

The Concept of Corporate Responsibility

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The Concept of Corporate Responsibility*

Kenneth E. Goodpaster

ABSTRACT. Opening with Ford Motor Company as a case in point, this essay develops a broad and systematic approach to the field of business ethics. After an analysis of the form and content of the concept of responsibility, the author introduces the 'principle of moral projection' as a device for relating ethics to corporate policy. Pitfalls and objections to this strategy are examined and some practical implications are then explored.

The essay not only defends a proposition but exhibits a research style and a research program. Philosophical ethics and organizational management are joined in the process.

I. Introduction

1. A case in point

The subject of corporate responsibility is both difficult and complex. It will help in the discussion that follows to have before us a case illustration in order to anchor various general remarks

that will be made about it in particular and the topic of corporate responsibility in general. The following story from the *Washington Star* (March 9, 1980) nicely provides such a case illustration:

INDIANA'S PINTO TRIAL MAY ALTER CORPORATE RESPONSIBILITY IN U.S.¹

Legal history could be made this week in the sleepy hamlet of Winamac, Ind., if the powerful Ford Motor Co., on trial in the tiny Pulaski County court, is found guilty of reckless homicide.

The landmark trial stems from a 1978 crash in which three girls died when their Ford Pinto car was rear-ended and exploded. The state charged Ford with reckless homicide, alleging that the company knowingly manufactured and marketed an explosion-prone car, and accusing the No. 2 automaker of failing to warn Pinto owners of the dangers.

Although Ford currently faces numerous civil law suits arising from Pinto explosions, the Indiana prosecution has broken new legal ground by bringing criminal charges to bear. Never before in U.S. legal history has a company faced criminal prosecution for homicide.

In a long, complex and bitterly fought court battle, part-time prosecutor Michael Cosentino, aided by a volunteer band of university professors and their students, has sought to prove that Ford, under pressure to produce a small, fuel-efficient car, recklessly rushed the subcompact onto the U.S. market in 1971, knowing it to be unsafe in rear-end collisions.

Prosecution witnesses claimed during the trial that design faults in early models of the Pinto, including the 1973 Pinto, involved in the Indiana crash, made the gas tank vulnerable in low-speed, rear-end collisions and the car liable to explode as a result.

Witnesses further claimed that Ford engineers knew of the dangers but decided for cost reasons against modifying Pintos on the production line or recalling those already on the roads.

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In its defense, Ford has sought to show that no subcompact comparable to the Pinto could have survived the 1973 crash without fuel leakage and risk of explosion.

Ex-Watergate prosecutor James F. Neal, who has led the auto company's defense team throughout the trial, told the court that the Pinto in which Judy, Lynn and Donna Ulrich died in August 1978 had been rammed while stationary by a Chevrolet van travelling at least 50mph.

Neal asked the court to reject the argument that Ford acted recklessly in failing to construct the Pinto to be capable of withstanding such a high-speed, rear-end collision.

Following closing statements by both sides tomorrow, the jury will decide whether Ford is guilty of the criminal charge. If convicted the auto company will be liable to fines totalling \$30,000.

Those who have followed the trial closely since it began nine weeks ago believe that Ford's lawyers have succeeded in establishing sufficient "reasonable doubt" for a "not guilty" verdict to be returned. But this trial has been full of surprises and if a guilty verdict is reached, the shock waves will ripple through U.S. industry.

Legal experts claim that a successful prosecution in Winamac will pave the way for similar criminal law proceedings against companies in other states. At present 38 other U.S. states possess statutes that would allow companies to be prosecuted under criminal law for serious offenses. So far they have shied away from using them but a precedent in Indiana could change attitudes dramatically.

If Ford is found guilty, the decision would also have a major impact on the civil, product-liability cases involving the Pinto now pending in courts throughout the country. Punitive damages could be substantial and that could hurt Ford financially at a time when the automaker is hard pressed by rising production costs and plunging profits on the domestic car market.

Other companies are keeping a close eye on the Winamac trial, for the product liability implications of the Pinto case extend well beyond the auto industry. Manufacturers of faulty products in other sectors could find themselves facing criminal charges which, ultimately could be extended to include company officials.

Business claims that the introduction of criminal liability will destroy the so-called 'corporate veil' and expose U.S. industry and businessmen to costly and burdensome restrictions. But those in favor of making companies answerable for their actions in the criminal

courts are confident that this will reinforce the often inadequate civil law constraints on corporate behavior.

Ultimately, it is argued, the Pinto case is about the rule of law and whether companies and their officials should be above it.

2. *The point of a case*

As most readers are aware, Ford Motor Company was found innocent of the charges brought against it in this case. And it is not the purpose of this essay to second-guess the appropriateness of the verdict or the legal complexities involved. But it will be useful to have this case in mind as we try to clarify the concept of corporate responsibility, especially as it might be contrasted with individual responsibility, since it was Ford *as a corporation* that was on trial. It should be added that the choice of a case in which the moral issue is harm to the consumer or the general public is not meant to suggest that there are not other, equally important areas of moral concern, for example, worker safety, affirmative action, environmental protection, truth in advertising, and questionable foreign payments. Corporate responsibility can and should be exercised in any context in which moral values and obligations are relevant, and this usually means any context in which the interests or rights of persons are significantly affected by the corporation. Whether these persons are employees of the firm or 'outsiders' would seem to make little difference. The case of the Ford Pinto is simply a convenient port of entry for an inquiry with more general application.

II. Defining moral responsibility

3. *Business ethics*

Analyzing the concept of corporate responsibility is a central part of the larger area of inquiry known as business ethics. Under the more general heading, topics as wide as the ethical legitimacy of capitalism and as narrow as the personal moral dilemmas of business executives

in day-to-day decision making (for example, whether or not to break a promise in order to obtain a contract) are discussed and debated with great enthusiasm. But between the wide and the narrow lie questions that have to do with the management of the modern business corporation as a unit: questions about the policies and competitive strategies adopted by corporations, and questions about how such policies and strategies are to be implemented. In our opening case, Ford Motor Company confronted a long series of difficult policy questions, starting with competitive response to foreign imports and including engineering safety, product liability, and public relations. Issues of corporate responsibility therefore, are of larger scope than the issues at stake in personal executive choices. Individuals make corporate policy decisions, of course, but these decisions are not merely personal – they are choices made *for and in the name of* the corporation. The notion of corporate responsibility finds its home in this larger context. At the same time, issues of corporate responsibility are of smaller scope than the ethical foundations of capitalism, since they presuppose to a great extent the fundamental legitimacy of capitalism – private property, for example, and free enterprise.

Since business ethics is a part of philosophical ethics generally, we expect and find that its divisions correspond to the divisions most frequently made in philosophical ethics, namely, *descriptive ethics*, *normative ethics* and *analytical ethics* (sometimes called *metaethics*). Each division may be briefly described in the order just given.

It is possible to describe the values and moral obligations that business persons or business organizations subscribe to, the values and obligations they accept and seek to foster, as part of a neutral portrait of their beliefs and attitudes. The portrait is neutral because it does not itself favor or oppose the moral beliefs and attitudes it describes. It merely states that members of the business community generally, or of a particular company, have these beliefs or attitudes. To offer such a portrait would be to work in the area called descriptive business ethics.

Normative business ethics, in contrast, would

involve the articulation and defense of basic principles or frameworks of right and wrong, good and bad, virtue and vice, as they apply in a business setting. Normative business ethics would concern itself not with describing values and obligations as perceived in the business world, but with prescribing (and, presumably, defending) values and obligations, sometimes in very general terms, sometimes in very specific terms. Unlike descriptive business ethics, which neither favors nor opposes the moral beliefs and attitudes it describes, normative business ethics is not morally neutral.

Analytical business ethics, finally, would deal with questions of meaning and justification, that is, questions having to do with the use of moral discourse in the business environment, the appropriateness of applying moral categories to institutional actors (and not simply to individuals), and the problems presented by moral disagreement both within and between different societies. Most of the discussion in this essay will fall under the two headings of normative and analytical business ethics, though near the conclusion we shall give some attention to descriptive issues. (See Figure 1.)

In summary, the analysis of the concept of corporate responsibility involves primarily normative and analytical inquiry into the middle range of questions posed in business ethics, the range of questions dealing with the formulation and implementation of corporate policies, goals, and constraints. This range of questions is distinguished both from questions of personal ethics among business managers and from questions about the legitimacy of business enterprise in the first place. In the next section, we shall take the first step in our inquiry by distinguishing among several senses of the word ‘responsibility’ in order to focus attention on the most important sense for our purposes.

