

## DO BUSINESS CORPORATIONS HAVE A CONSCIENCE?

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There has been much debate concerning questions such as whether business corporations have a conscience? Do business corporations have the same intention as an individual? Can Business Corporation be treated as a moral agency? Let us now examine and discuss how business corporations should or ought to be treated. To begin with, a business corporation is an economic institution empowered and protected by the law of the state to engage in business transactions whose main motive is to make a profit for shareholders. Business corporations or multinational corporations have become so powerful and influential but if such powerful institutions are devoid of social and moral consideration what possible harm can it pose to the global society? Can business corporations or multinational corporations be treated on par with persons having conscience of their own to have moral and social responsibilities? Can't business corporations display moral and civic sense in their day to day business activities?

The analogy of treating corporations as persons under the law has raised the issue of whether corporations are sufficient enough to be treated morally and thus have moral rights like ordinary individual human beings. Corporations have been wielded with immense authority to exercise a variety of political rights, more or less extensive and this at the same time raises the questions as to how far do corporations owe their responsibility towards with whom the existence of the corporations depend. There are two antagonistic views over whether business corporations have a conscience.

Can corporate actions be said to be intentional actions? French<sup>1</sup> argues that corporations act intentionally and should be held morally accountable for their action. He argues that every corporation has an internal decision structure. The CID structures have two elements of interest to us here: (1) an organizational or responsibility flowchart that delineates stations and levels within the corporate power structure and (2) corporate decision recognition rule(s) (usually embedded in

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<sup>1</sup> French, P., (1997) "The Corporation as a Moral Person," in Weiss, W. J., (1994) *Business Ethics: A Managerial, Stakeholder Approach*, Wadsworth Publishing Company, Belmont, California, p. 91

something called “corporation policy”). The CID Structure is the personnel organization for the exercise of the corporation’s power concerning its ventures, and as such its primary function is to draw experience from various levels of the corporation into a decision-making and ratification process. According to him, corporations act through their corporate flowchart and corporate policy because it embodies the decisional structure of the flowchart and the intentionality of a firm’s policy. He opines that corporate internal decision (CID) structures incorporate actions of individuals as a collective. Functioning CID Structures incorporate acts of biological persons.

French calls CID Structure the grammar of corporate decision-making. It is the CID Structure that provides internal recognition rules and links and associates corporate decisions with the notion of an individual through the CID. It can be said without hesitation that a corporation’s very act of doing something concerning CID Structure, involves or includes human beings doing things and that the human beings who hold various positions in a business corporation usually can be considered as having reasons for their behaviour because the behaviour is due to consequent upon complying with the CID Structure of a particular corporation in which business operates. However, treating CID Structure analogous to individuals or persons seems difficult to accept. Because, though the CID Structure encompasses views and policies and thus represents the corporation’s decision, corporation, after all, is a conglomeration of individuals devoid of the intentionality of themselves. Corporations themselves do not have a conscience and whatever plans or policies are being made are the corporate members and not the corporations *per se*. Hence corporation cannot be treated analogously to persons. The difficulty of treating corporation on par with a person can be explained by way of interrogation, ‘is Microsoft Corporation identical to a person?’ The answer to this question, most obviously, would be negative. Galbraith says, “From [the] interpersonal exercise of power, the interaction... of the participants, comes the personality of the corporation.”<sup>2</sup> But it can also be said that the interaction being taken place in a business transaction is but the corporate members and not corporations *per se*. The problem with this view is that corporations do not seem to act or intend in the same

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<sup>2</sup> Galbraith, K. J., (1971) *The Age of Uncertainty*, Boston, p. 261

sense that individual humans do. After all, corporations are composed of human individuals that we conventionally agree to treat the actions of these individuals as the actions of that unit. We can express this precisely in two somewhat technical claims that build on the work of Searle:<sup>3</sup>

1. A corporate organization “exists” only if (1) there exist certain human individuals who are in certain circumstances and relationships, and (2) our linguistic and social conventions lay down that when those kinds of individuals exist in those kinds of circumstances and relationships, they shall count as a corporate organization.
2. A corporate organization “acts” only if (1) certain human individuals in the organization performed certain actions in certain circumstances and (2) our linguistic and social conventions lay down that when those kinds of individuals perform those kinds of actions in those kinds of circumstances, this shall count as an act of the corporate organization.

