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DEIGNAN AWARD OF RESPONSIBLE ENTREPRENEURSHIP

EXPLORING THE ETHICAL UNDERPINNINGS
OF A PROPOSED AWARD IN THE CONTEXT
OF THE UNITED NATIONS SUSTAINABILITY GOALS

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Keywords

Incentives; Ethical underpinning of Economics; Deignan Award; Responsible Entrepreneurship; Confucian Ethics.

Abstract

The article discusses a proposed “Deignan Award for Responsible Entrepreneurship”, “DARE,” by examining the economic theory and empirical methods, with a special attention to the ethical presuppositions, underpinning DARE. Given the overall focus on the achievement of the UN Sustainability Goals, the article argues that Compliance based administrative approaches need to be supplemented

with intrinsic motivation through awards like DARE. These offer incentives for businesspeople and key stakeholders to freely embrace and compete for the achievement of the UN Sustainability goals as well as to maintain a focus on the genuine meaning of core issues of Responsible Entrepreneurship. This approach maintains the importance of compliance but argues that it needs to be supplemented by intrinsic motivation which may be especially relevant in an Asian Confucian context where “walking the talk” and setting the tone from the top play a decisive role within strictly hierarchical settings, prone to widespread corruption. Awards like DARE may in fact play a modest but significant role in shaping a new economic paradigm oriented towards the common good, contrasted with a reductive model of economics and finance focused exclusively on profit maximization, economic growth, monetary rewards, and cost cutting, coupled with a questionable rhetoric about Corporate Social Responsibility which may easily be abused as a tool for PR unfettered by either proper oversight or mechanisms supporting transparency.*

Introduction

The article limits itself to discuss a few key elements of a proposed sustainability award to highlight the intrinsic link between economics and its ethical underpinnings. The research was partly provoked by some

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previous findings on the implementation of the Global Compact in China,¹⁸⁹ which clearly pointed out widespread ignorance of the concrete content of the ten principles of the Global Compact among the companies that had made a commitment to stick to its principles. Therefore, the DARE project is focused on several points:

- 1) The incentive structure is designed to significantly raise awareness, motivation and performance of awards in order to make progress on the UN sustainability goals.
- 2) The proposed award highlights the ethical relevance of economic performance which in the conventional models is largely ignored.
- 3) DARE is meant to showcase “intrinsic motivation”¹⁹⁰ as a crucial driving force in a modern economy, above and beyond extrinsic, material motivations. However, the article argues that DARE not only goes beyond considerations as developed in the realm of social psychology, business economics, management but also hints at the relevance of ethics. Frey and Gallus also underscore various social values linked with awards: Awards can contribute to happiness; awards raise productivity and contributions to public goods, (*op.cit.*, p. 2). Awards seem to be particularly well suited to honour comprehensive achievements.
- 4) The article will attempt to compare DARE with a multiplicity of similar sustainability awards and will highlight the distinctive feature of its unique selling points.
- 5) It will argue that DARE’s role is to raise awareness of the mostly neglected moral dimension of economics, thus exhibiting a

¹⁸⁹ Rothlin, Stephan: Towards a Socially Responsible China: A Preliminary Investigation of the Implementation of the Global Compact, in: *Journal of International Business Ethics*, vol.3, no.1, 2010, 3-13

¹⁹⁰ Frey, Bruno S. & Gallus, Jan. 2017: *Honours Versus Money. The Economics of Awards*, Oxford: Oxford University Press, p.vi

potential for shaping a new paradigm of economics oriented to the common good and networks of solidarity and subsidiarity.

- 6) The article will also analyze possible pitfalls of a distorted and misleading approach to sustainability awards.

The Vision of DARE

As awards often recognize performances that are difficult or impossible to exactly define and measure, it is important to develop and communicate a vision which conveys the key values of an Award which usually go beyond monetary awards. Awards are a low-cost investment in honouring individuals as well as organizations and causes.