4. Senses of ‘moral responsibility’

Let us begin by focusing on the semantics of the phrase ‘moral responsibility’ as it is applied to individuals in their daily lives. Once we have articulated the shape and substance of the

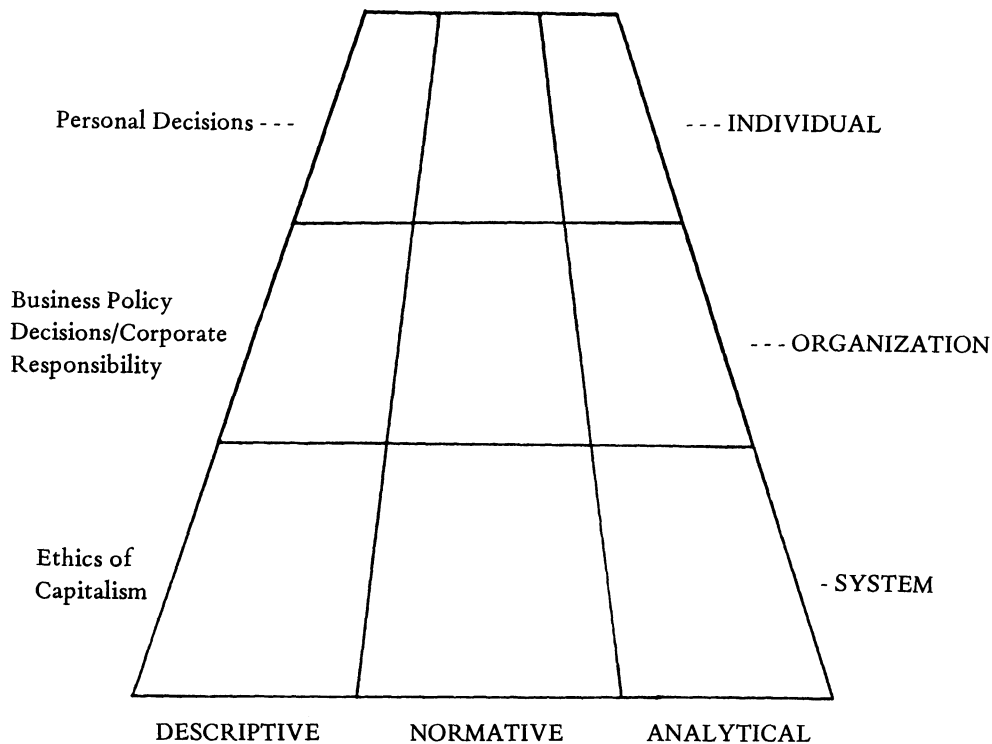


Fig. 1. Wide and narrow issues in business ethics related to divisions of ethical inquiry

central idea for such 'personal' applications, we can then turn to the context of the modern business corporation to see what parallels, if any, obtain. By proceeding in this way, we are taking some sound advice from Christopher D. Stone, law professor at the University of Southern California, who remarks:

If people are going to adopt the terminology of 'responsibility' (with its allied concepts of corporate conscience) to suggest new, improved ways of dealing with corporations, then they ought to go back and examine in detail what 'being responsible' entails — in the ordinary case of the responsible human being. Only after we have considered what being responsible calls for in general does it make sense to develop the notion of a corporation being responsible.²

The justification of the basic strategy behind this way of approaching corporate responsibility will be sketched in §§ 7–10. For now we shall simply treat it as a useful expository device, rather than as a special principle or method in business ethics.³

Three distinctions must be made to sort out the relevant semantic aspects of the concept of moral responsibility as it applies to individuals. First, we must distinguish among three uses of the term 'responsible' as it is used without the modifier 'moral'. I shall refer to those uses of the term as *causal*, *rule-following*, and *decision-making*, respectively. In the *causal* use of the word, we say of an individual that he or she is responsible if we mean to draw attention to the

fact that a certain action or event was brought about by the individual in question, wholly or in part, in contrast to some other individual or to some other explanation of how things happened. Thus, for example, we might ask who was responsible for a broken window, seeking to establish whether praise or, more likely, blame was appropriate and to identify the individual or individuals in question. In the causal sense, we speak of ‘holding’ persons responsible, and we are concerned with determining such matters as intent, free will, degree of participation, as well as reward and/or punishment.

We also speak of an individual’s ‘responsibilities’ as a parent or as a citizen or in other roles. This use of the term reflects the *rule-following* sense, not the causal sense. Here the focus is not on determining who or what brought about a certain action or event, but on the socially expected behavior associated with certain roles. Parents have responsibilities for their children, doctors for their patients, lawyers for their clients, and citizens for their country. To speak of a person as responsible in such contexts is essentially to commend him or her for following the rules or meeting the expectations of his or her station.

But there is a third use of the word ‘responsible’ that is distinct from both the causal and the rule-following uses. Because it relates to the way in which an individual thinks about and responds to situations, we can call it the *decision-making* sense of the word. When we say of Bill Jones that he is a responsible person, we convey that he is reliable and trustworthy, that he can be depended upon to interpret situations and take actions that manifest both integrity and concern for those affected by them. The emphasis is not on Bill Jones as the agent who brought about a certain result (the causal sense), or on his following rules or role-expectations (the rule-following sense) but on his independent judgment and the ingredients that go into that judgment. It is this third sense of ‘responsibility’ that will be of primary concern in what follows.

The second distinction relates not to the senses or uses of ‘responsibility’ so much as to the function of the modifier ‘moral’. When we

speak of an individual as ‘morally responsible’, our usual intention, when the phrase is not simply redundant, is to contrast moral responsibility with other possible interpretations of responsibility. Most frequently, the contrast is with ‘legal responsibility’. We acknowledge a difference in the causal sense when we distinguish between individuals being legally responsible (‘liable’) for an event and their being morally responsible for it. Similarly, we understand the difference (rule-following sense) between a person’s legal responsibilities and his or her moral responsibilities in a certain role. The latter are often said to include but go ‘beyond’ the former. For example, the legal responsibilities of parents to their children are part of their moral responsibilities, but their moral responsibilities do not stop at the boundary of the law. It is not illegal for a parent to criticize a child to the point where the child loses any sense of self worth, but a parent who did this would act in a morally irresponsible manner. In general the modifier ‘moral’ is used to signal a broad context in which the notion of responsibility is to be situated, a context that validates attributions of responsibility to individuals according to criteria distinct from, e.g., law, religion, etiquette, and custom. Sometimes philosophers unify the special criteria at work in this context as stemming from ‘the moral point of view’, – an idea discussed more fully below (§ 6).

The third distinction has to do with the *force* of attributions like “She is morally responsible in her decision-making”. That is, once we are clear about which *sense* of ‘responsible’ is at issue (in this case, the decision-making sense), and once we recognize that it is *moral* responsibility rather than, say, legal responsibility that is meant, the question arises: In saying that an individual is morally responsible, are we merely *describing* certain of his or her cognitive, emotional or decision-making characteristics or are we instead (or also) *commending* and *recommending* them? Put another way, is the concept of moral responsibility, as we are pursuing it, a normative concept or a descriptive concept or some mixture of the two?

The answer to this question is that it is a mixed concept. That is, though it *can* be used

purely normatively as an expression of praise with no 'content', (perhaps as some people use the word 'nice') and though it *can* be used purely descriptively with no implication that being morally responsible is somehow desirable, we usually use the concept of moral responsibility with *both* a descriptive *and* a normative force. We use it to say something about individuals that could be said in purely 'neutral' language (e.g., he or she sees the world in certain ways), but we also use it to recommend the characteristics referred to as characteristics that individuals *should* have, not simply as characteristics that they might or do have. Tracing some of the elements of descriptive and normative force in the concept of moral responsibility is our next task. Up to this point we have, through three distinctions, clarified the main quarry: decision-making responsibility (vs causal and rule-following); moral responsibility (vs legal and other types); and moral responsibility with a mixed force (vs. purely descriptive and purely normative). And it should be noted that we have restricted ourselves only temporarily to the attribution of moral responsibility to individuals. Later we shall train our attention on organizations (corporations) as the key entities for such attributions.

