonMobil questioned the legitimacy of the conclusions of the Intergovernmental Panel on Climate Change (IPCC), an international panel of some 2500 scientists which is the main scientific driver of international negotiations on climate change. IPCC has been working on the issue since its 1988 creation by the United Nations and the World Meteorological Organization and is now affirmative on the existence of global warming and of the associated risks. But to Exxon Mobil: *"[T]he executive summary of the*

[1995 IPCC second assessment] report, the part most people read, was heavily influenced by government officials and others who are not scientists. The summary, which was not peer-reviewed, states that: 'the balance of evidence suggests a discernible human influence on climate.' You'll note that this is a very carefully worded statement, recognizing that the jury is still out, especially on any quantifiable connection to human actions. The conclusion does not refer to global warming from increases in greenhouse gases. Indeed, many scientists say that a great deal of uncertainty still needs to be resolved." (Flannery 1999, pp. 5-6). The arguments here are aimed at individuals or institutions: '*you have no legal right to impose something like this on us'*. At a more general level, it is the legitimacy of the other actors that is questioned: '*we do not recognize your legitimacy'*.

Similarly, Exxon attacks the legitimacy of international efforts to address climate change under the 1992 UN Framework Convention on Climate Change as a flawed and inequitable diplomatic process. In 1997, Exxon sponsored advertising campaigns in the US on the theme*: "The UN global climate treaty isn't global and it won't work"*. One of the ads read: *"The United Nations is negotiating a climate treaty that will require severe restrictions on the amount of energy we use. And it puts the entire burden on the U.S. and a few other countries."* And further: *"Most countries are exempt. Americans will pay more for everything that requires energy to transport or manufacture, while 132 of 166 countries, including India, China, and Mexico are exempt."*[6]

To sum up, the core arguments of ExxonMobil can be summarized by the following progression of statements: climate change is not happening; the science of climate change is uncertain; climate change is not human-induced; climate change will not necessarily be bad; now is not the good time to act on climate change; the policies under discussion (at national and international levels) are not the good way to tackle with the issue. Not all arguments have been put forward at the same time, as the latter imply implicit recognition of a problem.

The progression of the arguments justifying the priority given to consequences in a business ethical dilemma ends up in the adoption or reinforcement of a controversial attitude toward society at large. This reflects a form of competition between business and society that directly stems from the opposition of procedural and consequential judgements, the former reflecting the interests of society and the latter the ones of business. Consider for example the vocabulary of this memo from the American Petroleum Institute[7]: *"Unless climate change becomes a non-issue, meaning that the Kyoto proposal is defeated and there are no further initiatives to thwart the threat of climate change, there may be no moment when we can declare victory for our efforts"*.[8] In our model, these socially competitive attitudes are characterized by a weakening of the judgement comparing processes and a strengthening of the judgement comparing consequences.

[6] Exxon sponsored this campaign through its board membership in the Global Climate Coalition (GCC), one of the most influential US lobbying front group on the climate issue. A copy of this add can be found in Hamilton (1998, p. 32).

[7] Among the most influential US lobbying front groups on the climate issue.

[8] This quote is extracted from an API internal memo leaked to the New York Times in April 1998. See Cushman (1998); text available at: http://www.corpwatch.org/trac/feature/climate/culprits/bigoil.html, accessed January 2001.

3.2 Priority on processes

An actor who intends to place priority on processes is likely to strengthen procedural judgements while weakening the impact on consequences. To this aim, the ethical dilemma must be acknowledged. As a first step, the concerns of society may be recognized: "*society cares"*. This may happen even before the detrimental character of the process is widely accepted. The next step constitutes the real commitment because it is an acknowledgement of responsibility: "*we are causing social damage"*. It may be a while until a business actor reaches this stage because recognizing responsibility makes it very difficult – although not impossible – not to do anything about it. Therefore, business actors are not likely to acknowledge their social responsibility before they are ready to act upon it.

