

Can a corporation have a conscience?

In a sense it can, for its members can make the corporation act as a morally responsible person would

When making a profit conflicts with respecting the welfare of the community, corporations do not always choose profit as their only goal. Nor do they always decide that such debates of principle are beyond their domain. They look within to their boards of directors and managers, they take the time to hear community representatives, and they choose courses of action carefully geared to the needs of the community as well as their own. Deciding things this way isn't easy, and it bears all the marks of a person trying to decide the right course in a situation that is fraught with conflict. That is why the authors say that conscience can reside in the organization. This opinion represents a change in perspective, for traditionally the notion of conscience has been associated with the

notion of person. Sometimes, stepping outside one discipline with the help of another presents a perspective from which to see how to make conflict manageable and goals clear. Such a new orientation is what this article offers those who are trying to cope with the complexities of corporate management in today's society. With some terminology and insight from moral philosophy, the authors think through the confusion surrounding the concept of corporate responsibility and find a way to define it. By looking closely at the realm in which responsibility is usually understood—the individual's action

and intention—and then projecting the light of this understanding onto the company, they hope to help corporations inform their decisions with moral concerns.

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**Kenneth E. Goodpaster
and John B. Matthews, Jr.**

During the severe racial tensions of the 1960s, Southern Steel Company (actual case, disguised name) faced considerable pressure from government and the press to explain and modify its policies regarding discrimination both within its plants and in the major city where it was located. SSC was the largest employer in the area (it had nearly 15,000 workers, one-third of whom were black) and had made great strides toward removing barriers to equal job opportunity in its several plants. In addition, its top executives (especially its chief executive officer, James Weston) had distinguished themselves as private citizens for years in community programs for black housing, education, and small business as well as in attempts at desegregating all-white police and local government organizations.

SSC drew the line, however, at using its substantial economic influence in the local area to advance the cause of the civil rights movement by pressuring banks, suppliers, and the local government:

"As individuals we can exercise what influence we may have as citizens," James Weston said, "but for a corporation to attempt to exert any kind of economic compulsion to achieve a particular end in a social area seems to me to be quite beyond what a corporation should do and quite beyond what a corporation can do. I believe that while government may seek to compel social reforms, any attempt by a private organization like SSC to impose its views, its beliefs, and its will upon the community would be repugnant to our American constitutional concepts and that appropriate steps to correct this abuse of corporate power would be universally demanded by public opinion."

Weston could have been speaking in the early 1980s on any issue that corporations around the United States now face. Instead of social justice, his theme might be environmental protection, product safety, marketing practice, or international bribery. His statement for SSC raises the important issue of corporate responsibility. Can a corporation have a conscience?

Weston apparently felt comfortable saying it need not. The responsibilities of ordinary persons and of "artificial persons" like corporations are, in his view, separate. Persons' responsibilities go beyond those of corporations. Persons, he seems to have believed, ought to care not only about themselves but also about the dignity and well-being of those around them—ought not only to care but also to act. Organizations, he evidently thought, are creatures of, and to a degree prisoners of, the systems of economic incentive and political sanction that give them reality and therefore should not be expected to display the same moral attributes that we expect of persons.

Others inside business as well as outside share Weston's perception. One influential philosopher—John Ladd—carries Weston's view a step further:

"It is improper to expect organizational conduct to conform to the ordinary principles of morality," he says. "We cannot and must not expect formal organizations, or their representatives acting in their official capacities, to be honest, courageous, considerate, sympathetic, or to have any kind of moral integrity. Such concepts are not in the vocabulary, so to speak, of the organizational language game."¹

In our opinion, this line of thought represents a tremendous barrier to the development of business ethics both as a field of inquiry and as a practical force in managerial decision making. This is a matter about which executives must be philosophical and philosophers must be practical. A corporation can and should have a conscience. The language of ethics does have a place in the vocabulary of an organization. There need not be and there should not be a disjunction of the sort attributed to SSC's James Weston. Organizational agents such as corporations should be no more and no less morally responsible (rational, self-interested, altruistic) than ordinary persons.

We take this position because we think an analogy holds between the individual and the corporation. If we analyze the concept of moral responsibility as it applies to persons, we find that projecting it to corporations as agents in society is possible.

Defining the responsibility of persons

When we speak of the responsibility of individuals, philosophers say that we mean three things: someone is to blame, something has to be done, or some kind of trustworthiness can be expected. (See the *Exhibit* on page 138.)