5. Responsible thought and action

In the previous section we saw that the concept of moral responsibility, at least as we plan to use it, has both descriptive and normative parts. It is our purpose in this section to elaborate further on those parts, in an effort to discern more clearly what the concept of moral responsibility means in practice. It should be stated at the outset, however, that this effort does not represent a full-dress analysis in the form of necessary and sufficient conditions. The more modest goal of uncovering 'elements' of our idea of moral responsibility is all that is sought. What a precise analysis might involve, and indeed whether a precise analysis is possible, are questions we shall leave to one side. Aristotle was perhaps the first, but certainly not the last, to note that in matters of ethics, one must be satisfied with the level of

precision that the subject matter allows.⁴

As we move toward a more reflective understanding of the elements of the concept of moral responsibility, two observations should be kept in mind. First, to say of an individual that he or she is morally responsible is to say something directly about the person and only indirectly about the actions or behavior of the person. To say that individuals are morally responsible, in the decision-making sense distinguished earlier, is to say something *about them*, about the cognitive and emotional processes that precede and accompany their actions; it is not to issue a verdict about the rightness and wrongness of their actions in every case. We can imagine attributing moral responsibility to a person in a commendatory way while nevertheless disagreeing with the decision made by that person in a particular case even to the point of believing that the action taken was morally wrong. Some philosophers would characterize this feature of the concept of moral responsibility by saying that it refers to 'subjective' rightness (or in the case of irresponsibility, wrongness) while 'objective' rightness and wrongness are the central concerns of ethics. But this would be too hasty. For the fact is that though moral responsibility may be a virtue insufficient to insure complete moral rectitude in what one does, it is clearly to be thought of as an essential, even dominant, component. Actions that are taken without it might in some cases be 'objectively' right, but more frequently they will not be. And actions that are taken with it might in some cases be 'objectively' wrong, but more frequently they will not be. Think of how uneasy most of us would feel about someone who said "I believe in behaving honestly with people, because it really pays off". William K. Frankena, a leading American moral philosopher, has perhaps put the matter as nicely as it can be put:

Well, then, whom should a moral spectator rank higher, a person who does the right thing from bad motives or one who acts from good motives but does the wrong thing? Which person should he or she regard as morally better? In reply, the... thing to say is that the question is wrong.⁵

Frankena goes on to suggest, however, that all

things considered, we lean toward virtue and (in our case) responsibility:

One can [ask] who is better from the point of view of morality, the right-doing or the well-motivated person, to which the answer is probably the latter, because having such people around is likely to result in more right-doing than having people around who only happen to do what is right because it fits with their other ends.⁶

Our first observation, then, is that the concept of moral responsibility is normative with respect to the virtues of individual decision-making more than with respect to the rightness or wrongness of specific actions or behavior. It is what we might call a *process-concept*. This fact underlies a certain restraint in the compliment being paid to an individual in calling him or her 'responsible', a restraint rooted in the gap between dispositions and actual behavior. But the restraint is in no way a suspension of normative force altogether. We are approving of the taking of the 'moral point of view' in decision-making when we characterize a person as morally responsible, even though we reserve the right to criticize the results of the responsible exercise of that point of view.

The second observation to be kept in mind about the concept of responsibility supplements the first. Attributions of moral responsibility are not only process-oriented rather than aimed directly at the content of behavior, they are also *generic*. That is, the cognitive and emotional processes associated with moral responsibility are less specific than those associated with the principles usually discussed in normative ethics. Attributing moral responsibility to an agent is not *in itself* attributing, e.g., utilitarian or non-utilitarian reasoning to that agent. Nor is there any other specific moral principle (e.g., egoism, contractarianism, etc.) *logically* implicit in the generic attribution of moral responsibility to an agent. This fact should not be taken to suggest that the concept of moral responsibility is *empty*. The point is simply that the content possessed by the concept is on a higher level of abstraction than the level of specific normative principles – much as the notion of the 'moral point of view' is 'above' specific ways of opera-

tionalizing it in moral rules and principles.

To attribute the normative-cum-descriptive concept of moral responsibility to an individual, then, is to allude to certain *generic* decision-making traits (cognitive and emotional dispositions) of the individual. It is not to pass judgment directly on the rightness or wrongness of the individual's acts, nor is it to impute a specific normative ethical principle to the individual's reasoning.

6. Elements of moral responsibility

What, then, are the characteristic dispositions that give descriptive, albeit generic, meaning to the concept of moral responsibility? What makes the morally responsible decision-maker tick?

One way to answer this question is to look at the main components of the 'moral point of view' as it is normally understood, in order to capture the basic spirit of moral responsibility. When we do this, with the help of philosophical literature on the subject, we discover two principal components which we shall call *rationality* and *respect*.⁷ Rationality involves the pursuit of one's projects and purposes with careful attention to ends and means, alternatives and consequences, risks and opportunities. Respect involves consideration of the perspectives of other persons in the pursuit of one's rational projects and purposes. In the words of Kant, respect implies treating others, especially affected parties, as *ends* and not *mere means*. It implies a self-imposed constraint on rationality born of a realization that the worth of our projects and purposes resides in the same humanity shared by those who are likely to be affected by them. Taking the 'moral point of view' therefore, has both a self-directed component (rationality) and an other-directed component (respect). These, at least, provide us with an understanding of the spirit that underlies the concept of moral responsibility. But how does this spirit become embodied in the actual decision-making processes of the responsible individual?

There are four main elements that most of us would recognize as essential, elements that correspond to four stages in an individual's movement from thought to action:

- (1) perception,
- (2) reasoning,
- (3) coordination, and
- (4) implementation.

We shall examine each of these elements as they contribute to morally responsible decision-making.

(1) *Perception*. All rational decision-making must begin with an agent's perception of his or her environment. Information-gathering is a necessary first step toward thoughtful action. But perception is not entirely a passive and neutral process. Philosophers and scientists have long recognized that perception has an active dimension and that an agent structures and packages information in accordance with both personal and social concerns and interests. Thus when we inquire about the *moral* aspects of perception, we are inquiring about the way in which and the degree to which an agent structures and categorizes the 'moral data' available. And 'moral data' is defined with attention to the two components of morality mentioned earlier. A morally responsible person will gather and take seriously as much information as practically possible regarding the impact of his or her decisions, not only on his or her goals and plans (rationality), but also on the goals and plans of others (respect). In the words of one writer, the responsible person's perception is in this way "stamped with moral categories".⁸ Someone who ran across a crowded park oblivious to the presence of others, stepping on adults and children as if they were part of the landscape, would clearly exhibit a lack of moral perception. Such a person might 'see' those in his or her environment, but would respond to that information in much the same way as to rocks or logs, i.e., as potential hazards on a running course, not as human beings.

Moral perception manifests itself, then, largely in the way that an agent structures and defines his or her decision-making environment — whether and how moral issues are *recognized* as moral issues demanding the kind of attention discussed in (2) and (3) below.

(2) *Reasoning*. Once an agent has gathered the

relevant information from the environment according to some set of moral (or amoral) categories, that information becomes 'input' to the reasoning process. The morally responsible individual not only *perceives* differently from the morally irresponsible individual, he or she also *reasons* differently about matters of right and wrong. Moral reasoning is the process by which one moves formally or informally from premisses to conclusions about what one ought to do. A utilitarian, for example, will reason about right and wrong in terms of the social costs and benefits of the courses of action available. The utilitarian seeks to maximize the expectable utility or happiness or pleasure brought about by his or her conduct for all those affected. Non-utilitarians will reason in terms of principles or moral precepts that are not exclusively utility-maximizing in character. A nonutilitarian might, for example, reason that since a certain option available involves lying to people, it should be ruled out as unacceptable.

The important point for our present purposes is that we expect *some* process of moral reasoning from a morally responsible individual, even if the premisses of that reasoning are unspecified. And we differentiate moral premisses from other kinds because they are rooted in the components of rationality and respect for others mentioned earlier.

(3) *Coordination*. We might have called the reasoning process referred to under (2) "reasoning internal to the moral point of view", in which case what we are here calling 'coordination' would be 'reasoning external to, but including, the moral point of view'. Coordination is the process whereby an individual's moral evaluation of his or her options is integrated with various *nonmoral* (do not read 'immoral') imperatives. Deciding on how to respond to racism in one's immediate social environment requires looking at alternatives morally, of course, but also legally, economically, and politically.

Most of us understand the coordination process as a process of establishing some *congruence* between our basic moral obligations and demands that stem from other sources. These

other sources, of course, often intersect with morality. Simple prudence or self-interest, employment contracts, legal requirements, and various role-expectations (e.g., manager, engineer, senator, physician) all make demands on us that we might classify as 'nonmoral'; yet they are demands that we take seriously and that we hope ultimately will not conflict with basic morality.

The process of coordination, then, is a feature of the morally responsible person's character that goes beyond both perception and moral reasoning strictly defined. It takes the individual a step closer to action by integrating moral thought with the larger constellation of needs and interests that make up his or her decision-making 'platform'. Some philosophers have argued that the coordination process is really unnecessary, since moral reasoning by its very nature takes priority or is 'overriding' in relation to other practical concerns. This is a debate that we cannot enter upon here. We can note, however, that even if moral reasoning is or should be somehow authoritative, there may still be more and less effective ways of recognizing that authority in practical affairs. The morally responsible individual presumably looks for the more effective ways, and this is the effort we are calling coordination.