1. While compliance serves to make sure that individuals and institutions do observe the law, it is obvious that there are myriads of ways to bypass the law especially through corruption. Therefore, awards may serve as an additional channel to encourage ethical business practices in competitive business environments and challenge entrepreneurs to respond creatively to the principles of justice, solidarity, and subsidiarity. We have however to presume that understanding and embracing these key principles involves a risk and remains quite fragile until regular training courses involving discussion and reference to new case studies and personal experiences refresh the memory and renew personal commitments to these values. Research on the implementation of the ten Corporate Social Responsibility principles of the Global Compact in China documents that fast turnover in staffing makes it very difficult to communicate these principles and foster a commitment to implement them in a systematic way.

2. The “Deignan Award of Responsible Entrepreneurship” refers to the name and the life achievements of the Jesuit educator, Fr. Alfred Deignan S.J. (1927-2018), originally from Ireland, who spent over 50 years in Hong Kong and had a decisive impact in educating generations of students with a particular focus on basic human values, namely,

integrity, honesty, truthfulness, forgiveness, and human dignity. Particularly in a time when values seem to be eroding and everybody's stamina is tested with a seemingly never-ending pandemic and ongoing political upheavals, it may be particularly meaningful to re-examine basic human values as they are tested in the hurly burly of daily life not only for individuals but also for institutions.

Alfred Deignan advocated ten core values during his mission in Hong Kong and asked his fellow Irish Jesuit friend Fr Sean Coughlan to briefly provide a simple up to the point definition of the key values¹⁹¹. The point of the simple definition goes beyond the boundaries of specific religious creeds or atheistic or nihilistic ideologies. These are the key values without which any business will actually fail. The point about them is therefore not to daydream but to appeal to a certain "common sense of both heart and mind" which lies at the core of business success:

- 1) Love "rejoices with the truth" (New American Bible, 1 Cor 13: 6).
- 2) Respect: "A condition of openness, acceptance and common decency towards others, appreciating their values."
- 3) Responsibility: "Willingly and freely commit to a task."
- 4) Peace: "A state of calmness or harmony that comes from within, reaching out to others."
- 5) Honesty: "Congruence of what one holds in his/her mind and what he/she expresses."
- 6) Justice: "Conformity to the truth, fact or reason. Righteousness and justice are the best guide for one's action."

¹⁹¹ Coughlan, Sean. "The 10 Basic Human Values," in: *Hong Kong International Institute of Educational Leadership Quarterly Newsletter*, Issue No 35, January 2008, 1.

- 7) Self-Discipline: “A form of self-control which shows a person’s awareness that his or her behaviour is acceptable to community. In addition, the person is ready to resist temptation and sacrifice personal interest for the common good.”
- 8) Service: “Love and care in action, bringing inner happiness to both the giver and the recipient.”
- 9) Cooperation: “Working with others in a harmonious way endeavoring to accomplish a task well.”
- 10) Simplicity: “A state whereby the plainness or naturalness is maintained.”

The challenge is to support the vision of Alfred Deignan SJ in implementing these key values which point very clearly in the direction of intrinsic values, whereas extrinsic values such as money, profit, status etc. are not mentioned. This does not imply a vision of business which is totally disconnected to the real world of cut-throat business; extrinsic factors such as profit, money, status do count; however, the basic values ultimately have an impact on the happiness of individuals as well as on the benefit of the larger society. The main target group consists of business leaders who inspire morally exemplary behavior in others by fighting against intolerable situations of injustice and by contributing to the common good. In 1997 Alfred Deignan, together with Andrew So and other friends from Hong Kong, founded the “Hong Kong International Institute for Educational Leadership” (HKIIEEL), to promote value education in different educational institutions. The promotion of the core values always implied an institutional dimension and was not just confined to individual efforts. If awards are to be effective, it is crucial to provide the institutional conditions which are conducive for the further growth of values on all levels of the society but particularly among the young. While DARE could be gradually extended to Mainland China and other Asian countries it is currently

restricted to Hong Kong and Macau, given the fact that these cities often serve as laboratories and forerunners of China.

