

Moral Issues in Business

Chapter 5

Corporations

A Corporation

- is a thing that can endure beyond the natural lives of its members and that has incorporators who may sue and be sued as a unit, and who are able to consign part of their property to the corporation for ventures of limited liability.
- “limited liability” means that the members of the corporation are financially liable for corporate debts only up to the extent of their investment.

Limited-liability Corporations vs. Partnerships

- A corporation is not formed simply by an agreement entered into among its members. It becomes incorporated by being publicly registered or in some other way having its existence officially acknowledged by the law.
- While a partner is automatically entitled to his or her share of the profits as soon as they are ascertained, the shareholder in a corporation is only entitled to a dividend from the company's profits when it has been “declared” (e.g., by the corporation's directors).

First National Bank of Boston vs. Bellotti

- This was a 1978 U.S. Supreme court case in which the free-speech rights of corporations were defined for the first time. The bank wanted to spend corporate funds to oppose a Massachusetts’s referendum enacting a graduated personal income tax, and the Supreme Court decision allowed them to do so.

Three Senses Of “Moral Responsibility”

- Sense 1 refers to holding people morally accountable for some past action.
- Sense 2 refers to one's accountability, not for a particular past action, but for the care, welfare, or treatment of others as derived from the specific social role that one plays.
- Sense 3 refers to one's capacity for making moral or rational decisions on one's own.
- Shaw and Barry say that sense 3 is a necessary but not sufficient condition for senses 1 and 2.

Can Corporations Make Moral Decisions?

- Goodpaster, Matthews, Donaldson, French -- Yes: Like an individual person, a corporate internal decision (CID) structure collects data about the impacts of its actions. It monitors work conditions, employee efficiency, productivity, and environmental impacts. By analogy, then, a corporation can make moral decisions.
- Velasquez - No: Moral actions are intentional, and intentional actions are actions that are brought about by bodily movements. In corporations, actions are carried out by individuals, not the corporation. Thus, the corporation cannot make moral decisions.

2 Views Of Corporate Social Responsibility

- Narrow View -- profit maximization:
 - The only responsibility of business is to make money for its owners. The only limits here are the elementary rules of morality (face-to-face conduct) such as honesty, good faith, etc.

- Broad View -- social responsibility:
 - In addition to making a profit, business has other responsibilities, e.g., to consumers, employees, and society at large. Business should refrain from undesirable conduct and contribute actively and directly to the social good.

4 Arguments *Against* Broadening Corporate Responsibility

- The Invisible-Hand Argument
 - to invite corporations to base their policies and activities on anything other than profit making is to politicize business's unique economic function and to hamper its ability to satisfy our material needs. If corporations are permitted to maximize their profits without taking society's interests into account, then the greatest economic good for everyone in the society will result.
- The Hand-of-Government Argument
 - Government needs to regulate business in order to insure that it acts in a socially responsible and useful way. This is because corporations are purely economic organizations. We should not view them as moral agents or expect them to act other than in a self-interested way. Unlike the invisible-hand argument, however, the hand-of-government argument contends that allowing corporations to pursue their own interests will not bring good results. Rather, through laws, regulations and incentives, government needs to direct business's pursuit of the bottom line in socially useful directions.
- The Inept-Custodian Argument
 - Corporate executives lack the moral and social expertise to make any decisions other than economic ones. To charge them with non-economic responsibilities would be to put social welfare in the hands of inept custodians.
- The Materialization-of-Society Argument
 - If corporations and their officials are permitted to stray from strictly economic matters, they will impose their materialistic values on all of society. The result will be a materialized instead of a moralized society.

Institutionalizing Ethics within Corporations

- In exchange for allowing corporations to exist, society has the right to expect corporations not to cause harm, to take into account the external effects of their activities, and whenever possible to act for the betterment of society.

Limits to What the Law Can Do

- Many laws, like controls on the disposal of toxic waste, are passed only after the damage has been done.
- Formulating appropriate laws and designing effective regulations requires expertise that the government might not have.
- Enforcing the law can be expensive and time consuming and the threat of lawsuits makes corporations more secretive about their practices.

Corporate Moral Codes – Management's Responsibility

- Articulate the firm's values and goals
- Adopt an ethical code applicable to all members of the company

- Set up a high-ranking ethics committee to oversee, develop and enforce the code
- Incorporate ethics training into all employee development programs

Questioning Corporate Culture

- How do people get ahead in the company?
- Are codes of ethics “winked at” or emphasized?
- Is there a “do whatever it takes but don’t tell us about it” attitude?
- Are benefits and sanctions distributed impartially?