(4) *Implementation*. The final stage in the process of moving from thought to action, and so the final arena in which moral responsibility can be expected to manifest itself, is implementation. Here we assume that perception has given place to reasoning about what should be done, and that the remaining task lies in *how* to make things happen. As the proverb has it, a certain road is 'paved with good intentions'. Moral responsibility, most of us would agree, includes more than perception, reasoning, and coordination. It includes a measure of seriousness about detail that makes the difference between wishful thinking and actual performance, between 'seeing it' and 'seeing it through'. There are here, as with the other three processes, numerous sub-processes involved. Implementation in the context of moral responsibility calls for an understanding of natural and social forces in the

vicinity of one's proposed action as well as perseverance in guiding one's decision toward realization. An individual who *perceived* the dangers of a romp through the crowded park, who *reasoned* that others should not be hurt and who *coordinated* that conclusion with his or her desire to reach the other side as quickly as possible, might still fall short as a responsible agent, if, in implementing the decision to follow the less populated path, he or she ignored the complexities of the chosen route, only to get lost.

III. The principle of moral projection

7. *Shifting the unit of analysis*

Up to this point in our discussion, very little has been said explicitly about business ethics or about corporate responsibility. Our main focus has been the concept of moral responsibility as it applies in our ordinary lives as individuals. We have seen that the underlying spirit of the concept is rationality combined with respect for others, and that this spirit manifests itself in four stages or processes: perception, reasoning, coordination, and implementation.

It is now time to make a very important theoretical shift from the individual as the primary unit of analysis to the organization, specifically the modern business corporation. The motivation for this shift comes from the widely appreciated fact that corporations play a more significant role in the lives and livelihoods of individuals today than ever before in history. Private and public institutions have in many ways become the primary actors on the human stage, enveloping if not replacing individuals as the loci of power and responsibility. Yet our ethical categories and our inheritance of moral understanding have not kept pace with this development. They have focused almost exclusively on the individual person (abstracted from organizational constraints and opportunities) as the subject for moral guidance.

It might be argued, of course, that there is no need to shift to a new unit of analysis (the corporation) in order to do justice to ethical issues in business. Individuals, it might be said, are the

proper subjects for moral guidance, whether they be within or outside corporate roles and offices.

Such an argument has merit, but it fails to take seriously enough the fact that organizations are more than simple collectivities or groups of persons without structure, like passengers on a train. The actions and decisions of corporations are not usually a simple function of any single manager's values. Even the chief executive officer of a corporation often must, in his or her leadership role, work indirectly in efforts to guide the large organization toward its goals. Internal factors like management incentives, research and development, labor relations, and production processes combine with external factors like resource availability, government regulation and competitive pressures to condition, if not determine, the decisions of even the strongest top executives. The point is that having a conscience in the running of a large corporation does not translate automatically into running a conscientious corporation. The latter requires an 'institutionalization' of certain values, not simply the possession of those values in one part of the organization (even if that part is at the top of the hierarchy). Similar remarks would apply to other organizational characteristics like competence, intelligence, conservatism, aggressiveness, and innovativeness. The traits of individuals in all of these areas are critical, but managing their *joint force* demands a larger perspective and a larger unit of analysis than is afforded by concentrating exclusively on individual values. Add to this the 'personhood' imputed to the corporation by both law and generally accepted accounting principles, as well as the 'personality' imputed in recent discussions of corporate 'culture', and the case for shifting our unit of analysis (from the individual to the organization) becomes very hard to set aside.

8. Statement of the principle

Once the shift to the organizational unit of analysis becomes intelligible, i.e., once we acknowledge the sense that can be given to seeing the organization itself as an agent in society,

analogous to the individual while made up of individuals, we are then in a position to press two questions: (a) What is it for an organization (like a corporation) to be morally responsible? And (b), Do we really want to encourage corporate moral responsibility once we understand its implications?

We shall have more to say later about negative answers to (b) in §§ 11–12, but for now we can simply use the affirmative answer as a way of defining 'the principle of moral projection'. The principle of moral projection (MP) may be formulated in this way:

- (MP) It is appropriate not only to *describe* organizations (and their characteristics) by analogy with individuals, it is also appropriate *normatively* to look for and to foster moral attributes in organizations by analogy with those we look for and foster in individuals.

Put in simplest terms, the principle of moral projection says that we can and should expect no more and no less of our institutions (taken as moral units) than we expect of ourselves (as individuals). In particular, *moral responsibility*, as we have analyzed it earlier in our discussion, is an attribute that we should look for and try to foster in individuals. The principle of moral projection, therefore, invites us to explore the analogues of moral responsibility for organizations. The concept of corporate responsibility could then be seen as the moral projection of the concept of responsibility in its ordinary (individual) sense.⁹

Ford Motor Company, as noted in the case illustration at the beginning of this essay, was brought under indictment as an organic unit. Neither Henry Ford nor Ford's top managers nor other *individuals* were defendants in the Pinto trial. And though it is true that Ford's *legal* responsibility was, by definition, the issue in the eyes of the court, *moral* responsibility was just as surely the wider issue (as it very often is in legal proceedings).

But then what characteristics was the 'moral defendant' supposed to have exhibited — *as an organization*? This brings us to question (a) above. In the next section we shall trace (for the

corporation) the elements of moral responsibility outlined earlier for the individual.

9. *Tracing the elements*

We saw in our earlier discussion (§ 4 and § 5) that the concept of moral responsibility could be understood in terms of two main components, rationality and respect. We also saw that these components become operational in four stages or processes of decision-making: perception, reasoning, coordination, and implementation. If the principle of moral projection (§ 8) is to provide the conceptual linkage that we seek, then we must ask ourselves what organizational counterparts there might be to the four stages or processes. Let us now turn to this task.

First, *perception*. Just as individuals faced with the ongoing demands of rationality and respect must gather information from their environments about resources, opportunities, risks and potential impacts of alternative courses of action, so too organizations of individuals must ‘perceive’. Whether the term ‘perception’ is used or not is, of course, unimportant. The fact is that an organization like Ford Motor Company is constantly monitoring its environment, gathering data relevant to marketing, accounting, finance, production, personnel, government regulations, etc. This data, once gathered, is processed through various parts of the organization, purified, clarified, simplified, and ultimately either ‘forgotten’ or stored for use in decision-making by line management. And like all forms of perception, organizational perception is inevitably ‘selective’. Not all available data, let alone all potentially relevant data, is gathered. Moreover, even the information that is gathered is frequently lost in processing and transmission within the organization, sometimes happily and sometimes unhappily. ‘Perceptual selectivity’, then, is an ongoing characteristic of organizations as it is of individual persons, and it lies as often at the root of an organization’s competence as it does at the root of an organization’s incompetence.

In the moral realm, perception becomes crucial because it is the beginning of responsi-

bility. As we saw in our earlier discussion, it is possible for someone to be perceptive in various nonmoral ways but relatively ‘blind’ or ‘insensitive’ when it comes to morality. This can happen because certain data is simply not gathered at all (e.g., data about worker safety, health effects of products on consumers, environmental or social impacts), or because even though data is gathered, it is ‘forgotten’ or ‘lost’ in the system. The result is selectivity in moral perception on the part of the organization as a unit. Important information for responsible decision-making by management is simply unavailable.

Thus a central characteristic of a morally responsible organization will be what one writer refers to as its ‘information net’ in those areas of its operation that significantly affect the lives of others (consumers, the general public, future generations, workers, shareholders, managers themselves, etc).¹⁰ If an organization’s information net is woven so as to capture, store, and eventually use morally important feedback regarding the organization’s impact on others, that organization manifests ‘respect’ for others (and so moral responsibility) more than an organization that fails to do this.

In our case example, Ford was charged with ‘reckless’ behavior because, it was alleged, the company had “knowingly manufactured and marketed an explosion-prone car”. If this were true, then the organization’s *perception* was probably not in question. In order for Ford to have ‘knowingly’ done what was alleged, it would presumably have had to have ‘perceived’ the hazards of the fuel system before the decision to start or continue production. On the other hand, the allegations might have been aimed at some kind of culpable ignorance on Ford’s part – ‘perceptual selectivity’ regarding test data or test procedures. If so, then lack of moral perception might well have been the key to the criticism of irresponsibility.

In sum, the first of the four elements of moral responsibility seems clearly to apply to organizations as a necessary (not sufficient) condition just as it applies to individuals. And it applies on two levels: information *gathering* and information *processing*. As with individuals, moral ‘blindness’ can afflict organizations as actors in

their environments.

The second element of moral responsibility is moral *reasoning*, the introduction of moral principles or norms to the relevant data in an effort to arrive at ('derive' may be too strong) a normative conclusion. In the context of organizational decision-making, the process or activity of moral reasoning might take place either formally or informally. If informally, it may often be simply a matter of an understood but unwritten set of values or principles that make up the 'culture' of a corporation.¹¹ Moral reasoning in its informal aspect would amount to the weighing of alternatives in decision-making with attention to both potential injustice and potentially harmful consequences of corporate activity. Such considerations would find their way into corporate strategies and choices largely through the 'private' values of key managers together with whatever selectivity might be exercised in appointing key managers in the first place.