In the case of climate change, BP – later BP Amoco – provides an example of this attitude. At first, BP's strategy regarding climate change did not differ significantly from that of all the other major oil corporations. As a member of both the Global Climate Coalition (GCC) and the American Petroleum Institute (API), BP was participating to the efforts of these groups to deny the existence of the problem, to influence public opinion, and to prevent any political action on the issue. A few months before the Kyoto Conference, BP operated a radical shift and announced a strategy that is based on recognition of the scientific assessment of the existence of a serious risk of human induced climate change by the Intergovernmental Panel on Climate Change. As BP CEO John Browne put it: *"[T]here is now an effective consensus among the world's leading scientists and serious and well-informed people outside the scientific community that there is a discernible human influence on the climate, and a link between the concentration of carbon dioxide and the increase in temperature"* (Browne 1997). However, he also pointed to the remaining *"large elements of uncertainties"*. From this premise, he proposed a conclusion that action was needed, which was rooted in the 'precautionary principle': *"The time to consider the policy dimensions of climate change is not when the link between greenhouse gases and climate change is conclusively proven but when the possibility cannot be discounted and is taken seriously by the society of which we are part"* (ibid.). The framework in which he placed his analysis is the recognition of a need for *"a re-thinking of corporate responsibility."* BP became a member of the Pew Center on Global Climate Change's Business Environmental Leadership Council, a coalition of companies who agree that *"Businesses can and should take concrete steps now in the U.S. and abroad to assess opportunities for emission reductions, establish and meet emission reduction objectives, and invest in new, more efficient products, practices and technologies."*[9] BP progressively made public a multi-action plan on climate change based on increased research and development (in particular into renewable energy and other clean technologies), addressing BP's own emissions, and developing the solar energy business. BP is also participating actively and co-operatively to policy debates on climate change, at international and national levels.

Being ready to be proactive by accepting a change of process may further depend on the expectations on consequences. If the business consequences of the alternative process are, by construction of the dilemma, worse than the business consequences of the detrimental process, they are also less known. Paying attention to the alternative process then becomes a learning process for the actor. By encouraging the study of new processes, the actor constructs

[9] Excerpt from the Pew Center on Global Climate Change Website: http://www.pewclimate.org/belc/index.cfm, accessed February 2001.

a new representation of the problem. By itself, the constructive character of such a dynamic process may appear as a justification of the attitude claiming that "*new opportunities will appear"*. We see at least two ways to modify the framing of negative consequences. First, the actor may enlarge the scope of his/her business activity so as to appropriate positive consequences that were lying outside its previous scope: "*our role will change"*. This is what BP Amoco does when they advertise on the theme *"Beyond Petroleum"*.[10] Second, the actor may extend the horizon of its activity: "*we are thinking long term"*. For instance, BP's John Browne addresses his shareholders in those terms: *"As well as helping the world change its fuel mix in favor of natural gas, we're already looking ahead and preparing for the next shift – developing the technology of solar power and hydrogen. The shift will take a very long time. Neither solar or hydrogen fuel cells are yet commercially viable. But we're making long term commercial investments in those technologies now, in the belief that over time new sources of energy will make a significant contribution to the world's energy needs. That is investment for the medium and long-term future." (Browne, 2001)* [11] In both cases, the ethical tension between social and business interests eases by weakening the importance of negative consequences and emphasizing other potentially positive consequences.

In a very schematic manner, a business actor who faces an ethical dilemma and intends to give priority to processes ends up arguing something like *"I recognize your concerns, I will modify my behavior, and will nevertheless be profitable"*. It thus corresponds to a co-operative attitude towards those actors who represent society – policy-makers, NGOs, the public, … The priority given to the process replaces the closed logic of opposition by a logic of cooperation that may translate into more participatory processes. Instead of being attacked for their lack of legitimacy, societal actors become invited to the construction of the relationship between business and society.

However, such constructive attitudes remain under close scrutiny of societal actors who will require those who claim to adopt these attitudes to provide some tangible proof of good faith. We now examine in more details the question of good faith, which, as we shall see, appears in any case – whether the actor places priority on consequences or on processes – albeit in different manners.

4 Business Argumentation and Good Faith

On the one hand, there are actors who justify their priority on consequences by arguing that their process is not socially detrimental. On the other hand, there are actors who justify their priority on processes by arguing that they are responsible and listening to social concerns. How can those two types of discourses be decoded? In the first case, does the actor really think that the incriminated process is not detrimental to society or does he/she use such justification in bad faith, as a strategic means for the attainment of his/her individual goals – in this case maintaining a certain level of profits? Does ExxonMobil really believe that

[10] See advertisement campaign in support of BP Amoco's change of logo in 2000; e.g. an add in International Herald Tribune, November 15, 2000 that read: "Beyond…means starting a journey that will take a world's expectations of energy beyond what anyone can see today." See also Corzine (2000).