Holding accountable

We apply the first meaning, what we shall call the *causal* sense, primarily to legal and moral contexts where what is at issue is praise or blame for a past action. We say of a person that he or she was responsible for what happened, is to blame for it, should be held accountable. In this sense of the word, *responsibility* has to do with tracing the causes of actions and events, of finding out who is answerable in a given situation. Our aim is to determine someone's intention, free will, degree of participation, and appropriate reward or punishment.

Rule following

We apply the second meaning of *responsibility* to rule following, to contexts where individuals are subject to externally imposed norms often associated with some social role that people play. We speak of the responsibilities of parents to children, of doctors to patients, of lawyers to clients, of citizens to the law. What is socially expected and what the party involved is to answer for are at issue here.

Decision making

We use the third meaning of *responsibility* for decision making. With this meaning of the term, we say that individuals are responsible if they are trustworthy and reliable, if they allow appropriate factors to affect their judgment; we refer primarily to a person's independent thought processes and decision making, processes that justify an attitude of trust from those who interact with him or her as a responsible individual.

The distinguishing characteristic of moral responsibility, it seems to us, lies in this third

¹ See John Ladd, "Morality and the Ideal of Rationality in Formal Organizations," *The Monist*, October 1970, p. 499.

For the Confucian – but also for the philosopher of the Western tradition – only law can handle the rights and objections of collectives. Ethics is always a matter of the person.

But is this adequate for a “society of organizations” such as ours? This may be the central question for the philosopher of modern society, in which access to livelihood, career and achievement exists primarily in and through organizations – and especially for the highly educated person for whom opportunities outside of organizations are very scarce indeed. In such a society, both the society and the individual increasingly depend on the performance, as well as the “sincerity,” of organizations.

But in today’s discussion of “business ethics” it is not even seen that there is a problem.

Peter Drucker

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sense of the term. Here the focus is on the intellectual and emotional processes in the individual’s moral reasoning. Philosophers call this “taking a moral point of view” and contrast it with such other processes as being financially prudent and attending to legal obligations.

To be sure, characterizing a person as “morally responsible” may seem rather vague. But vagueness is a contextual notion. Everything depends on how we fill in the blank in “vague for _____ purposes.”

In some contexts the term “six o’clock-ish” is vague, while in others it is useful and informative. As a response to a space-shuttle pilot who wants to know when to fire the reentry rockets, it will not do, but it might do in response to a spouse who wants to know when one will arrive home at the end of the workday.

We maintain that the processes underlying moral responsibility can be defined and are not themselves vague, even though gaining consensus on specific moral norms and decisions is not always easy.

What, then, characterizes the processes underlying the judgment of a person we call morally responsible? Philosopher William K. Frankena offers the following answer:

“A morality is a normative system in which judgments are made, more or less consciously, [out of a] consideration of the effects of actions...on the lives of persons...including the lives of others besides the person acting...David Hume took a similar position when he argued that what speaks in a moral judgment is a kind of sympathy...A little later,...Kant put the matter somewhat better by characterizing morality as the business of respecting persons as ends and not as means or as things...”²

Frankena is pointing to two traits, both rooted in a long and diverse philosophical tradition:

1 Rationality. Taking a moral point of view includes the features we usually attribute to rational decision making, that is, lack of impulsiveness, care in mapping out alternatives and consequences, clarity about goals and purposes, attention to details of implementation.

2 Respect. The moral point of view also includes a special awareness of and concern for the effects of one’s decisions and policies on others, special in the sense that it goes beyond the kind of awareness and concern that would ordinarily be part of rationality, that is, beyond seeing others merely as instrumental to accomplishing one’s own purposes. This is respect for the lives of others and involves taking their needs and interests seriously, not simply as resources in one’s own decision making but as limiting conditions which change the very definition of one’s habitat from a self-centered to a shared environment. It is what philosopher Immanuel Kant meant by the “categorical imperative” to treat others as valuable in and for themselves.

It is this feature that permits us to trust the morally responsible person. We know that such a person takes our point of view into account not merely as a useful precaution (as in “honesty is the best policy”) but as important in its own right.

These components of moral responsibility are not too vague to be useful. Rationality and respect affect the manner in which a person approaches practical decision making: they affect the way in which the individual processes information and makes choices. A rational but not respectful Bill Jones will not lie to his friends *unless* he is reasonably sure he will not be found out. A rational but not respectful Mary Smith will defend an unjustly treated party *unless* she thinks it may be too costly to herself. A

rational *and* respectful decision maker, however, notices—and cares—whether the consequences of his or her conduct lead to injuries or indignities to others.