Moral reasoning becomes a more formal organizational characteristic when explicit provision is made in the decision-making process for the introduction of moral premises. This can happen in a number of ways: corporate ethical codes, along with guidelines for internal compliance; specific incentives for middle management regarding morally motivated goals like affirmative action, worker health, product safety, truth and taste in advertising; board committees mandated to oversee general or specific areas of moral significance; and even top officers and staff charged with primary responsibility for corporate ethics in both policy and management development.

The organizational (corporate) analogue to the moral reasoning that we expect of responsible individuals lies in precisely those areas of organizational structure and style that contain and moderate key economic decisions. To the extent that the decision-making processes of the organization in the economic realm are systematic and self-conscious, we might expect a similar phenomenon in the moral sphere, not as a diversion from or dilution of corporate purposes, but as an indispensable safeguard for the humanity of those purposes.

To return to our case example, Ford Motor Company was charged, implicitly, with not exercising its capacities for moral reasoning. Mechanisms and voices that might have been expected to modify or even prevent the marketing of the Pinto fuel system were alleged not to have been effective. Ford's reasoning, it was claimed, was purely economic when it could or should have included greater concern for consumer safety. The corporation's reply was that moral considerations did in fact enter the decision process and did in fact control it. The accidents were not, it was said, the result of either absent or faulty moral reasoning on Ford's part, but of factors in the collision situations for which Ford could not reasonably be held accountable.

The 'mind' of the corporation, of course, is at least as inscrutable as the mind of an individual when it comes to moral reasoning, so it should not come as a surprise that such matters are hard to ascertain after the fact. One thing that is clear, however, is that moral reasoning can be enhanced in an organization by efforts of upper management and boards of directors to understand the formal and informal frameworks that do and those that should guide decision-making. If furthering corporate self-interest is the only or the dominant imperative in an organization, or if significant principles like social justice are seen to take a back seat to less important moral considerations, mechanisms could be devised that would correct the imbalance. Like individuals, organizations can evolve and develop to more mature stages of moral reasoning as they become aware of inadequacies.

Turning now to the third element of moral responsibility discussed earlier, *coordination*, we confront a character trait whose organizational analogue is all-too-often sorely lacking. Essentially, coordination consists in creatively managing multiple nonmoral imperatives as they relate to and sometimes press against the conclusions reached by moral reasoning. Instead of interpreting the decision-making environment as a tangle of 'trade-offs' and moral compromises, the responsible organization, like the responsible individual, aims at congruence among moral and nonmoral aspirations. By its very nature the

modern business corporation seeks economic objectives like return on investment, market share, and growth. It must be responsive to government regulation and competitive pressures. Skillfully orchestrating the joint fulfillment of these objectives and various moral imperatives, both in the short run and in the long run, is no easy task. Yet it is a task that in many ways epitomizes the role of management. It is often easier to talk of inevitable moral compromises in the name of corporate 'survival' or the need for jobs than it is to generate options that are simultaneously responsive to both economic and noneconomic values. A measure of idealism is often a necessary ingredient in the operating procedures of organizations who take coordination and thus moral responsibility, seriously.

In our case example the central business challenge for Ford Motor Company seems to have consisted in meeting jointly the imperatives posed by foreign fuel-efficient imports, tough domestic competition, and engineering safety demands. The charge against Ford was that it 'traded-off' the last of these out of concern for the first two. If this were true (the corporation denied that it was true and won), it would have represented a failure in coordination and thus a failure in moral responsibility. The task of coordination lies in avoiding such 'trade-off' situations by devising alternatives that make the multiple objectives involved congruent or jointly achievable. Institutionalizing such coordination is, of course, not simple. It consists of integrating the formal and informal mechanisms of moral reasoning with the wider set of organizational needs and goals. And as with the individual, the happy path on which virtue is rewarded often proves elusive.

The fourth, and final element of moral responsibility is what we have called *implementation*. For the individual, implementation consists in the passage from intentions to action through self-monitoring, matching appropriate means to ends, and sustaining motivation and control. For the organization, similar factors come into play. Corporate strategies are no more than words without careful attention to the complexities of their implementation. Corporate management must constantly use its sources of influence to

motivate and facilitate effective organizational responses to plans and policies. This is achieved through such things as adjustments in the structure of the organization, the degree of autonomy given to various divisions, incentive (and disincentive) systems for management and labor, and even occasional direct intervention by top management.

Just as we might have doubts about the responsibility of an individual who was morally perceptive and who reasoned carefully about the rights and wrongs of his or her conduct, but who paid no attention to the steps necessary to bring thought into action, so too we would have doubts about the responsibility of an organization that gathered and processed morally relevant information only to let it atrophy in the executive suite.

Recalling Ford's handling of the Pinto, we can imagine circumstances in which the company's perception and reasoning might have been unimpeachable, but in which implementation fell short. Suppose, for example, that the engineering or product testing branch of the corporation discovered dangerous impact characteristics in the Pinto design and communicated this to upper management (perception). Suppose further that management concluded that the implied risks to consumers were unacceptable and that the fuel system could and should be made safer (moral reasoning and coordination). The implementation of a decision to redesign the fuel system would still require careful attention to such things as:

- (a) effectively communicating the decision to the production center of the organization, possibly through several layers of management;
 - (b) cost controls and retesting during the redesign process;
 - (c) recall and replacement of any fuel systems already produced; and
 - (d) fostering a general understanding down the line of what was being done and why.
- In the absence of such concern for 'making things happen', an organization's moral responsibility, like an individual's, would be open to question.

Summarizing the discussion thus far, we can say that the four stages or processes identified as

elements of individual moral responsibility have reasonably clear organizational counterparts. This fact, illustrated by means of the Ford Pinto case, provides us with a richer understanding of the concept of corporate responsibility. The responsible corporation is, in general, both rational and respectful of others in the conduct of its business affairs. More concretely the responsible corporation manifests in its organizational structure, its control systems, its manufacturing and marketing practices and its management development efforts, the four elements that we have seen to be characteristic of responsibility: moral perception, moral reasoning, coordination, and sensitivity to implementation.

The progressive clarity that such an analysis offers for understanding both the normative and descriptive aspects of corporate responsibility should be encouraging. And though further analysis and more clarity is possible (and desirable), we can at least begin to appreciate the power of the principle of moral projection in taking us this far.

10. 'Conceptual thermodynamics'

We mentioned earlier that the principle of moral projection would be used as a helpful expository device until the main elements of corporate responsibility were traced. Now that we have done this, it behooves us to reflect more carefully on some of the methodological assumptions of the principle and to air some possible objections.

One of the basic physics lessons of the turbulent decade of the seventies was that to do useful work requires *sources* of energy more 'concentrated' than the energy thrown off after the work has been done. The second law of thermodynamics tells us that the use of energy (either renewable energy or nonrenewable fossil fuels) exacts a price, and that in nature, as in economics, there is 'no such thing as a free lunch'. If one seeks to power an engine, turn a turbine, or simply pedal a bicycle, there must be more concentrated energy at the input than at the output. Work is done by diverting some of the flow from well-ordered material to less well-ordered material. Entropy (disorder) increases.

This physics lesson, which is now understood by a wider public than ever before, has an interesting analogue in the realm of concepts and theories. If one is pursuing not physical work, but intellectual work — if one seeks to render a phenomenon more intelligible than it was before — then one's resource must have more 'intelligibility' to it than whatever it is one would like to explain. In the world of ideas and explanations, the 'resources' are *theories* or what are sometimes called 'models'. Just as we cannot do useful work by trying to get a waterfall to flow upward, so we cannot get useful explanations by using theories or models that are less intelligible than the phenomena they are constructed to illuminate.

Plato understood this principle of 'conceptual thermodynamics' very well. He applied it to ethics in the second book of his *Republic* where he was seeking a 'model' for explaining justice or virtue in the life of an individual:

Imagine a rather short-sighted person told to read an inscription in small letters from some way off. He would think it a godsend if someone pointed out that the same inscription was written up elsewhere on a bigger scale, so that he could first read the larger characters and then make out whether the smaller ones were the same.