It implies that corporate acts originate in the choices and actions of the human individuals and thus the human individuals should be considered as the primary bearers of moral duties and social responsibility. An action performed in compliance with the CID Structure of an organization does not make an organization itself responsible for the action which originates from the human individuals. Thus, it can be argued that the CID Structure is just a manifestation of the consensus policies and decisions made by the corporate individuals and not the corporation per se. If a corporation acts wrongly, it is because of what some individual or individuals in that corporation chose to do; if a corporation acts morally, it is because some individual or individuals in that corporation act morally.<sup>4</sup>

In analogous with the view above, Goodpaster and Mathew<sup>5</sup> argue that since corporations are credited with having goals, economic values and strategies, they should also have a conscience. They do not, however, believe that corporations should be equated with individuals but that understanding organizations as persons

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<sup>3</sup> Searle, J., (1995) *The Construction of Social Reality*, Oxford Press, New York

<sup>4</sup> Velasquez, G. M., (1994), *Business Ethics: Concepts and Cases*, By Pearson Michael Education, Inc., Singapore, p. 18

<sup>5</sup> Goodpaster, K. E., and Mathew, J. B., Jr., (2002) “Can A Corporation Have A Conscience?” in *Applied Ethics: A Critical Concepts In Philosophy*, Volume V, edited by Chadwick, Ruth and Schroeder, Dorris, Routledge II, New Fetter lane, London

can provide a better framework in the understanding of corporate social responsibility. For them, a corporation can and should have a conscience because its decision-making processes can, and often do, display both rationality and respect and thus maintain that a corporation should have a conscience because neither “invisible hand” of the market nor “governmental regulation” can be expected to lead corporations to make decisions that accord with morality on the most important matters of moral concern.<sup>6</sup> They further argue that there is no reason a corporation cannot show the same kind of rationality and respect for persons that individual human beings can. By analogy, they contend, it makes just as much sense to speak of corporate moral responsibility as it does to speak of individual moral responsibility.<sup>7</sup>

It is important to note that corporations as one of the social institutions of the society do not operate the business in a vacuum. But corporations are intimately integrated with the rest of society. They are bound to have interactions and activities not only among the business members themselves but also extend far beyond their domain and thus affect society and are affected by the social environment simultaneously. It is quite possible to say that though corporations are not analogous to person yet their activities in doing business can reasonably show the kind of rationality and respects towards whom they interact. However, this does not in any sense, means that they (corporations) are analogous to persons per se. It is pointed out here that the organization structures can incorporate rules or guidelines within the system that can be endorsed by corporate leaders to be followed and obeyed by everyone but such rules and guidelines should not be treated as “intentional acts” of the corporation. A corporation is an organization composed of individual rational beings. It is not a corporation that is rational; it is the individuals who are the bearers of rationality and intentionality.

Though the corporation itself lacks intentionality, yet it gives no exception to the corporation from evading responsibility because a corporation is a conglomeration of rational individuals whose policies and decisions run the

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<sup>6</sup> Goodpaster, K. E., and Mathew, J. B., Jr., (2002) “Can A Corporation Have A Conscience?” in *Applied Ethics: A Critical Concepts In Philosophy*, Volume V, edited by Chadwick, Ruth and Schroeder, Dorris, Routledge II, New Fetter lane, London.

<sup>7</sup> Goodpaster, K. E., and Mathew, J. B., Jr., (January-February 1982) “Can a Corporation Have a Conscience?” *Harvard Business Review* 60, p. 132-141

corporation. The CID Structure as espoused by French can well adopt responsibility not only towards themselves but also towards the society at large. The CID Structure can incorporate rules and guidelines that reflect respect for persons in which every member is treated as ends in themselves and never merely as means to an end among the members in a corporation and members of the society at large in which business operates. As Kant in his third formulation of the categorical imperative states: we should act as if we are a member of the 'kingdom of ends'. This universal endorsement by a rational person is what makes Kant say that everyone is both subject and sovereign concerning the rules that govern them because it is the rules that endorse every rational being worthy to be respected simply by being a rational person. Donaldson argues that a corporation can be a moral agent if moral reasons enter into its decision making and if its decision-making process controls not just the company's action but also its structures of policies and rules."<sup>8</sup> The core concern is not whether corporations do have a conscience like rational beings. Any rational being is worthy of respect not because of what he/she is but because of being a rational being. Any law, be it in business or legal or anything violates the basic principle of human right that does not treat persons as worthy of respect. It is quite important to remind ourselves "Would I think it acceptable if any other beings treated me the way I treat them?"