Two individuals who take “the moral point of view” will not of course always agree on ethical matters, but they do at least have a basis for dialogue.

Projecting responsibility to corporations

Now that we have removed some of the vagueness from the notion of moral responsibility as it applies to persons, we can search for a frame of reference in which, by analogy with Bill Jones and Mary Smith, we can meaningfully and appropriately say that corporations are morally responsible. This is the issue reflected in the SSC case.

To deal with it, we must ask two questions: Is it meaningful to apply moral concepts to actors who are not persons but who are instead made up of persons? And even if meaningful, is it advisable to do so?

If a group can act like a person in some ways, then we can expect it to behave like a person in other ways. For one thing, we know that people organized into a group can act as a unit. As business people well know, legally a corporation is considered a unit. To approach unity, a group usually has some sort of internal decision structure, a system of rules that spell out authority relationships and specify the conditions under which certain individuals' actions become official actions of the group.³

If we can say that persons act responsibly only if they gather information about the impact of their actions on others and use it in making decisions, we can reasonably do the same for organizations. Our proposed frame of reference for thinking about and implementing corporate responsibility aims at spelling out the processes associated with the moral responsibility of individuals and projecting them to the level of organizations. This is similar to, though an inversion of, Plato's famous method in the *Republic*, in which justice in the community is used as a model for justice in the individual.

Hence, corporations that monitor their employment practices and the effects of their produc-

In an interview this week, Robert Kilpatrick, the chairman of the [Business Roundtable's] committee on the federal budget and president of the Connecticut General Insurance Corporation, said that his fellow executives had every intention of taking their “social responsibilities” seriously and working with other groups in the community to solve such national problems as unemployment, inflation, urban decay, stagnating productivity and low living standards.

“We know those problems will not go away,” Mr. Kilpatrick said. “The ball is now in the private sector’s court. Limited government is going to mean that the problems are going to have to be solved by the private sector alone or working closely with government. If we don’t do the job now, we won’t have another chance the next time around.”

Leonard Silk

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tion processes and products on the environment and human health show the same kind of rationality and respect that morally responsible individuals do. Thus, attributing actions, strategies, decisions, and moral responsibilities to corporations as entities distinguishable from those who hold offices in them poses no problem.

And when we look about us, we can readily see differences in moral responsibility among corporations in much the same way that we see differences among persons. Some corporations have built features into their management incentive systems, board structures, internal control systems, and research agendas that in a person we would call self-control, integrity, and conscientiousness. Some have institutionalized awareness and concern for consumers, employees, and the rest of the public in ways that others clearly have not.

² See William K. Frankena, *Thinking About Morality* (Ann Arbor: University of Michigan Press, 1980), p. 26.

³ See Peter French, “The Corporation as a Moral Person,” *American Philosophical Quarterly*, July 1979, p. 207.

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.

Christopher Stone

From *Where the Law Ends*
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As a matter of course, some corporations attend to the human impact of their operations and policies and reject operations and policies that are questionable. Whether the issue be the health effects of sugared cereal or cigarettes, the safety of tires or tampons, civil liberties in the corporation or the community, an organization reveals its character as surely as a person does.

Indeed, the parallel may be even more dramatic. For just as the moral responsibility displayed by an individual develops over time from infancy to adulthood,⁴ so too we may expect to find stages of development in organizational character that show significant patterns.

Evaluating the idea of moral projection

Concepts like moral responsibility not only make sense when applied to organizations but also provide touchstones for designing more effective models than we now have for guiding corporate policy.

Now we can understand what it means to invite SSC as a corporation to be morally responsi-

ble both in-house and in its community, but *should* we issue the invitation? Here we turn to the question of advisability. Should we require the organizational agents in our society to have the same moral attributes we require of ourselves?

Our proposal to spell out the processes associated with moral responsibility for individuals and then to project them to their organizational counterparts takes on added meaning when we examine alternative frames of reference for corporate responsibility.

Two frames of reference that compete for the allegiance of people who ponder the question of corporate responsibility are emphatically opposed to this principle of moral projection—what we might refer to as the "invisible hand" view and the "hand of government" view.