...We think of justice as a quality that may exist in a whole community as well as in an individual, and the community is the bigger of the two. Possibly, then, we may find justice there in larger proportions, easier to make out. So I suggest that we should begin by inquiring what justice means in a state. Then we can go on to look for its counterpart on a smaller scale in the individual.¹²

In a way, Plato is here using the principle of moral projection in reverse: the macrocosm (the community) is being suggested for use as a model of the microcosm (the individual soul). Our own use of the principle moves from the individual to the macrocosm (the corporation). But as Harvard philosopher Robert Nozick points out, the *direction* of the arrow is relative. He is speaking of justice and the state, as Plato was, but the application to individual and corporate responsibility is natural:

Since we may have only weak confidence in our

intuitions and judgements about the justice of the whole structure of society, we may attempt to aid our judgement by focusing on microsituations that we do have a firm grasp of... Since Plato, at any rate, that has been our tradition; principles may be tried out in the large and in the small. Plato thought that writ large the principles are easier to discern; others may think the reverse.¹³

The point is simply that the work of a model is to make the less intelligible more intelligible. For Plato, the 'bigger' inscription was easier to read. For those of us embarking on the twenty-first century, the reverse seems true. Our organizations and institutions seem harder for us to understand than ourselves. Sometimes smaller 'inscriptions' are aids to reading bigger ones. Think of the person unable 'to see the forest for the trees'.

The 'conceptual thermodynamics' of our quest for understanding corporate responsibility, and for grounding business ethics in the process, leads us to apply the principle of moral projection from the level of individual thought and action to the level of organizational 'thought' and 'action'. We do this on the basis of two reasonable assumptions: (1) that morally responsible individuals are easier to 'read', and (2) that the analogy between persons and organizations of persons will sustain our efforts.

Some might argue that assumption (2) presents problems. Organizations and persons, they might say, are not at all similar. A full response to such doubts would take us beyond the scope of this essay into biology, organization theory, and even into that branch of philosophy known as metaphysics. We shall have to be content here with a less than complete discussion of the main issues. First of all, it must be kept in mind that the principle of moral projection does not depend on the claim that organizations are moral persons in a literal sense, even though some might be tempted to argue for such a view. The idea of 'analogous predication' has been with us at least since Thomas Aquinas (1224–1274) applied it to our human discourse about God. The principle of moral projection invites us to predicate moral characteristics (e.g., virtues, obligations, duties, etc.) of corporations by

analogy with their application to human individuals. Obviously, as with any analogy, there will be (indeed, must be) respects in which the items being compared are not similar. Corporations do not, for example, have feelings or passions, while individuals do. Nor do certain *rights* of individuals have clear corporate counterparts (e.g., the right to worship, vote, or draw social security) – though some rights do (e.g., the rights to property, free speech). These asymmetries and others are to be expected and do not constitute a serious threat to the strategy we have been using.

The issue is not whether there are asymmetries, but whether such asymmetries as there are undermine the analogy to a point where it no longer sustains our quest for understanding. If corporations were as unlike persons as, say *automobiles* are unlike persons, then it would not be clear what the point of the comparison could or would be. The fact that corporations are much more like persons than not only automobiles but even animals, is therefore significant. And this fact is doubtless rooted not only in the intelligibility of attributing *intentions*, *decisions*, and *actions* to organizational bureaucracies, but in the intelligibility of attributing *rationality* (or lack of it) to those intentions, decisions, and actions. The psychological underpinnings of moral discourse about individuals will have an analogue in the quasi-psychological (organizational) underpinnings of moral discourse about corporations. And though both structural and environmental features of individuals will differ from those of corporations, sufficient similarities remain to suggest that the differences are either differences of degree, or if differences of kind, then differences of the right kind.

A further, and more positive, indication of the appropriateness of assumption (2) should also be mentioned. The similarity between persons and organizations has been remarked historically from Plato through Hobbes to Freud, and it is assumed in contemporary management and organization theory, law, and accounting as a matter of course. The conviction appears to be not only that human organizations have characteristics that are relevantly similar to their human architects, but that those human

architects have some things to learn about their own inner lives by looking to the dynamics of larger organizations. From all of these considerations we may conclude that doubts about assumption (2), though they deserve our attention, can be met when sufficient care is taken in the interpretation of the central analogy.¹⁴

With respect to assumption (1), doubts might also arise. We cannot 'project' the concept of moral responsibility to corporations if we do not have a clear and agreed upon vision of what we mean when we call *ourselves* (as individuals) morally responsible. Since, it might be claimed, we lack the necessary vision at the individual level, we cannot have it at the corporate level either.

Such a challenging question deserves a strong reply. For it rightly focuses on the core of our earlier argument. If it could be shown, as some philosophers have maintained,¹⁵ that we live in an age of moral incoherence, an age in which it is virtually impossible to define a unified ideal of moral responsibility, then the projection strategy would in fact break down. Without a model of the morally responsible individual, there can be no moral projection. The search for corporate responsibility either would have to find some new strategy or, more likely, would have to be abandoned.

But our earlier analysis gives us the framework for a reply to this kind of skepticism. We have seen that the foundations of moral judgment and action lie in the moral point of view and that this point of view derives its guiding spirit from rationality and respect. The fact that moral disagreement is possible, even frequent, among those who take or try to take the moral point of view does not show that we lack a coherent moral vision. At most it shows that the demands of our shared vision are profound. As each of us seeks to develop and improve his or her capacities for perception, reasoning, coordination and implementation, not only our moral *vision*, but even our moral *judgments* should tend to converge. To claim that such convergence is *inevitable* may be too strong, but to wager that moral dialogue must terminate in impasse is to let either cynicism or discouragement overtake reason.

Our method in this essay, therefore, rests on something of a wager: that even if twentieth century man finds consensus on *specific* ethical principles difficult to attain, a sufficient measure of agreement about the shape and substance of their source, the 'moral point of view', can be found. Since we can map the contours of moral responsibility from this source in categories that are intelligible and functional, the criticism raised against (1) can be met.

Let us turn now from methodological questions to questions about the advisability of *recommending* corporate responsibility, however it may be defined. Here we must confront several alternative views regarding the role of ethics in business.

IV. But should corporations be morally responsible?

11. Dissent from left and right

The principle that has been defended in this essay, together with the illustrations of its application, point toward a model for the corporation and its management that might be resisted. The resistance might stem from either of two implications of the model: (i) the implication that corporate responsibility is, like individual responsibility, a matter of self-imposed requirements rather than externally imposed requirements; or (ii) the implication that corporate responsibility, like individual responsibility, requires departures from (or at least extralegal constraints on) purely economic, profit-oriented decision-making.

Resistance based on (i) tends to come from those who would prefer to see the state provide whatever 'conscience' the corporation might need — through the courts, the legislature, and the regulatory process. The thought is that organizations, especially corporations, are essentially amoral entities — engines of profit or bureaucracies contrived for special purposes, driven by special interests — and that the guidance of these entities for moral purposes must be external. Law and the political process, it would be added, are the appropriate sources

for this external guidance. 'Moralizing' the behavior of the corporation is best achieved not by modeling its decision-making processes on those of the responsible individual, but by using whatever legal sanctions are available to make wrongdoing unprofitable. Government regulation is the key to business ethics, not corporate self-regulation.

The viewpoint (only slightly) caricatured here is fairly widespread and it obviously deserves consideration. In this writer's opinion, however, it cannot be sustained. For one thing, the external moral guidance being proposed is itself institutional: the legislative, judicial, and regulatory arms of the state. Presumably these moral guides are thought of as capable of moral responsibility. Why then, should it be assumed that corporations are somehow inherently amoral while other organizations are not? It is hard to see how the expediency that is assumed to drive the 'engines of profit' is any less amenable to moral responsibility than other forms of expediency, e.g., those often associated with the engines of politics and government appointments. It is true that the functions of the state in a democratic society include safeguarding certain basic rights and overseeing basic levels of welfare. Thus it is not inappropriate to suggest that government has a moral purpose. But such an observation is far from the claim that the state must be the source of conscience in the private sector, either for individuals or for organizations.

But there is another problem with the viewpoint under discussion. The law is seldom, if ever, an effective substitute for self-regulation in the moral realm. It is slow, primarily reactive rather than proactive in its operation, and (if unsupplemented) it often encourages rule-following to the letter rather than to the spirit of its directives. Few of us would think of the government and its laws as substitutes for individual moral responsibility, even though we might see them as necessary constraints. Why should we think differently in the case of corporate responsibility?

In sum, the view that corporate responsibility rests or should rest in the domain of external political institutions both underestimates the capacities for moral responsibility in the private

sector and overestimates the capacities of government for moral guidance.

We mentioned above that resistance might come not only from those who are skeptical about the self-regulatory dimensions of our model, but also from those who are skeptical about a second of its implications: that corporate responsibility requires departures from purely profit-oriented decision-making. Historically, this form of skepticism is rooted in the economic philosophy of Adam Smith (1732–1790), whose reliance on the 'invisible hand' to write morally through self-interested competition in the marketplace forms much of the basis of our contemporary business ideology. The basic idea is fairly simple. If markets are kept competitive, i.e., if monopolies are prevented, the forces of business competition will generate the most efficient use of economic resources and ultimately the greatest social good. The role of the state, on this view, must be kept to a minimum. The state should serve as umpire of the competition, keeping it fair. It should perhaps also see to certain basic redistributions of wealth through progressive taxation. What it should *not* do is usurp management's role in the economy. The implication for the corporation, then, is that morality is not its business. The concept of corporate responsibility is viewed either as out of place, or, what comes to the same thing, as exhausted by the obligations of market competition. As does the view from the left, the view from the right resists the idea that corporations should model their decision-making on the responsible individual.

