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JERRY SHEPPARD
Simon Fraser University

The Corporate Moral Person: The Organization's Personality and Its Board

The idea that corporations can be moral persons even with limitations inherent in the corporate character is discussed. It is argued that: as organizations, corporations have a culture which may serve as a moral personality; to give this personality a moral impetus directors should play a role in the moral upbringing of their corporate ward; If directors fail develop a culture open to moral discussion they should be held responsible.

PETER FRENCH (1979: 207) HAS CLAIMED that "...corporations can be full-fledged moral persons and have whatever privileges, rights and duties as are, in the normal course of affairs, accorded to moral persons" Recently, Robert Ewin (1991) has argued that this claim is misleading because corporations are severely limited in their ability to be moral persons. The main points of Ewin's argument against the corporate moral person will be discussed in greater detail shortly. Yet it must be noted that the corporation,[1] as an institution, has great influence on our lives and the idea that we may not be able to expect this important institution to act as a moral or ethical person is fairly unsettling.[2] Unfortunately, such fears are well grounded if we accept the arguments against the claim that the corporation can be a moral person. These particular arguments against the corporate moral person do not, however, ring totally true. For the arguments which do possess some validity there may be measures which can be taken to adjust for the corporation's seeming lack of moral personality.

Limits on the Ability of Corporations to be Moral Persons

Generally, support for the idea of that corporations have limited ability to be moral persons can be viewed broadly from the perspectives of *duty*, *motivation*, and *capacity*.[3] Since a corporation is an artificial person it must always act through agents. It can be argued that agents performing their *duty*[4] as charged, have limited authority to pursue less that profit maximizing moral actions on behalf of the corporation. Furthermore, it can also be argued that if agents are doing their duty to further the interests of the corporation while performing seemingly moral acts on its behalf (e.g. corporate philanthropy) then acts may not be truly moral. The morality of such acts must be suspect because of the selfish *motivation* behind them (i.e. if

Dr. Jerry Sheppard is in the Faculty of Business Administration at Simon Fraser University, Burnaby, Canada.

you are trying to further the interests of the corporation by seeming to be moral then you are not engaged in truly valid moral acts). Finally, it can be argued that even if the corporation's agents performed moral acts on it's behalf - regardless of motivation - the corporation *itself* has no true emotional life upon which to build a moral personality. In other words the corporation, because it is not a real or *natural* person, it is not *capable* of possessing a moral emotional character.

Corporate Agents' Moral Behavior is Limited due to Fiduciary Duty

A corporation can only act through agents who have limited allowable behaviors stemming from their fiduciary duty to the corporation and its shareholders. This fact alone however does not exclude a corporation from being a moral person because like other moral persons, corporations do have rights and duties. Yet, a corporation's representatives can only work within the context of the rights and duties granted to them by those they represent (i.e. they must act legally to further the interests of those they represent) and as such any morality they might legitimately wish to exhibit is very limited.

As an analogy, one could look at the limitations imposed on the rights and duties of guardians in administering an inheritance received by an infant. The guardians have the duty to invest the inheritance in a prudent manner; if the guardians fail to act prudently they may be held liable. The guardians cannot give all the funds away to charity while the ward is still a minor because it is not within their rights to do so with someone else's money. When the ward comes of age she may give all the money away to charity. That is *her* right not the guardians. This analogy seems to support the argument that corporate 'guardians' have a limited ability to act as a moral person regarding their trust relationship[5].

The situation with corporate stockholders is slightly different than that of minor wards (Ewin, 1991). Specifically, stockholders are not minors that are too young to make decisions but adults capable of making their own charitable decisions. Such decisions are within the rights of individuals to make and need not be made by their representatives. Indeed, if the executives of the corporation are being generous with the stockholders' money, it is a very dubious form of generosity. It is not within executives' rights to be generous with such funds, since the stockholders are capable of being generous on their own.

Two apparent flaws surface in the above argument. First, the assumption is that all moral actions the corporation may make can be undertaken equally well by the independent actions of its shareholders. The flaw in the logic stems essentially from the fact that not all moral actions the corporation, or its agents, may perform are related simply to monetary gifts to charity.[6] Moral actions on the part of the corporation can also include attempts to improve plant safety, reduce plant pollution or improve product quality beyond what is required by law.[7] These are moral actions that the shareholders would not be able to perform on their own by making charitable gifts.[8] An additional, though less important, point here is that the corporation may make be able to make non-monetary gifts at almost no cost that cannot easily be replicated by shareholders acting independently. For example, a corporation can lend the use of a large meeting space to charitable organizations during non-business hours. Shareholders acting independently cannot achieve such a thing.