Criteria to Assess Business Performance

It is a specific feature¹⁹² of DARE to strike a balance between the ethical level of the 10 core values and compliance with the law, namely in the following areas:

- 1) Legal compliance: Applicants for the award must demonstrate compliance with local laws and regulations where the company operates. They must comply with international laws and regulations as well.
- 2) Ethical/Clean company: There must be proven evidence that an applicant is not involved in unethical practices like accounting fraud, corruption, bribery, and conflict of interest etc.
- 3) Respecting the dignity of all human beings: They must show how they honor their commitment to treating each person/stakeholder as a human being.
- 4) Innovation: Applicants should be involved in developing and/or producing innovative products, or providing innovative services that respond to the needs of human beings and that change or contribute to the life quality of human beings constructively. The products and services should be accessible to a majority of human beings.
- 5) Fair prices: Applicants make reasonable profits by selling products and providing services at fair and just prices to customers; buying products, raw materials and supplies from suppliers at fair and just prices.

¹⁹² The criteria are based on the recent research by Carlos Noronha, Jenny Guan and their research team of the “MICSRCG”, the Macau Institute of Corporate Social Responsibility in Greater China.

- 6) Communication: Applicants use appropriate media to communicate truthful information to the public about the company, its products, and services.
- 7) Fair competition: Applicants must demonstrate how they engage competitors fairly.
- 8) Responsible environmental practices: Applicants must strive to use resources economically that create the least damage to the environment during their operations. They must address the adverse environmental impact they may have created during previous operations or after customers use the products/services. Applicants must employ ways to influence its customers, competitors, suppliers, employees, and other stakeholders to protect the environment during their operations.
- 9) Human Resource Policies (Employee engagement and well-being): Applicants must develop policies providing fair job opportunities to capable people with different backgrounds; fair living wages; training and development opportunities; humane job design; interesting and meaningful job content that allow employees to enjoy job satisfaction and utilize their talents; appropriate training for employees to capture needed skills and acquire knowledge of the ethical standards of the company; appropriate tools and equipment to enhance work efficiency and prevent accidents; ways to influence and motivate employees to behave ethically; psychological and physical safety in the workplace; insurance for employees; ethical appraisal systems; implement policies demonstrating concern for work-life balance of employees; apply the principle of subsidiarity to develop a corporate culture of trust so employees would be fully engaged and committed; and make the availability of all these transparent, enabling employees who serve the company to earn a decent

return while also serving the society by producing goods to other people.

- 10) Socially responsible investment: Avoid investing in and doing business with unethical companies lacking a commitment to social responsibility.
- 11) Crisis management: Applicants should document the company's timely responsive actions to internal crises as well as social crises, to minimize their adverse impact on its stakeholders.
- 12) Corporate philanthropy: Applicants should document the company's policies on charity support and donations; focusing on activities encouraging harmonious relationships within family and society.

Here it needs to be noted that there is an ongoing confusion about the difference in the meaning between "Corporate Social Responsibility" and "Corporate Philanthropy". Particularly in China there is a widespread belief that "Corporate Social Responsibility" needs to be equated with "Corporate Philanthropy". This is however not correct: Corporate Social Responsibility refers to the obligations and fiduciary duties that institutions, firms and individuals need to keep in mind in key areas of the public arena, such as just labor conditions, food safety, fair competition, diminishing of corruption etc. In other words, a firm may impress with generous contributions to charities along the lines of corporate philanthropy while the same firm may massively abuse its work force. Such a firm might be practicing "Corporate Philanthropy" but still fail to meet general expectations for "Corporate Social Responsibility."

These criteria are meant to be a reality check focused on a comprehensive analysis of what the applying companies have done rather than what their mission says or what they plan to do. It is therefore necessary to develop a list of detailed expectations that can guide them regarding what DARE is looking for, and at the same time

provide them with a way to document their work/achievement. Participants must explain and show evidence how they have achieved all these criteria.