Again, in this writer's opinion, the resistance cannot be sustained. Like the view that corporate responsibility is sufficiently provided for by the visible hand of government, the view that it is sufficiently provided for by the invisible hand of the market simply does not do justice to reality. Just as the law is a crude instrument for fostering moral character in the citizenry, the market is a crude forum for encouraging attention to non-economic values that most of us consider essential, values like consumer protection, worker health and safety, racial justice, truth in marketing, etc. To be sure, there are significant economic pressures for corporations to avoid

gross improprieties. A company that ignored product safety and quality or that treated its employees with contempt would presumably not survive in a competitive environment. But the pressures on the other side are also significant, pressures for single-minded pursuit of profits and even for relatively short-term gains that run rough-shod over moral convictions. Too often the very structure of market competition tends to foster dilemmas in which participants dare not take the larger view for fear that others will not and that the costs will be impossible to bear. The results of such market 'imperfections' are evident around us: environmentally, socially, and on the international front.

There is another, perhaps more subtle reason why the slogan made popular by economist Milton Friedman, "the social responsibility of business is to increase its profits", is inadequate.¹⁶ It has to do with a troublesome asymmetry noted by many observers between the moral demands made of corporate managers as individuals and the decision-making imperatives that a purely market-based ethic imposes on them in their work life. Philosopher John Ladd refers to this phenomenon as 'moral schizophrenia' and argues that it is endemic to capitalism.¹⁷ An influential psychoanalyst, Michael Maccoby, less convinced of the inevitability of the phenomenon, nevertheless describes it as a dominant characteristic of corporate culture, a characteristic that takes a high toll on the emotional lives of executives.¹⁸

If it is plausible to trace the source of this 'double standard' to a present lack of functional congruence between our concepts of individual responsibility and corporate responsibility, and if it is desirable to aim at removing the problem, then the principle of moral projection offers the most promising path. The resolution of the tension between the demands of corporate success and the demands of individual moral responsibility lies in reforming our concept of corporate success. If the responsible organization is modeled on the responsible person, we no longer face the intimidating prospect of 'serving two masters'. Or if we do, we have some confidence that the 'masters' are of one mind, born as they are of one moral ideal. It is false to say that

capitalism precludes such convergence. The flaw lies not with capitalism, but with the mistaken belief that organizations enjoy moral immunity.

We can conclude, then, that resistance to the model of corporate responsibility sketched earlier in our discussion, whether it be from the left or from the right, is not sufficient to undermine the power of the model and the principle that underlies it.

12. *Worries from the center too*

Defending the principle of moral projection against resistance from the left and the right — resistance from two alternative schemes for 'moralizing' corporate conduct — is an important task. But no less important is defending the principle from the very ground beneath our feet — what we might call the 'center'. Here the contours of the issue change. The dissent is no longer from political and economic theory. It springs from some of the deepest debates in philosophical ethics, debates that concern themselves with the coherence of the moral point of view itself.

Philosophers have pursued the nature of the 'grip' that morality does or does not have on our mental and emotional lives. At issue is a question about our capacities to direct our lives by the moral principles we so often defend. The rationality and respect that lie at the core of the 'moral point of view' (§5) are sometimes thought to generate inconsistent demands, either because they are opposed in their own right, or because the principles to which they give rise, e.g., promise-keeping, honesty, prudence, etc., occasionally come into conflict. The latter type of conflict can be and has been addressed by philosophical systems in which obligations are treated as provisional or 'prima facie' duties, to be weighed in actual decision situations according to some faculty of moral perception or conscience. Though the philosophical issues that make their home here are important, the former type of conflict is even more so, since it claims to find an opposition within the faculty of moral perception or conscience itself. The grounds for this claim deserve our critical, even

if incomplete attention.

What is at issue is the nature of rationality. Some insist that what we call rationality is essentially a matter of efficiently organizing and pursuing the satisfaction of whatever constellation of desires, goals, and needs happens to characterize the actor in question. If among those desires, goals, and needs is something like 'concern for others', or if the efficient pursuit of them makes concern for others useful, then rational decision-making will tend in the direction of altruism, or at least respect for the well-being of others. But if concern for others is not among the desires (etc.) of an agent, or if its contribution to the efficient pursuit of desires (etc.) is not considered great, then such concern is not something that rationality asks of that agent.

Opponents insist that this is an overly narrow view of rationality, that the recognition of the moral relevance of others' independent desires, goals, and needs is a requirement of reason (i.e., part of what it is *to be* a rational person). These two conceptions of rationality (and hence of morality) reflect two perspectives that an agent can take on his or her own conduct: one 'interested', and the other 'disinterested'. In the former case, reason is seen as the final arbiter of each person's individual needs and interests. In the latter, reason is seen as an arbiter *among* a community of needs and interests, one's own and those of others.

This polarity between internal and external perspectives is not, in this writer's opinion, a polarity that can be resolved by either pole achieving some overriding authority for all cases. And in this fact we find the key to turning back the objection. The polarity is itself a feature of the moral life. The morally responsible individual is inevitably, and perhaps not lamentably, caught up in managing the creative tension between internal and external perspectives on his or her conduct.¹⁹ Whether we understand the rationality and respect that we earlier claimed to be the central features of the moral point of view as independent imperatives or simply as two forms of rationality, the result is the same: each of us lives out his or her life under their joint authority.

These all-too-brief reflections on the tensions that characterize the moral point of view, although they are of interest in their own right, have special bearing on the subject of corporate responsibility because of the method of inquiry we have adopted: the principle of moral projection. It is not hard to see how the tensions we have alluded to will manifest themselves when they are 'writ large' in the modern corporation. Once one takes seriously the suggestion that corporations embrace the moral point of view as an integral part of their operating philosophy, one must also take seriously the tensions that such a point of view brings with it. An organization, like an individual, can be and often is caught up between an 'interested' and a 'disinterested' perspective on its own decisions. Ford Motor Company, in our case example, may well dramatize the policy difficulties that arise when an interest in profit and competition runs up against an interest in public safety in such a way as to make the situation seem like a 'trade-off'. Such difficulties, however, are not a signal that moral responsibility is an impossible ideal and that therefore one of the competing perspectives must be abandoned in favor of the other. We certainly are reluctant (and rightly so) to draw such a conclusion in the case of the individual. The point is that corporate moral responsibility, like its analogue in the individual, requires *management*: management of people and resources, but most importantly what we might call self-management. The modern challenge for the professional manager lies not with the growing number of tasks associated with the growing complexity of the role. Though formidable, the quantitative dimensions of the challenge can be met by more sophisticated approaches to control, production, and organizational structure. The most dramatic challenge lies in the *qualitative* domain – the domain in which management must exercise *judgment* and self-understanding. The competitive and strategic rationality that has for so long been the hallmark of managerial competence must be joined to a more 'disinterested', community-centered rationality. Gamesmanship must be supplemented with moral leadership.

The signal to be read from whatever tensions

may be within the moral point of view is that responsibility is an extraordinary virtue, combining internal and external perspectives on action. And the primary obstacle to achieving such a virtue is a myopic insistence that either perspective must displace the other.

The burden of the argument in this essay has been that organizations, like individuals, can and should accept the challenge.

13. Summary and conclusion

In this essay we have taken only the beginning steps toward a comprehensive account of corporate responsibility. Using the Ford Pinto example, we have attempted to trace the conceptual parallels between the individual and the corporation. In addition, we have examined the assumptions underlying the method used in our inquiry and have taken account of objections or resistance from left, right and center. Much more remains to be done, and the interested reader will want to carry the task forward. This will require both more detailed analysis of our concept of responsibility (in terms that admit of functional organizational counterparts) and a more thorough, case-by-case look at corporate decision situations.

The first of these two tasks mobilizes the analytical and normative parts of ethics as a philosophical discipline. The second task forces us into what we earlier referred to as descriptive ethics, and the importance of this more empirical side of the inquiry can hardly be overstated. Armchair reflections about business ethics are no longer sufficient (they never were) for those who are serious about the central issues. The complexities of corporate decision-making generate corresponding complexities for *responsible* corporate decision-making. Without the understanding of such complexities that comes from case study research, the quest for moral understanding in modern business life is empty. But without a philosophical framework and a set of norms reflectively reached, the study of cases is blind.