The second main flaw in this 'agent's duty' argument against the corporate moral person is the assumption that a corporation's agents cannot be both moral and fulfill their duty to promote the interests of corporation and its shareholders. It is entirely possible that the corporation can be both profitable and moral. For example, take the case of Ben & Jerry's Ice Cream (O'Toole, 1991). The company *is* profitable, so profitable that a few years ago the founders were declared by Ronald Reagan to be "Entrepreneurs of the Year." The company has also involved itself in various causes to promote the quality of life in wider social community. Ben & Jerry's Office manager Gail Mayville took her employer's moral stance to heart. She looked for ways that would help manage the company's solid waste and conserve resources. She found a profitable way reduce the company's sewage outflow by turning its sludge into pig feed and fertilizer. Next, Mayville netted the company another $17,500 per year through a cardboard recycling program. Finally, she reduced costs associated with the disposal of the fifty thousand 4.5 gallon plastic containers the company used each year. For about one-fifth the cost of dumping the company was able to recycle the plastic in a way that was previously considered to be technically impossible. The company was thus able to take moral actions by protecting the environment and manage the company such that shareholders returns are increased.

It would not be honest to say that all moral actions can be performed for a quick profit. However, even if an agent's moral actions reduce the corporation's present profits there are legitimate reasons which would allow them to do so. A primary reason for this has to do with adopting a long term perspective related to resource attainablity. By taking moral actions the company's agents may be better able to obtain needed resources in the future. For example, if a company invests in programs that promote the health and safety of its workers it may be less profitable in the short run. However, such moral actions may allow the company to be better able to attract quality workers and possibly reduce its insurance premiums in the long run. In this case the moral actions are much like an investment.[9]

Even if the company's agents invest in moral actions and these actions never pay back they are still legitimate - or at least no less so than similar expenditures made by the company. Corporations pay annual premiums for insurance with the hope that the coverage is never needed.[10] Profits could be increased if the company just stopped paying insurance premiums. To suggest such a thing, however, should rightfully be considered irresponsible. The reason it is irresponsible is because such an action would expose the corporations and its investors to undue risk. For example, if should some catastrophic fire should engulf their principle manufacturing location the corporation and its shareholders would suffer great loss; a loss that could have been easily mitigated by the purchase of adequate insurance. Thus, such risk is *not* in the best interests of the corporation or its investors. Moral actions may serve to act as insurance. By performing such acts those responsible for the continued existence of the corporation are providing a form of insurance. A case where such insurance paid off was the millions Johnson & Johnson spent its Tylenol recalls. Their actions insured that the company received a measure of public trust that allowed it to weather the storm surrounding the tamperings and reintroduce the product.

On the other hand one could cite cases where such insurance was not taken out and those responsible for the company lost the shareholders investment. The generally callous attitude on the part of Manville's management toward those working with its asbestos products[11] landed the company in bankruptcy court. Most of the shareholder's investment in Manville will end up in a trust fund dedicated to paying for asbestos related injuries and deaths. Had the corporation's representatives been inclined to take moral actions to save lives they could have insured the future of the shareholders' investment instead of losing it.[12]

One might argue that these are fairly selfish reasons to perform moral behaviors. Such cold hearted selfish motivation is not what one would expect from a moral person. This issue of motivation is the second main point against the idea of a corporate moral person.

Corporate Agents' Moral Behavior is not Legitimately Motivated

It was argued above that the duties imposed upon a corporation's representatives logically lock them into behaviors which are dedicated to promoting the selfish ends of their principles. One might also argue, however, that it might be prudent for the corporation to somehow *look* less than entirely selfish. The appearance of selfishness may create a poor corporate image that may adversely effect its stock price; and a lower stock price is certainly not in the shareholders' best interest. Thus a certain amount of corporate charity may be allowable in order to advance a positive corporate image and promote the shareholders' wealth. However, the corporation is simply promoting its own selfish ends, though in a more subtle manner. This is hardly the higher moral ground, of generosity and charity we might expect from a natural moral person. Corporations are thus logically locked into selfishness and any so-called morality they may exhibit is somewhat suspect.

The main problem with this argument is that it implies that true moral actions must be selflessly motivated and if ones morals are selfishly motivated they are of a dubious nature. However, one of the most fundamental moral tenets one can imagine is a selfish one. The Golden Rule tells us to *Do unto others as you would have them do unto you.* As a moral code one would doubt that the Golden Rule is of a dubious nature, but note, that the Rule is selfishly motivated. The Golden Rule basically says: "if you wish to be treated well then you will have to treat others well." Alternately, if you do not wish to be treated badly you should not treat others badly.[13] The Rule does not say "Do unto others *because it is the morally right thing to do* but rather because you selfishly wish to be treated well."