The invisible hand

The most eloquent spokesman of the first view is Milton Friedman (echoing many philosophers and economists since Adam Smith). According to this pattern of thought, the true and only social responsibilities of business organizations are to make profits and obey the laws. The workings of the free and competitive marketplace will "moralize" corporate behavior quite independently of any attempts to expand or transform decision making via moral projection.

A deliberate amorality in the executive suite is encouraged in the name of systemic morality: the common good is best served when each of us and our economic institutions pursue not the common good or moral purpose, advocates say, but competitive advantage. Morality, responsibility, and conscience reside in the invisible hand of the free market system, not in the hands of the organizations within the system, much less the managers within the organizations.

To be sure, people of this opinion admit, there is a sense in which social or ethical issues can and should enter the corporate mind, but the filtering of such issues is thorough: they go through the screens of custom, public opinion, public relations, and the law. And, in any case, self-interest maintains primacy as an objective and a guiding star.

The reaction from this frame of reference to the suggestion that moral judgment be inte-

⁴ A process that psychological researchers from Jean Piaget to Lawrence Kohlberg have examined carefully; see Jean Piaget, *The Moral Judgment of the Child* (New York: Free Press, 1965)

and Lawrence Kohlberg, *The Philosophy of Moral Development* (New York: Harper & Row, 1981).

grated with corporate strategy is clearly negative. Such an integration is seen as inefficient and arrogant, and in the end both an illegitimate use of corporate power and an abuse of the manager's fiduciary role. With respect to our SSC case, advocates of the invisible hand model would vigorously resist efforts, beyond legal requirements, to make SSC right the wrongs of racial injustice. SSC's responsibility would be to make steel of high quality at least cost, to deliver it on time, and to satisfy its customers and stockholders. Justice would not be part of SSC's corporate mandate.

The hand of government

Advocates of the second dissenting frame of reference abound, but John Kenneth Galbraith's work has counterpointed Milton Friedman's with insight and style. Under this view of corporate responsibility, corporations are to pursue objectives that are rational and purely economic. The regulatory hands of the law and the political process rather than the invisible hand of the marketplace turns these objectives to the common good.

Again, in this view, it is a system that provides the moral direction for corporate decision making—a system, though, that is guided by political managers, the custodians of the public purpose. In the case of SSC, proponents of this view would look to the state for moral direction and responsible management, both within SSC and in the community. The corporation would have no moral responsibility beyond political and legal obedience.

What is striking is not so much the radical difference between the economic and social philosophies that underlie these two views of the source of corporate responsibility but the conceptual similarities. Both views locate morality, ethics, responsibility, and conscience in the systems of rules and incentives in which the modern corporation finds itself embedded. Both views reject the exercise of independent moral judgment by corporations as actors in society.

Neither view trusts corporate leaders with stewardship over what are often called non-economic values. Both require corporate responsibility to march to the beat of drums outside. In the jargon of moral philosophy, both views press for a rule-centered or a system-centered ethics instead of an agent-centered ethics. In terms of the *Exhibit*, these frames of reference countenance corporate rule-following responsibility for corporations but not corporate decision-making responsibility.

Since we may have only weak confidence in our intuitions and judgments about the justice of the whole structure of society, we may attempt to aid our judgment by focusing on microsituations that we do have a firm grasp of. For many of us, an important part of the process of arriving at what [philosopher John] Rawls calls "reflective equilibrium" will consist of thought experiments in which we try out principles in hypothetical microsituations.... 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.

Robert Nozick

From *Anarchy, State and Utopia*
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The hand of management

To be sure, the two views under discussion differ in that one looks to an invisible moral force in the market while the other looks to a visible moral force in government. But both would advise against a principle of moral projection that permits or encourages corporations to exercise independent, non-economic judgment over matters that face them in their short- and long-term plans and operations.

Accordingly, both would reject a third view of corporate responsibility that seeks to affect the thought processes of the organization itself—a sort of "hand of management" view—since neither seems willing or able to see the engines of profit regulate themselves to the degree that would be implied by taking the principle of moral projection seriously. Cries of inefficiency and moral imperialism from the right would be matched by cries of insensitivity and illegitimacy from the left, all in the name of preserving us from corporations and managers run morally amok.

Better, critics would say, that moral philosophy be left to philosophers, philanthropists, and politicians than to business leaders. Better that corporate morality be kept to glossy annual reports, where it is safely insulated from policy and performance.