[11] Another example is given by the following statement of Shell's CEO: "If a business, and particularly an energy business, does not build realistic, carefully costed and commercially viable strategies for climate care into its overall strategies, it will not remain a sound business in the long-term" (Moody-Stuart, 2000). Shell has opted for a climate change strategy very similar to that of BP Amoco.

emitting CO_2 is not detrimental to society, or do they say so because they think they can make more profits by saying so? In the second case, does the actor really act because he/she wants to be socially responsible or simply because he/she expects better business consequences from adopting a socially responsible discourse and/or an alternative business process? Do the people at BP Amoco want it to become a 'green company' because they want to participate to the common environmental and societal good or is it simply because they expect more profits by doing so? And will BP Amoco really shift to new ways and processes? These questions – Isn't this bad faith? Is this really good faith? – are of discursive nature and pertain to the good faith of business argumentation.

4.1 Could it be bad faith?

The strategy of ExxonMobil is consistent with the attitude of an actor who would be in bad faith. They acted as if they identified the dilemma early but covertly, promptly evaluated the risk to their profits, and designed a strategy toward society to limit as much as possible constraints on their business processes. Says ExxonMobil's Science Strategy and Programs Manager for the Safety, Health and Environment Division Brian Flannery: *"In 1980 we started thinking about climate change as a potentially important issue. This in the context of major long-term investment projects. It held business meaning in the context of a regulatory risk, which is driven by public policy."* [12]

However, because of its embedding in society, an actor who intends to give priority to the consequences cannot simply say: "*we are implementing a process detrimental to society because we can make a lot of profit out of it*". Even though the role of business is to engage in profitable activities and even though in reality, it may engage in profitable activities that are detrimental to society, it is not socially acceptable to communicate so straightforwardly about it in these cases. We are indeed not aware of cases of voluntary statement of unethical profits: in the eminently social domain of discourse, the justification by pure self-interest is socially controversial. Hence an actor giving priority to consequences has an incentive to provide justifications that are not consistent with his/her real motivations. He/she is likely to deny that there is a problem while in reality, he/she knows that there is one but merely wants to limit the impact on his/her self-interest by gaining time.

Beyond the ethical dilemma created by the socially detrimental character of a business process, there is therefore another ethical question proper to the attitude of business actors who act in bad faith. It is one thing to give priority to consequences over processes in the face of an ethical dilemma, it is another thing to prevent such dilemma to be manifest, acknowledged, and acted upon. In the first case, the behavior is justified by the role of the actor understood in a restricted consequentialist way – business must make profit. In the second case, the attitude cannot be justified and reflects an instrumentalization of society to the pursuit of profits.

To further illustrate this point, the situation examined in this paper can be compared to the one faced by the Tobacco industry. Not only do the dangers of tobacco raise a business ethical dilemma – constraining a very profitable business activity considering the negative health

[12] Interview with Dr. Brian Flannery, The Hague, November 2000.

effects of tobacco – but also the very attitude of the tobacco industry has raised ethical issues beyond this dilemma. In the case of tobacco companies, the bad faith has been uncovered through internal and confidential documents of the companies that were released during the various trials and analyzed, notably, by the World Health Organization. Examples of influence – or even manipulation – of public opinion, subversion of political bodies and distortion of scientific evidence are now clearly documented to have taken place (Zeltner et al. 2000). Going back to climate change, although we have suspicion, we do not have similar evidence that some oil corporations were fully in bad faith. It is likely that a public release of company documents would help to determine whether ExxonMobil acted in good faith but nothing resembling the trial of tobacco companies has ever taken place concerning the impacts of fossil fuels on climate change and the attitudes of oil companies. Moreover, it seems that some company documents are regularly removed from their web site when becoming too blatantly contradictory with the newly adopted positions.

4.2 Is this really good faith?

The question of good faith must also be raised for actors who say they intend to modify their business process. Brian Flannery of ExxonMobil, discussing the actions of some competitors – BP and Shell in particular – notes that some significant actions taken had little or nothing to do with climate change but were already in the pipeline for other reasons. He asks, *"Is this good public relations? Is this good ethical business?"*[13] Flannery also expresses doubts regarding the depth of his competitors' commitment to emissions reductions: *"We will be watching our competitors to see as a result of their commitments and procedures whether, on the one hand, they forgo an economically attractive project that would significantly increase their emissions or whether they make a large investment that is un-economic to reduce their emissions. So far we have not seen sufficient examples of those outcomes."*[14]

