Can we rely on corporations to be ethical and responsible?

Can we rely on corporations to be ethical and responsible? " Can a building have moral opinions? Can a building have social responsibility? If a building can't have social responsibility, what does it mean to say that a corporation can? A corporation is simply an artificial legal structure. But the people who are engaged in it, whether the stockholders, whether the executives in it, whether the employees, they all have moral responsibilities. – Milton Friedman Introduction In this essay, I am going to argue that we cannot rely on corporations to be ethical ND responsible, however, we can always trust them to act in their perceived best interests and in many cases, this is concurrent with acting in an ethically and socially responsible manner. There are two main reasons for this outcome.

Primarily, corporations are instruments to be used by typically self-centered individuals – they act predominantly in their own interest and to do so is to maximize the profits of the corporation. As I draw upon Shaw & Barry (2007), I will show that corporations are run by individuals with egoistic objectives, who despite their personal views, are often arced to run corporations with profitability as their primary and sometimes only purpose.

Consequently, individuals and consumers are becoming more self-aware of the actions and consequences associated with their behavior. Indeed, as I invoke upon Parker (2002), I will show that consumers can and often do sanction corporations who choose to engage in unethical activities. These two principles make it imperative for the executives who manage corporations to conduct their operations in an ethical and socially responsible manner if they seek to ensure the financial success of their organizations.

I will elaborate on this further throughout the essay by initially explaining the rationale behind corporate decision making, then consequently on how consumers can strongly influence the way in which corporations act, and finally, the different types of ethical theories which help explain the actions that corporations and individuals make. Corporate Decision Making To determine whether or not corporations can be relied on to be ethical and responsible, we need to understand the rationale behind the decision making processes of corporations.

How do corporations choose to behave? What factors into heir decision making processes which define their organization’s behavior? To be able comprehend corporate decision making, we need to initially understand the purpose of corporations – Why do they exist? Milton Friedman argues that a corporation is a neutral, artificial legal structure, which has one, and only one responsibility – to generate profits as long as it engages in open and free competition without breaking the law, with all other factors, such as environmental impact, being secondary considerations.

This is reflected historically in the Neo Classical model of organizational management ND economics which dominated the approaches to production by corporations in the early 20th Century, where the costs associated with the production of goods and services were the overwhelming concern of business organizations, as evidenced by corporations such as Ford which revolutionized mass production techniques.

Other factors such as the wellbeing of their employees and the social impact of their operations were inconsequential and only addressed when they obstructed the corporation's ability to generate profits such as strikes by their employees. As I will obstinate later, corporations will always seek to act in their own interests in order to maximize revenue, and secondary concerns are addressed only if they impact on their ability to generate profit. Aside from profit, there are many other factors which influence the decisions corporations make in their attempts to solve the economic problem of limited resources and unlimited wants.

Chiefly, these are: the Legal system which regulates to an extent how businesses operate, Rules, which are the cultural norms which the societies of stakeholders of the corporation's activity espouse, and the intrinsic employ nature of each problem in which corporations are required to address. Laws are imposed by governments, and must be obeyed otherwise a severe penalty which can range from a warning to fines and goal time will be imposed. They are meant to regulate corporate activity in an attempt to maintain a culture of ethical business, and are not designed to dictate the exact methods in which corporations are run.

For instance, the minimum wage is designed to provide the lower classes of society with a livable salary, but does not dictate the exact amount employees are paid by corporations. Laws do not cover all aspects of a problem – there are many grey areas of a problem which are not addressed by the legal system, sometimes, intentionally. This ultimately results in a certain extent of freedom for organizations to decide for themselves on how they should conduct their business activities. Of course, laws are not capable of completely prohibiting certain activities.