The productionists<sup>9</sup> view corporation as an impersonal profit-making institution. For them, the only primary responsibility of business is to make profits without moral responsibility. Corporations are not persons but they are artificial legal constructions, machines for mobilizing economic investments toward the efficient production of goods and service. So, corporations cannot be held responsible but we can only hold individuals responsible. Moreover, corporate executives are not elected representatives of the people, nor are they anointed or appointed as social guardians. They, therefore, lack the social mandate that a democratic society rightly demands of those who would pursue ethically or socially motivated policies. By keeping corporate policies and plan confined to economic motivations we keep the power of corporate executives in its proper place. It is further argued that the idea of moral

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<sup>8</sup> Donaldson, T., (1982) *Corporations and Morality*, Prentice-Hall, Englewood Cliffs, N.J., p. 10

<sup>9</sup> Weiss, J. W., (1994) *Business Ethics: A Managerial, Stakeholder Approach*, by Wadsworth Publishing Company, Inc., Belmont, California, p. 90

projection is a useful device for structuring corporate responsibility only if the understanding of moral responsibility at the level of a person is in some sense richer than the understanding of moral responsibility on the level of the organization as a whole. If we are not clear about individual responsibility, the projection is fruitless.<sup>10</sup>

Velasquez argues that businesses as institutions do not have intentions or act as persons. In support of his argument, he gave two reasons: individual wrongdoers will not be sought and punished if the corporation can be held responsible for wrongful acts and, understanding corporations as intentional persons will cause us to view them as “larger than human” persons whose ends and well-being are more important than those of its members.<sup>11</sup>

Velasquez, therefore, concludes that it is not the corporation itself, who must be held accountable for illegal and immoral acts but rather it is the people in the corporation who are to be held accountable. In his view, the corporation’s members and not the corporation bring about the acts of the corporation and thus he demurs “the intention French attributes to corporations, then, do not mark out corporate acts as intentional because the intentions are attributed to one entity (the corporation) whereas the acts are carried out by another entity (the corporate members).<sup>12</sup> According to him, it is the intention of the members of the corporations who are involved and carried out the tasks of business activities executing the tasks and not the corporations themselves who possess the so-called intention as pointed by French. An act can be said to be intentional if the entity that formed the intention brings about the act through its bodily movements.<sup>13</sup> Corporations, on the other hand, are nothing but are legal entities, with legal rights and responsibilities similar but not identical to those possessed by individuals. For Velasquez,<sup>14</sup> only corporate members, not the corporation itself, can be held morally responsible.

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<sup>10</sup> Goodpaster, K. E., and Mathew, J. B., Jr., (2002) “Can A Corporation Have A Conscience?” in *Applied Ethics: A Critical Concepts In Philosophy*, Volume V, edited by Chadwick, Ruth and Schroeder, Dorris, Routledge II, New Fetter lane, London.

<sup>11</sup> Shaw, W. H., (1990) *Business Ethics*, By Wadsworth Publishing Company, Canada, p.165

<sup>12</sup> Velasquez, G. M., (Spring 1983) “Why Corporations Are Not Morally Responsible for Anything They Do”, *Business and Professional Ethics Journal 2*, p. 8

<sup>13</sup> Velasquez, G. M., (1994) *Business Ethics: Concepts and Cases*, By Pearson Michael .Education, Inc., Singapore, p. 165

<sup>14</sup> *Ibid.*, p. 165

In partial agreement with Velasquez, it can be argued that if corporations are considered as an economic impersonal institution devoid of intention and morally responsible, could it be then possibly mean that corporations do not have moral accountability towards anything that does not bring profit to the corporation? Corporations are economic institutions having to do with provisioning the needs and requirements of customers and the society at large in return for profit. But this does not rule out the crucial point, that is, corporations are parts of social institutions where individuals of different ranks and status intertwined within a system of the body for definite objectives and goals to achieve. Achieving the objectives and goals of corporations do not come by themselves but such is the outcome consequent upon certain action or determination of the individuals. Objectives and goals are necessarily not the attributes of corporations rather they are the determination and effort made to be realised by the members of the corporations through various activities. By the way, whose objectives and goals corporations are endeavouring to achieve? Are the objectives and goals for the corporations themselves or are they for the individuals whose shares are being invested in the corporation for a reasonable return? In slight variation with Velasquez, we can conclude that even though corporations do not possess intention as rational individuals do, nevertheless, it is vital to accept that business decisions do not occur in isolation, but always takes place in and within a wider context, which includes not only the corporate members but it also includes the society at large. Therefore, business corporations do have responsibilities and not only the individuals involved because whatever policies and actions executed by the corporate members are the intended plans determined by the members in the name of corporations and therefore in certain ways, but corporations can also be held responsible for and not only the individuals themselves alone. The reason why business corporations too have responsibilities in certain ways is that corporate leaders may go and come but as stated above corporation is a legal entity having an indefinite life. Every action has a reaction and it is quite possible that an adverse consequent perhaps may arise in connection with corporate actions which had been done in the past decade in which no particular person could be held responsible for the action. In such cases, it is the responsibility of a corporation and not the individual members.