Exhibit Three uses of the term *responsible*

The causal sense	"He is responsible for this." Emphasis on holding to account for past actions, causality.
The rule-following sense	"As a lawyer, he is responsible for defending that client." Emphasis on following social and legal norms.
The decision-making sense	"He is a responsible person." Emphasis on an individual's independent judgment.

The two conventional frames of reference locate moral restraint in forces external to the person and the corporation. They deny moral reasoning and intent to the corporation in the name of either market competition or society's system of explicit legal constraints and presume that these have a better moral effect than that of rationality and respect.

Although the principle of moral projection, which underwrites the idea of a corporate conscience and patterns it on the thought and feeling processes of the person, is in our view compelling, we must acknowledge that it is neither part of the received wisdom, nor is its advisability beyond question or objection. Indeed, attributing the role of conscience to the corporation seems to carry with it new and disturbing implications for our usual ways of thinking about ethics and business.

Perhaps the best way to clarify and defend this frame of reference is to address the objections to the principle found in the ruled insert on pages 139-141. There we see a summary of the criticisms and counterarguments we have heard during hours of discussion with business executives and business school students. We believe that the replies to the objections about a corporation having a conscience are convincing.

Leaving the double standard behind

We have come some distance from our opening reflection on Southern Steel Company and its role in its community. Our proposal—clarified, we hope, through these objections and replies—suggests that it is not sufficient to draw a sharp line between individuals' private ideas and efforts and a corporation's institutional efforts but that the latter can and should be built upon the former.

Does this frame of reference give us an unequivocal prescription for the behavior of SSC in its circumstances? No, it does not. Persuasive arguments might be made now and might have been made then that SSC should not have used its considerable economic clout to threaten the community into desegregation. A careful analysis of the realities of the environment might have disclosed that such a course would have been counterproductive, leading to more injustice than it would have alleviated.

The point is that some of the arguments and some of the analyses are or would have been moral arguments, and thereby the ultimate decision that of an ethically responsible organization. The significance of this point can hardly be overstated, for it represents the adoption of a new perspective on corporate policy and a new way of thinking about business ethics. We agree with one authority, who writes that "the business firm, as an organic entity intricately affected by and affecting its environment, is as appropriately adaptive... to demands for responsible behavior as for economic service."⁵

The frame of reference here developed does not offer a decision procedure for corporate managers. That has not been our purpose. It does, however, shed light on the conceptual foundations of business ethics by training attention on the corporation as a moral agent in society. Legal systems of rules and incentives are insufficient, even though they may be necessary, as frameworks for corporate responsibility. Taking conceptual cues from the features of moral responsibility normally expected of the person in our opinion deserves practicing managers' serious consideration.

The lack of congruence that James Weston saw between individual and corporate moral responsibility can be, and we think should be, overcome. In the process, what a number of writers have characterized as a double standard—a discrepancy between our personal lives and our lives in organizational settings—might be dampened. The principle of moral projection not only helps us to conceptualize the kinds of demands that we might make of corporations and other organizations but also offers the prospect of harmonizing those demands with the demands that we make of ourselves.

⁵ See Kenneth R. Andrews, *The Concept of Corporate Strategy*, revised edition (Homewood, Ill.: Dow Jones-Irwin, 1980), p. 99.

Is a corporation a morally responsible 'person'?

Objection 1 to the analogy:

Corporations are not persons. They are artificial legal constructions, machines for mobilizing economic investments toward the efficient production of goods and services. We cannot hold a corporation responsible. We can only hold individuals responsible.

Reply:

Our frame of reference does not imply that corporations are persons in a literal sense. It simply means that in certain respects concepts and functions normally attributed to persons can also be attributed to organizations made up of persons. Goals, economic values, strategies, and other such personal attributes are often usefully projected to the corporate level by managers and researchers. Why should we not project the functions of conscience in the same way? As for holding corporations responsible, recent criminal prosecutions such as the case of Ford Motor Company and its Pinto gas tanks suggest that society finds the idea both intelligible and useful.

Objection 2:

A corporation cannot be held responsible at the sacrifice of profit. Profitability and financial health have always been and should continue to be the "categorical imperatives" of a business operation.

Reply:

We must of course acknowledge the imperatives of survival, stability, and growth when we discuss corporations, as indeed we must acknowledge them when we discuss the life of an individual. Self-sacrifice has been identified with moral responsibility in only the most extreme cases. The pursuit of profit and self-interest need not be pitted against the demands of moral responsibility. Moral demands are best viewed as containments – not replacements – for self-interest.