Even specifically written laws cannot dictate how corporations behave. Corporations may opt to break the law and run the risk of being caught out and punished. For instance, during the Enron scandal, many executives knowingly lied and mislead about the uncial situation of the company in order to maintain a faded of business stability, and it worked for a while, until the corporation was simply unable to continue to hide from the enormous stress of their financial reality. Many executives were found guilty of misleading investors and auditors, and were sent to Jail.

However, it is important to discern the difference between the corporation and the individuals within it. Enron as an organization itself did not break any laws. While its executives mislead investors and auditors, they were able support the distortion of their financial reality wrought entirely legal meaner. Accounting laws allow for multiple ways of recording information, which permitted the ridiculous and false inflation of the corporation's value, and subsequently assisted the faded of its financial system in a legal manner. Rules differ from Laws in minor, but significant ways.

They are the collective conventions of people, the social and cultural norms of individuals and societies, which are not necessarily protected by law. There are many spoken and unspoken guidelines on how corporations should act in relation to their consumers, surrounding population, and within the type of industry. James Hardier, like Enron, did not technically break any laws, but by consciously putting asbestos in its products, which although was legal, was known to have disastrous health effects, placed thousands of people at risk from asbestos related diseases.

To continue their viability as an economic entity after their backlash from society, James Hardier sought to make amends through complying with laws on banning asbestos in its products, setting up a fund to help victims of asbestos related diseases from its products, and moved the company to Ireland in order to contain the damage to its reputation. There are many similarities between Laws and Rules, primarily, the key difference between them is that breaking laws typically carry heavier penalties than breaking social rules.

These, along with the specific type of problem corporations attempt to address effect how corporations make economic choices. Corporations are required to make business decisions in an attempt to solve the economic problem of limited resources and unlimited wants. For each specific problem related to their business operations, there are several possible decisions and outcomes. Making these critical sessions often require a trade-off of cost, quality and ethics.

As illustrated by both the Enron and James Hardier scenarios, laws and rules can only influence how corporations choose to conduct their businesses, and cannot completely restrict undesirable behavior. They decided to take actions in what was perceived to be the interest of their own company at the expense of their ethical integrity. Through these examples, we can determine that to an extent Friedman is correct. A corporation by definition, cannot hold morals or ethics, they are impartial organizations that are designed for the sole purpose of generating profit.

However, the stockholders, executives, and employees of such corporations all have legal and ethical responsibilities, and the decisions they make will consequently shape how ethical and responsible the corporation itself is. While individual corporations can be perceived as an ethical or unethical entity from their actions and behavior, the notion of corporations as a whole cannot be held to an intrinsically ethical value. Ultimately, the decisions that individuals in charge of corporations make will be those in the best interest of the organization in order to maximize profits.

Consumer Influence Every action has an equal and opposite reaction, and Corporations are no exception to this rule. As they operate businesses, they make active decisions, which will always have external consequences regardless of the ethically of that decision. Corporations face a moral dilemma in attempting to balance their economic interests with social concerns. Parker (2002) suggests that communal interests of societies can act as a bulwark against corporate tyranny as long as their opinions are forcefully clear.

He argues that it has been largely successful, in that corporations are paying ore attention to the ethically of their practices in order to maintain a clean company image, with a clear majority of the most successful corporations maintaining some form of Corporate Social Responsibility standards. We are currently living in the Information Age, where the ability to publish and obtain information has become remarkably simplified through inventions such as the internet.

When previously, governments and corporations could censor undesirable information from the public with relative ease due to the lack of media variety, the advent of digital technology has made it extremely difficult to completely censor information – almost anyone can publish information digitally, which by its very nature, once online, is remarkably difficult to totally eradicate. Awareness of corporate malpractice and their unethical activities has increased through the enhanced availability of information, and is able to have a greater personal effect on the informed individual.

It can be argued that the information age has changed the inherent nature of economic markets – consumers are not only looking for the most beneficial economic deal for themselves, they are also interested in the potentially active externalities of a company's operations, as while they may not be able to directly stop them, they may refuse to do business with them out of a personal desire to remain unaffiliated with unethical behavior. In the past, corporations have been concerned with only maximizing profit, and in a way, absolutely nothing has changed.