The *implementation* of the vision set out in our discussion, disciplined both conceptually

and practically, leads to a social agenda of considerable magnitude:

- In the educational domain, it calls for a thorough integration of the humanities with the curriculum in business administration. Such an integration must reach beyond courses on ethics to include the moral aspects of functional specialties like marketing, production, finance, control, and human resources management.

- In the management development programs of corporations themselves, a parallel effort is needed to extend and supplement an integrated academic formation. Encouragement must be provided to sustain internal dialogue about the moral aspects of the firm's performance.

- Boards of directors, often if not always the custodians of the longer-range values of corporations, must increase both their vigilance and their effect as they participate in governance. They must contribute directly to the legitimation of moral discourse in long-term planning and evaluation.

- Most importantly, top corporate managers must mobilize the powerful sources of influence available to them toward the goal of institutionalizing moral responsibility. Such sources of influence include setting goals, modifying organizational structures, and introducing measurement and reinforcement criteria for business subunits and for individuals. Top managers must come to see themselves not only as stewards of large concentrations of material and human resources, but also as architects of responsible institutions. They must understand that their influence extends to the processes of perception, reasoning, coordination and implementation discussed earlier, whether the issue be product safety, worker health, environmental protection or truth in advertising.

- Finally, the posture of government, in its legislative, regulatory, and judicial functions, must be made congruent with the aspirations of our model. Beyond government's obvious and necessary enforcement roles, it must permit enough corporate freedom for the exercise of moral responsibility. This does not mean *laissez faire*. On the contrary, it implies new forms of partnership between the public and private sectors. What is crucial, however, is that decision-

making responsibility (in contrast to what we have called rule-following responsibility) requires a measure of autonomy for corporations as it does for individuals. A regulatory environment that would seek to *replace* corporate decision-making responsibility is also an environment that would suffocate corporate moral initiative.

No claims are made for the completeness of this agenda. The items mentioned need to be developed at length and we should probably add items (e.g., items relating to labor relations and the management of multinational enterprises). Our agenda does, however, point us down a path toward *action*, completing the reflection in our *discussion* of corporate responsibility the pattern that has been traced for the concept itself, namely a progression from perception, through reasoning and coordination, to implementation.

Notes

* To appear in *Just Business: New Introductory Essays in Business Ethics*, ed. by Tom Regan (Random House, to be released in Fall 1983 with 1984 copyright).

¹ Chris Redman, 'Indiana's Pinto Trial May Alter Corporate Responsibility in the U.S.', *Washington Star*, March 9, 1980. Copyright 1980 Time Inc. All rights reserved. Reprinted by permission.

² Christopher D. Stone, *Where the Law Ends: The Social Control of Corporate Behavior* (Harper & Row, 1975), p. 111.

³ Some of the themes developed in §§ 4, 5, and 10 of this essay are also discussed in 'Can a Corporation Have a Conscience?' by Kenneth E. Goodpaster and John B. Matthews, Jr. *Harvard Business Review* (January/February, 1982).

⁴ Aristotle, *Nicomachean Ethics*, Book II, 1094b.

⁵ W. K. Frankena, *Thinking About Morality* (University of Michigan Press, 1980), p. 50.

⁶ *Ibid.*

⁷ *Ibid.*, p. 26.

⁸ Stone, *op. cit.*, p. 114. Stone's discussion of the elements of moral responsibility is useful, but less systematic than the approach taken here.

⁹ I first used this methodological principle in research on values in the electric power industry in 1972. See Kenneth Goodpaster and Kenneth Sayre, 'An Ethical Analysis of Power Company Decision-Making', in *Values in the Electric Power Industry* (University of Notre Dame Press, 1977), pp. 238–88.

¹⁰ Stone, *op. cit.*, pp. 199–216.

¹¹ See 'Corporate Culture', *Business Week* (October 27, 1980), pp. 148–60.

¹² Plato, *The Republic*, Book II, 368a.

¹³ Robert Nozick, *Anarchy, State, and Utopia* (Basic Books, 1974), p. 205.

¹⁴ Thomas Donaldson, in *Corporations and Morality* (Prentice-Hall, 1982), discusses a number of the asymmetries between persons and organizations that are mentioned here (see especially Chapters 2 and 6), but none seems to undercut the present strategy. Also relevant are Peter French, 'The Corporation as a Moral Person', *American Philosophical Quarterly* 16 (1979), 207–215 and Cyert and March, *A Behavioral Theory of the Firm* (Prentice-Hall, 1963).

¹⁵ See Alasdair MacIntyre, 'Corporate Modernity and Moral Judgment', in Goodpaster and Sayre, *Ethics and Problems of the 21st Century* (Notre Dame Press, 1979), pp. 122–38.

¹⁶ See Milton Friedman, 'The Social Responsibility of Business is to Increase Its Profits', *New York Times Magazine* (September 13, 1970), pp. 32–33.

¹⁷ See John Ladd, 'Morality and the Ideal of Rationality in Formal Organizations', *The Monist* 54 (1970), 488–516. This article is reprinted, with a reply by K. Goodpaster, in Donaldson and Werhane, *Ethical Issues in Business: A Philosophical Approach* (Prentice Hall, 1979).

¹⁸ See Michael Maccoby, *The Gamesman* (Simon and Schuster, 1976).

¹⁹ See Thomas Nagel, 'Subjective and Objective', in *Mortal Questions* (Cambridge University Press, 1979), pp. 196–213.

Suggestions for further reading

For further reading on the issues discussed in this essay, the reader is encouraged to consult the sources cited in the footnotes as well as those that follow.

§§ 1–2. Two helpful anthologies on business ethics that include case materials as well as more conceptual discussions are *Ethical Theory and Business*, ed. by T. Beauchamp and N. Bowie (Prentice Hall, 1979), and *Ethical Issues in Business: A Philosophical Approach*, ed. by T. Donaldson and P. Werhane (Prentice Hall, 1979).

§ 4. In addition to Christopher Stone's discussion (Note 2), the reader may find it helpful to compare Graham Haydon, 'On Being Responsible', *Philosophical Quarterly* 28 (1978), 46–57.

§§ 5–6. For further reading on the early part of this section, the reference to W. K. Frankena, *Thinking*

About Morality (University of Michigan Press, 1980) bears repeating. For a discussion of the elements of moral responsibility from a perspective in moral psychology, see James Rest, 'A Psychologist Looks at the Teaching of Ethics', *Hastings Center Report*, Vol. 12, No. 1 (February, 1982). Rest's categories are parallel, but not identical to the four described here, and they help in the task of relating empirical research (on individuals) with the themes of this essay.

§§7–8. The principle of moral projection is described further in K. Goodpaster, 'Ethics and Business', *Syllabi for the Teaching of Management Ethics*, Society for Values in Higher Education (New Haven, CT, 1979) pp. 13–56 and in a review article by the same author in *Ethics* 91 (1981), 525–30. Also see Notes 3 and 9.

§9. For a stimulating reflection on the themes in this section see Kenneth R. Andrews, 'Can the Best Corporations Be Made Moral?', *Harvard Business Review* (May–June 1973), pp. 57–64.

§11. See Milton Friedman, *Capitalism and Freedom* (University of Chicago Press, 1962). Counterpoint is to be found in J. K. Galbraith, *Economics and the Public Purpose* (Houghton Mifflin, 1973), especially part five. Further insight into the issues latent here is afforded by George C. Lodge, *The New American Ideology* (Knopf, 1975).

§12. For further thoughts on the 'polarity' problem, see W. K. Frankena, 'Sidgwick and the Dualism of Practical Reason', in K. Goodpaster, *Perspectives on Morality* (University of Notre Dame Press, 1976), pp. 193–207. Also, Thomas Nagel, *The Possibility of Altruism* (Oxford University Press, 1970).

§13. For further discussion of various aspects of the 'agenda' here, see the works cited by Kenneth Andrews and George Lodge, as well as Robert Ackerman, 'How Companies Respond to Social Demands', *Harvard Business Review* (July–August, 1973), pp. 88–98.

Summer Conference and Workshop in Business Ethics

DePaul University in conjunction with the Society for Business Ethics will hold a conference and a workshop on business ethics from July 25th through July 30th, 1983, at DePaul University, in Chicago.

The Conference, which will extend from Monday, July 25th to Tuesday, July 26th, will be conducted by the Society.

The Workshop, which will extend from Tuesday, July 26th to Saturday, July 30th, will deal with pedagogical as well as theoretical and practical issues in business ethics. Details will be available shortly, and information is available from:

PROF. ROBERT COOKE,
Dept. of Philosophy, DePaul University,
2323 North Seminary Avenue, Chicago, Ill. 60614.

Cost, including housing, board and registration, will be \$200 for the whole week. Cost for the conference alone including one night of housing will be \$35 and cost for the workshop alone will be \$180.