As part of their application for DARE, a company may also include what they perceive are elements missing from the criteria but which they believe are essential for understanding their claim to responsible entrepreneurship. What has the company achieved? How has the company achieved them? Phone interviews and site visits may need to be conducted to verify what is stated in the application form or what might be difficult to describe in a short document. It is also necessary to determine the time frame that can best show their achievement including improvements as well as accounting for setbacks. Two years may be a minimum.

Balance between Small and Medium Sized and Multinational Companies

Another key element regarding the intrinsic link to a new economic paradigm which is more oriented towards the Common Good lies in the mix of potential candidates for DARE, which include both Small and Medium Enterprises (SME) and Multinational Corporations (MNC)¹⁹³.

¹⁹³ Definition of SME in HK: Manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons are regarded as SMEs in Hong Kong. As of September 2020, there were over 340 000 SMEs in HK.

Definition of SME in Macau: Small and micro enterprises are defined as any business which has over 50 per cent of its share capital held by Macao residents, and employs no more than 15 people who are working in the Macao Special Administrative Region. Here is a rough and ready definition of MNCs: A firm that has facilities and other assets in at least one country other than its home country. A multinational company generally has offices and/or factories in different countries and a centralized head office where they coordinate global management. In 2018, Hong Kong was home to 1,530 regional headquarters for

Given the preponderant influence of the MNCs, and their PR capabilities, a common misperception about awards is that MNCs would be most likely to receive such awards, given their perceived broader impact on society in contrast with the SMEs. However, given the fact that SMEs are a more decisive factor in the global economy for creating new jobs compared with MNCs, it seems most appropriate to identify and award both Small Medium Enterprises (SME) and Multinational (MNC) entrepreneurs who show a track record of achievements in Ethical and Sustainable Business practices.

The criteria listed here for the DARE awards have been designed to reflect the concerns expressed in various documents on Corporate Social Responsibility and Business Ethics, including the document “Vocation of a Business Leader” (2021, Mingpao Press, Hong Kong) and the volumes of the series on Business Ethics and Applied Ethics (Peking University Press & University of International Business & Economics Press, Beijing 2000- 2021)

Balance between Business and Academia

A key element of the credibility of any award related to sustainability seems to be achieving a balance between concrete business experiences and the appearance of academic substance. In the case of DARE the contribution and guidance from the Macau Ricci Institute seems to be critical as the core mission of this research institution, which was founded in December 1999, aims at the critical dialogue between Christianity and the wisdom traditions of China especially Buddhism and Daoism. Alfred Deignan was one of the founding fathers of the Macau Ricci Institute, which seeks to balance historic research on the cultural exchange between China and Europe as

MNCs. Some of these regional headquarters are the hub for the Asia-Pacific Region, while others serve as the hub for the Greater China region.

initiated by Matteo Ricci (1552-1610) and generations of missionaries, and the analysis of contemporary topics related to the recent history of China in its interaction with other cultures.

There may be another significant benefit emerging from a close interaction between business and academia, which must make sure that the branding of the award is clearly defined and based, on the one hand, on sound research and references to comprehensive publications on the topic of Responsible Entrepreneurship, while on the other hand, with a variety of business practitioners who will ensure that the specific situation, needs, restrictions and recent trends are sufficiently taken into account. This balance must be reflected in the various institutional bodies supporting DARE, namely:

- 1) The function of a Steering Committee is crucial to provide advice, monitoring and ensure the achievement of project outcomes.
- 2) The Steering Committee will be composed of delegates from the concerned organizations plus other stakeholders as appropriate.
- 3) The Steering Committee prepares and approves the terms of reference for DARE including vision, objectives, scope and deliverables, roles and responsibilities and determine the success factors, assessment of risks and constraints. The Steering Committee will have regular meetings on DARE progress and have the approval authority over all major decisions.
- 4) Important procedures such as sourcing and selecting a PR firm, a panel of award judges, the determination of award criteria and the finalists' list will be closely monitored by the Steering Committee.
- 5) Factory or Site Visits, or a Company Health Check for the shortlisted participants shall be arranged as far as practical and possible, otherwise a reference check plus Zoom meetings

conducted by the Executive Working Team will be necessary to substantiate the qualifications of the participants.