Other critics remain skeptical and also interpret BP Amoco's strategy as a pure communication and public relations strategy, devoid of substantial and concrete commitment. Not surprisingly, many environmental NGOs point to a contradiction between BP Amoco's rhetoric and the reality of their actions. Says Kirsty Hamilton, Climate Campaigner with Greenpeace International: *"There is a discrepancy between the discourse and actions of oil companies, in different areas. First, investments: compare an investment of $20 million per year in solar energy to over $4 billion in exploration and production expenditures in 1998. Second, advocacy: it is now considered good marketing practice to show a green face, and also good lobbying practice. And third, advertising: they advertise being green, and at the same time join [anti-action] lobby groups."*[15,16] While William O'Keefe, former vice-president of API and chairman of the GCC, underlines his understanding of the nature of BP Amoco's strategy: *"Doing this move, [Browne] created an image of BP that differentiated it from his competitors, and this was good marketing (...) But if you look at what they are doing, apart from BP's internal emissions trading scheme, there is no significant difference between*

[13] Interview with Dr. Brian Flannery, The Hague, November 2000.

[14] Brian Flannery, cited in (Topping 2001).

[15] Details of sources for these figures are given in Hamilton (1998, p. 30).

[16] Interview with Mrs. Kirsty Hamilton, The Hague, November 2000. As of today, BP America is still a member of the API.

what ExxonMobil and what BP Amoco are doing, in terms of money invested, research, etc."[17] Another reason for caution on BP Amoco's strategy is the fact that the company continued its contribution to the US political process after 1997, albeit in smaller amounts. [18]

Clearly, an actor who claims to be socially responsible expects gains in terms of reputation and public recognition from his/her discourse. By not rejecting the social concerns and entering into a co-operative relation with society, he/she also may increase his/her power to influence societal concerns. In this sense, the gain is mainly procedural. As said above by B. Flannery, no company has clearly incurred costs because of its strategy and a lot has remained at the level of discourses. Because of this, the question of whether social concerns are the real motivation to act for companies such as BP Amoco cannot be answered. We must wait for them to incur costs that they would not incur if they were in bad faith. This is not to say that it is either necessary or desirable that ethical companies incur costs, just to demonstrate ethical concerns. It means that – in those situations – ethical behavior is credible only when leading to a sacrifice of economic consequences. However, the most desirable situations, both for society and business, are those in which it is more profitable for business to be ethical.

If the actor takes the socially responsible position in bad faith, he/she cannot ignore the possibility that society will notice it. Moreover, a co-operative attitude towards society may provide for more opportunities to gauge the consistency between behavior and communication – whether 'they walk by their talk'. If not, the actor would loose all the benefits of his/her position because it would not have secured the attainment of the most profitable consequence. Hence an open and co-operative attitude towards society is more risky for an actor in bad faith and it might be his/her interest to maintain an adversarial stance if he/she does not really intend to modify his/her process. Furthermore, the willingness of business actors to let society observe what they do so as to compare it with their discourse is an indication of good faith. In itself, it is an indication of a desire to build a trustful relationship with society, although no definite proof.

Our analysis thus distinguishes between two different types of good faith for the two types of attitudes respectively. Addressing the ethical dilemma with the intention of maintaining a *status quo* on the process so as to reach the most profitable consequence involves mainly communication and lobbying actions. The question of good faith is thus raised at the level of the consistency between what one says and what one believes is true. On the other hand, placing priority on processes and risking to miss the most profitable consequences involves internal efforts to change the corporation's way of framing the issue and of doing business, hence actions that go beyond communication and lobbying. The question of good faith is then raised at the level of the consistency between what one says and one what does.

5 Conclusion

In this paper, we have structured the oil industry business ethical dilemma as a contradiction between a socially detrimental process (emitting greenhouse gases) and a self-interested profitable consequence. This allowed us to specify two forms of behavior differing in their

[17] Interview with Mr. William O'Keefe, January 2001.

[18] See Exhibit B-1 of (van den Hove et al., 2001a). BP has prohibited the API from using BP membership funds for anti-climate work (Source: ICCR 2000).

priority given to the consequences or to the processes. Then, we have argued that these forms imply very different business attitudes towards society: controversial or competitive for the former and aligned or cooperative for the latter. These attitudes raise the question of good faith in business argumentation, in the sense that they may or may not be consistent with actual business behaviors. Because consequential attitudes merely involve communication and lobbying actions, the question of good faith lies in the consistency between beliefs and discourse. On the other hand, procedural attitudes refer to a change of the process of behavior and thus raise the question of the consistency between discourses and behavior. Through the case of oil industry and climate change, we explored how processes and consequences constitute a useful framework to better understand how business faces ethical dilemmas. It opens a path to assess corporate behavior through the now widely used notion of 'corporate social responsibility' (CSR) (See e.g. European Commission 2001) while exploring the issue of good faith in the increasingly frequent claims to include an ethical dimension in the pursuit of business value.

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