Social irresponsibility in management
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In recent years Synopsis has carried a number of reviews on social accounting and social responsibility (see October 1976, October 1977, March 1978) and from a careful study of these reviews it would appear that social accounting has grown from a bright idea into a recommended part of the accounting system. However, I am grateful to J. Scott Armstrong, associate professor of marketing at the Wharton School, University of Pennsylvania, who has written to me pointing out an article he published in the Journal of Business Research, which suggests that social accounting is of little value given the existing role of management.

In his paper, Armstrong examines social irresponsibility rather than responsibility and defines his topic thus: “the socially irresponsible act is the decision to accept an alternative that is thought by the decision-maker to be inferior to another alternative when the effects upon all parties are considered.” He examines extreme cases of irresponsibility and focuses on cases where great harm is caused to the system and where almost all unbiased observers are in agreement that an irresponsible act has occurred.

Many managers act in their own selfish interests and this often leads to irresponsible behavior. However, Armstrong is concerned with whether managers may commit irresponsible acts when they behave according to expectations of their role. Many managers believe that they owe their first allegiance to their shareholders. For example, air pollution is acceptable if there is no response from the public and therefore no threat to profit maximization. Something would be done, however, if it were expected that air pollution might lead to a boycott of the firm’s products.

Armstrong quotes from a selection of surveys and documented case-histories which appear to support the theory that the shareholder role encourages socially irresponsible acts. One particularly interesting role-playing experiment concerned the Panalba case which was based on problems facing the directors of the Upjohn Company. Upjohn had a very profitable drug named Panalba and, while there was considerable evidence that substitute drugs from competitors provided the same benefits at the same price, Panalba had serious side effects, including death. Should Upjohn remove Panalba from the market? The results of the Panalba role-playing case are possibly surprising but perhaps, as they accord with the actual decision which had been reached by the Upjohn Company, they were at least realistic. It appears that some decision-makers tried to justify their decision to keep Panalba on the market by suggesting that they were merely following their role. In the real situation. Upjohn was eventually forced to remove Panalba from the U.S. market in 1970, even though it continued to sell in foreign markets.

For those readers who are concerned with this subject, a very comprehensive bibliography is provided by the author, who has expressed an interest in hearing from readers who wish to know more of his study.