However, secondary considerations such as environmental impact, and social welfare, which were once easily ignored, are increasing in significance due to the progressively aware consumer, as it is impossible to disregard consumer concerns of unethical behavior. Parker (2002) is largely correct in suggesting that societies can encourage corporations to act in an ethical manner. Societies can influence corporations into behaving in certain ways if they are vocal enough and are willing and able to divest from the corporation if necessary.

However, this is only true in societies where they have economic clout, where individuals can afford to say no and either go without or choose an alternative to the products and services these unethical corporations provide. Certain societies, such as those in the third world regions within Asia and Africa, have very little choice. Those individuals simply do not have as much economic influence and choice as societies in developed parts of the world have.

Due to their impoverished situations, they are less able to influence corporate behavior, and usually have to rely on their government or economically developed societies lobbying for their interests, which when successful, often come at a trade-off. Consequently, we can conclude that like Corporations, individuals consider ethical issues to be a secondary concern in relation to their consumer demands. When their economic needs and wants are satisfied to an adequate level, they are able to make emends on how Corporations influence their behavior.

As reflected earlier, corporations only have one purpose – to generate profits for its stockholders, with external effects arising from their business operations being secondary concerns. While previously, consumers' choices were predominately based on their needs for consumption, now, consumers also Want' and demand ethical business practices from corporations, and has not actually changed the nature of economic markets. In this day and age, if corporations disregard the ethical concerns associated with their activities, and fail to implement adequate Corporate Social

Responsibility policies, they will often suffer consumer lash back in the form of sanctions and divestment as they do not adequately satisfy their consumers' needs and wants. Ethical Behavior In the current market, it has almost become a prerequisite for corporations to conduct business ethically, but what exactly defines ethical behavior? How can a corporation act in an ethical manner? Ethics are the moral principles that govern social behavior in societies. Therefore, by definition, what is perceived as ethical behavior by individuals changes as the moral values that societies espouse evolve ever time.

There are many historical examples which demonstrate the evolution of social values: The rise of various economic and social values during the 19th and 20th Centuries such as Liberalism, Socialism, Communism, Nationalism and Fascism were the result of the changing contextual situations individuals and societies found themselves in. The vast range of social and cultural values individuals around the world espouse, coupled with the unavoidable trade-offs businesses make through decisions, creates an extremely difficult situation for corporations to completely satisfy every stakeholders' concerns.

Wary-Bliss (2007) has identified two main categories of ethical behavior which identifies scales to determine and measure the moral value of human actions. These are Consequentiality and Non-consequentiality ethical theories. Consequentiality theories determine the moral righteousness of an action based on the action's consequences and results, while Non-consequentiality theories determine the moral rightfulness or wrongfulness of an action based on the intrinsic features of the action itself, and not the consequences of it.

It is important to note that there is no correct teeth in determining whether or not an action is morally righteous or not, these theories help us explain how individuals, as well as the stockholders, executives and employees of a corporation measure the ethically of their actions. There are two main types of consequentiality theories: Egoism and Utilitarianism. Egoism refers to a moral measure of actions in terms of their ability to serve one's self interest. Diametrically, Utilitarianism refers to the moral value of actions based on their ability to serve everyone's interest.

It can be argued that a vast majority of people and corporations fall under the Egoism category to varying degrees – they look after themselves on an individual level first, then towards their immediate surroundings such as family or friends. Contrastingly, Non-consequentiality theories denote moral Judgments on actions based on the moral value of an act itself, and not its consequences. College, et al. (2011) contends that many present day companies that have a Corporate Social Responsibility are not doing so out of utilitarianism beliefs.