Unique Selling Points of the Deignan Award

- 1) The focus of DARE is on SMEs and MNCs operating within the cross-cultural centers of Hong Kong and Macau. In the wake of social unrest in Hong Kong and other profound social changes happening in both Hong Kong and Macau it may easily be forgotten that generations of missionaries have left a distinctive mark in these cities which serve as a special door to China, especially in the area of education.
- 2) The objective is to carefully select successful and qualified SMEs and MNCs from Hong Kong and Macau which show a credible track record of specific achievements in the field of sustainability and the implementation of ethical practices based on the most updated research on Corporate Social Responsibility, ESG criteria and Business Ethics.
- 3) DARE will shortlist 3 Finalists in both categories of SMEs and MNCs and pick the Winner out of the 3 Finalists during its first award ceremony on 25th March 2023.
- 4) DARE distinguishes itself from similar awards in its reference to the need within the competitive business world for genuine solidarity, subsidiarity, respect for the dignity of each person, and orientation toward the common good. Inspired by the leadership of Alfred Deignan (1927-2018) as an outstanding educator and advocate of business ethics DARE focuses on both the personal and the institutional relevance of the key 10 core basic values Alfred Deignan advocated during his mission in Hong Kong

One of the favorite sayings Alfred Deignan SJ liked to quote is the following from Theodore Roosevelt: “To educate a person in mind and not in morals is to educate a menace to society.” Alfred Deignan was deeply disappointed by the mere lip service that businesspeople usually paid to his teachings on Business Ethics. DARE therefore strives to demonstrate with compelling examples that law and ethics can be taken seriously, even in adverse circumstances.

Reputational Risk: The Shaming potential of DARE

Awards have often been abused as pure PR tools, and understandably dismissed as lacking much substance. The terms “Corporate Social Responsibility” and “Business Ethics,” in both academia and business, have been abused to hide highly unethical practices such as rampant plagiarism and copyright theft, money-laundering and a whole register of business crimes. Whilst the focus of an award like DARE is meant to strike a positive note in reference to 10 core values embedded in business culture it is also important to hint at the other side of the coin: it is mandatory that DARE keep a faithful account of all applicants especially those who have been shortlisted and won the award. A particular shame would naturally fall on any participant in the DARE who would act against the principles of DARE. These acts cannot be narrowly defined along the lines of business crimes. As the recent reports of the “Panama-Papers” (2016) and the “Pandora-Papers” (2021) demonstrated in shocking detail and with devastating evidence, the world has become acutely aware of how massively individuals, government officials, and private institutions are still deeply engrained in widespread corruption, abuse of power and disregard of the most basic human rights. Sometimes tax avoidance of rich individuals and organization is legal; however, in the context of an ever-growing gap between the rich and the poor, it is particularly shocking and disturbing in countries on the brink of economic collapse

like Lebanon, or Nigeria, where ruthless cliques still shamelessly use every trick to shift their ill-gotten gains through shell companies into their own dirty pockets. The prestige of DARE with its value system would greatly be at risk if no major attention were paid to these forms of massive abuse as well as to the common cynical prejudice that underpins the behaviour of many businesspeople and scholars, namely, to dismiss any efforts to promote sound business practices as daydreaming.

Conclusion

This article has argued that for the achievement of the UN's Sustainability goals it seems crucial to target the intrinsic motivation of key market players to act as responsible entrepreneurs. An exclusive focus on compliance may not be enough to bring about a lasting change. DARE's main goal is described as a social experiment and very much "a work in progress" in order to help unleash an ethical drive and genuine determination to act in a responsible manner in the interest of the Common Good, while doing its best to diminish corruption and respect the dignity of every player involved in the market especially the most vulnerable ones. However, those sponsoring DARE also make the case for decisive shaming of any participant and recipient of the award who would engage at some point in criminal or unethical acts.