This is not to say that profit maximization never conflicts with morality. But profit maximization conflicts with other managerial values as well. The point is to coordinate imperatives, not deny their validity.

Objection 3:

Corporate executives are not elected representatives of the people, nor are they anointed or appointed as social guardians. They therefore lack the social mandate that a democratic society rightly demands of those who would pursue ethically or socially motivated policies. By keeping corporate policies confined to economic motivations, we keep the power of corporate executives in its proper place.

Reply:

The objection betrays an oversimplified view of the relationship between

the public and the private sector. Neither private individuals nor private corporations that guide their conduct by ethical or social values beyond the demands of law should be constrained merely because they are not elected to do so. The demands of moral responsibility are independent of the demands of political legitimacy and are in fact presupposed by them.

To be sure, the state and the political process will and must remain the primary mechanisms for protecting the public interest, but one might be forgiven the hope that the political process will not substitute for the moral judgment of the citizenry or other components of society such as corporations.

Objection 4:

Our system of law carefully defines the role of agent or fiduciary and makes corporate managers accountable to shareholders and investors for the use of their assets. Management cannot, in the name of corporate moral responsibility, arrogate to itself the right to manage those assets by partially noneconomic criteria.

Reply:

First, it is not so clear that investors insist on purely economic criteria in the management of their assets, especially if some of the shareholders' resolutions and board reforms of the

last decade are any indication. For instance, companies doing business in South Africa have had stockholders question their activities, other companies have instituted audit committees for their boards before such auditing was mandated, and mutual funds for which "socially responsible behavior" is a major investment criterion now exist.

Second, the categories of "shareholder" and "investor" connote wider time spans than do immediate or short-term returns. As a practical matter, considerations of stability and long-term return on investment enlarge the class of principals to which managers bear a fiduciary relationship.

Third, the trust that managers hold does not and never has extended to "any means available" to advance the interests of the principals. Both legal and moral constraints must be understood to qualify that trust – even, perhaps, in the name of a larger trust and a more basic fiduciary relationship to the members of society at large.

Objection 5:

The power, size, and scale of the modern corporation – domestic as well as international – are awesome. To unleash, even partially, such power from the discipline of the marketplace and the narrow or possibly nonexistent moral purpose implicit in that discipline would be socially dangerous. Had SSC acted

in the community to further racial justice, its purposes might have been admirable, but those purposes could have led to a kind of moral imperialism or worse. Suppose SSC had thrown its power behind the Ku Klux Klan.

Reply:

This is a very real and important objection. What seems not to be appreciated is the fact that power affects when it is used as well as when it is not used. A decision by SSC not to exercise its economic influence according to "non-economic" criteria is inevitably a moral decision and just as inevitably affects the community. The issue in the end is not whether corporations (and other organizations) should be "unleashed" to exert moral force in our society but rather how critically and self-consciously they should choose to do so.

The degree of influence enjoyed by an agent, whether a person or an organization, is not so much a factor recommending moral disengagement as a factor demanding a high level of moral awareness. Imperialism is more to be feared when moral reasoning is absent than when it is present. Nor do we suggest that the "discipline of the marketplace" be diluted; rather, we call for it to be supplemented with the discipline of moral reflection.

Objection 6:

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

Reply:

The objection is well taken. The challenge offered by the idea of moral projection lies in our capacity to articulate criteria or frameworks of reasoning for the morally responsible person. And though such a challenge is formidable, it is not clear that it cannot be met, at least with sufficient consensus to be useful.

For centuries, the study and criticism of frameworks have gone on, carried forward by many disciplines, including psychology, the social sciences, and philosophy. And though it would be a mistake to suggest that any single framework (much less a decision mechanism) has emerged as the right one, it is true that recurrent patterns are discernible and well enough defined to structure moral discussion.

In the body of the article, we spoke of rationality and respect as components of individual responsibility. Further analysis of these

components would translate them into social costs and benefits, justice in the distribution of goods and services, basic rights and duties, and fidelity to contracts. The view that pluralism in our society has undercut all possibility of moral agreement is anything but self-evident. Sincere moral disagreement is, of course, inevitable and not clearly lamentable. But a process and a vocabulary for articulating such values as we share is no small step forward when compared with the alternatives. Perhaps in our exploration of the moral projection we might make some surprising and even reassuring discoveries about ourselves.