As stated previously, consumers can and often choose to sanction perceived unethical reparations as they do not satisfy their want for ethical practice, and to organize an ethical code of conduct is to act in purely egoistical interests. However, meeting all stakeholders' concerns is often difficult to accomplish. Shaw & Barry (2011) cites a hypothetical example of a small firm whose economic survival depends on their ability to do business in a country rife with corruption.

The corporation encounters an ethical dilemma, where they can choose to pay bribes to continue their business activities, or to refuse and be prevented from competing within the county. It faces a official choice between acting ethically and surviving as an economic entity. They may choose to pay the bribe, which has no direct negative externalities; however the bribe may fund morally repugnant and illegal activities such as human trafficking or organized crime.

Corporations encounter a lot of difficulty in attempting to act ethically, and may choose their own interests over the interests of society despite the ethical issues involved. In making economic decisions, there are the 2 scales of measurement which help us classify the moral righteousness of an action – the law and ethics. Essentially, the awfulness of an action measures the legality, while how the action complies with social ethics measures the ethically.

In an ideal world, individuals and corporations would to work in both ethical and legal situations, however this does not always coincide with their economic goals – Corporations may choose to forsake either the ethically or legality of their business in order to maintain the profitability of their business. The economic reality of business is that corporations often find themselves in a dilemma where they have to find an appropriate trade of between legality and ethics. Corporations seek to maximize profit, and to do so requires them to maintain sustainable business.

While previously, a Neo Classical model of organization was able to achieve adequate profits, consumers' demands have changed and desire corporations to not only conduct business ethically, but also support ethical practices outside their corporate activities. Corporations are essentially required to meet these demands in order to continue generating profits. Because of this, maintaining ethical standards and staying profitable are concurrent. To do this, Stubs & Cockily (2008) have suggested that corporations must ransoming from a predominately Neo Classical model of organization to Sustainable Business model.

This entails completely redefining the purpose of their business to include the concerns of their stakeholders from their business operations and reporting on elective outcomes such as social and environmental impacts. All of this is aimed to satisfy the concerns of their stakeholders in an attempt to keep consumer confidence. College, Greenbrier, et al. (2011) are correct in contending that corporations who adopt Corporate Social Responsibility practices are doing so out of their personal interest.

Without consumer loyalty, businesses find themselves in difficult financial situations and are forced to adopt ethical standards or fail as an economic entity. As referred to previously, James Hardier has made an effort to make amends to society out of egoistical values in order to stay a viable economic entity. Conclusion Corporations which have voluntarily chosen to act in an ethically and socially responsible manner have done so not out of the kindness in their heart or by legal requirements, they choose to act in this manner out of financial and economic necessity.

Corporate Social Responsibility is a tactic, a reaction to the evolution of market forces. In this case, it is the increasingly aware consumer who can and often chooses to sanction perceived unethical and/or immoral corporations, and organizations attempt to meet this ‘ rule’ of consumers by investing in a positive corporate image. While individuals within corporations may have certain moral viewpoints, right and wrong do not factor into how they conduct corporate business, as corporations are a neutral, intangible legal structure, which is incapable of having a moral value.

As I have demonstrated in this essay, corporations cannot be relied on to be ethical and responsible, as that is not their purpose. They are vehicles, to be used by individuals for their own ends to generate and maximize profit. In this day and age, where Corporate Social Responsibility is essentially a prerequisite to consumption by individuals and corporations, we can largely rely on the individuals who manage corporations to conduct business ethically and responsibly to keep consumer loyalty. Therefore, Ethics and Corporate Social Responsibility have become an integral part of corporate decisions and behavior.

But it is always important to note that there are no clear set of values that corporations can follow in order to act responsibly – ethical values espoused by individuals vary from person to person, and change over time. While corporations can be relied on to develop Corporate Social Responsibility strategies in order to keep the loyalty of their consumers, they cannot always balance the interests of all their stakeholders. It is this key point of contention in which corporations are forced to make the difficult choice between maintaining ethical practices and maximizing profits.