Objection 7:

Why is it necessary to project moral responsibility to the level of the organization? Isn't the task of defining corporate responsibility and business ethics sufficiently discharged if we clarify the responsibilities of men and women in business as individuals? Doesn't ethics finally rest on the honesty and integrity of the individual in the business world?

Reply:

Yes and no. Yes, in the sense that the control of large organizations does finally rest in the hands of managers, of men and women. No, in the sense that what is being controlled is a cooperative system for a cooperative purpose. The

projection of responsibility to the organization is simply an acknowledgement of the fact that the whole is more than the sum of its parts. Many intelligent people do not an intelligent organization make. Intelligence needs to be structured, organized, divided, and recombined in complex processes for complex purposes.

Studies of management have long shown that the attributes, successes, and failures of organizations are phenomena that emerge from the coordination of persons' attributes and that explanations of such phenomena require categories of analysis and description beyond the level of the individual. Moral responsibility is an attribute that can manifest itself in organizations as surely as competence or efficiency.

Objection 8:

Is the frame of reference here proposed intended to replace or undercut the relevance of the "invisible hand" and the "government hand" views, which depend on external controls?

Reply:

No. Just as regulation and economic competition are not substitutes for corporate responsibility, so corporate responsibility is not a substitute for law and the market. The imperatives of ethics cannot be relied on—nor have they ever been

relied on – without a context of external sanctions. And this is true as much for individuals as for organizations.

This frame of reference takes us beneath, but not beyond, the realm of external systems of rules and incentives and into the thought processes that interpret and respond to the corporation's environment. Morality is more than merely part of that environment. It aims at the projection of conscience, not the enthronement of it in either the state or the competitive process.

The rise of the modern large corporation and the concomitant rise of the professional manager demand a conceptual framework in which these phenomena can be accommodated to moral thought. The principle of moral projection furthers such accommodation by recognizing a new level of agency in society and thus a new level of responsibility.

Objection 9:

Corporations have always taken the interests of those outside the corporation into account in the sense that customer relations and public relations generally are an integral part of rational economic decision making. Market signals and social signals that filter through the market mechanism inevitably represent the interests of parties affected by the behavior of the company. What, then, is the point of adding respect to rationality?

Reply:

Representing the affected parties solely as economic variables in the environment of the company is treating them as means or resources and not as ends in themselves. It implies that the only voice which affected parties should have in organizational decision making is that of potential buyers, sellers, regulators, or boycotters. Besides, many affected parties may not occupy such roles, and those who do may not be able to signal the organization with messages that effectively represent their stakes in its actions.

To be sure, classical economic theory would have us believe that perfect competition in free markets (with modest adjustments from the state) will result in all relevant signals being "heard," but the abstractions from reality implicit in such theory make it insufficient as a frame of reference for moral responsibility. In a world in which strict self-interest was congruent with the common good, moral responsibility might be unnecessary. We do not, alas, live in such a world.

The element of respect in our analysis of responsibility plays an essential role in ensuring the recognition of unrepresented or underrepresented voices in the decision making of organizations as agents. Showing respect for persons as ends and not mere means to organizational purposes is central to the concept of corporate moral responsibility.

In the first part of the 17th century, Sir Edward Coke, one of Great Britain's most eminent jurists, concluded that a corporation was but an impersonal creation of the law – not a being, just a product of written rules and government fiat. But times have changed. Sir Edward could not have foreseen the results of the Industrial Revolution. He certainly did not foresee that 350 years after his pronouncements corporations would be the largest employers on earth, would generate the preponderance of the world's goods and services, and would be owned on a worldwide basis by millions of shareholders.

Although it may be true that Conoco remains an inanimate being for legalistic purposes, the company has a very personal existence for its shareholders, employees, officers, and directors. The success or failure of Conoco affects most of them during their working lives, and may affect them during their retirement. And to the employees, officers, and directors, Conoco's reputation concerns their reputation as well.

No one can deny that in the public's mind a corporation can break the law and be guilty of unethical and amoral conduct. Events of the early 1970s, such as corporate violations of federal law and failure of full disclosure, confirmed that both our government and our citizenry expect corporations to act lawfully, ethically, and responsibly.

Perhaps it is then appropriate in today's context to think of Conoco as a living corporation; a sentient being whose conduct and personality are the collective effort and responsibility of its employees, officers, directors, and shareholders....

The Conoco Conscience,
inhouse booklet on moral standards
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