A recent example of seemingly selfless moral act performed for selfish reasons comes frightfully to mind. In the L.A. riots after the Rodney King beating verdict a driver was pulled from his vehicle and almost beaten to death. At risk to their own lives and with little likely gain several people came to his rescue. There are few more moral and selfless acts than risking ones life to save a stranger. In an interview after the event one of these brave rescuers indicated that he felt his actions were not "selfless" but rather "selfish." The reason he felt this way, as he explained it, was that if a mob was out to kill him he would want someone to come to his aid (City Under Fire, 1992). The driver likely did not and does not, care about the motivation of the people who came to his aid - the important point is that they did come and help. Likewise, it matters little that the agents of corporations are pursuing selfish ends for promotion of the corporation when performing moral acts - what is important is that they perform them.[14]

One final point for the argument that corporations have only a limited ability to be moral persons. This final point is that the corporation itself is not capable of being a moral person because it is an artificial person that lacks the ability to possess any virtue or vice.

Corporations Themselves are Incapable of Being Moral

Corporations lack the moral character to exhibit virtue or vice. Through its agents the corporation may perform the duties others may expect from it and it may demand the rights to which it is entitled. Corporations may appear to act justly or unjustly, prudently or imprudently, etc.. However, this does not mean the corporation *itself* is a moral person. The virtues and vices that make up the moral character or personality of a natural person are lacking in the corporation. The corporation simply does not have the ability to possess virtues; i.e. it does not have an emotional make-up required for such an attribute.

We may note that some corporations act in a prudent manner and that such demonstrations of prudence give us reason to imply that the company has a moral personality. Yet prudence, like many virtues, would require concern regarding what one cares about or what one feels is important. For the corporation’s part (in spite of its representatives occasional protestations to the opposite) corporations do not care - they cannot care. The *people* representing the corporation *can care* about whether the corporation acts prudently or not, but *the corporation* itself *cannot care*. Corporations are distinct from the people who act for them, and as such they have no feelings. Though corporations may exhibit virtues because of the actions of its agents, they do not themselves possess any virtue and thus cannot be moral persons.

Corporations can appear to be moral in a great many ways but this does not mean the virtue resides with the corporation. As Ewin (1991: 754) notes: “People who run corporations can have virtues and vices like anybody else. ... But corporations themselves can possess no virtues... they are merely instruments for others to use. ... The morality is in the people who use the instrument, not in the instrument.” In addition, the corporation cannot even exhibit the virtues of a natural moral person. For example, let us look at the virtue of kindness. Corporations can do some of what a kind person with their resources would do. Yet there are limits to what the corporation can do. A corporation can, for example, provide more beds for a hospital, but it cannot provide the kind word or personal touch that makes it clear that somebody cares.

Succinctly, corporations are not natural persons and as such can have no emotional lives of their own. They cannot get incensed by injustice or moved to tears by tales of woe. They are simply instruments by which one can further the collective interests of shareholders. While other arguments against the idea that the corporation can be a moral person are debatable, this final one is a strong one: since corporations are not natural persons they are incapable of the emotions which move one to make moral decisions. Yet, as Ewin (1991, 753) so aptly points out: “does that matter so long as the corporation is run by people who do have that sort of emotional life and so long as the corporation is capable of performing helpful and other relevant sorts of actions?”

There is perhaps an equally valid objection to this final argument against the corporate moral person: the idea that the corporation - as an *organization* - is capable of some form of personality. The corporation has substantial influence over the moral personalities of it's representatives. This is because the corporation controls the setting in which ethical decisions are made and it creates and influences the groups who make decisions. As Jones (1991) points out - all decisions have a moral or ethical aspect. Thus, the corporation is not simply the sum of the moral personalities upon which it is composed, but rather it can actively reshape those personalities through forces that are inherent whenever people work together (Janis, 1982). It is difficult to deny that the moral decisions of those who play a role in representing the corporation are influenced by the complex interpersonal dynamics at work in these organizations.[15]

If the corporation is a moral person, it is one because its representatives have created a corporate culture in which certain types of actions are considered right or acceptable and others are considered wrong or unacceptable.[16] The picture of the corporation as a lifeless legal instrument employed as a tool of others is in stark contrast to its other existence as an organization in which people interact, influence one another and begin to create a common set of shared beliefs. Lost in the cold mechanics of legal responsibilities and duties of corporations and their agents is the idea that corporations are also organizations in which values and norms are actively formed and reformed. Thus, the interactions of the people within the corporation give it - *as an organization* - a moral personality.

What is an organization and how is it different from a corporation? While a corporation is a legal tool, an organization is the interactive human embodiment of that tool. In this light the arguments presented above may take on a different hue. Look at the argument that corporations are distinct from the people who act for them, and as thus can have no feelings from which they can take a moral stand. By looking at corporations as organizations we can see they also possess cultures which are independent of each individual in the organization.[17] Thus, corporations may have a moral life by reason of the fact that within them is a living corporate culture that can give the organization a moral personality. In order to explain how this works we need to look more closely at what corporate culture is and how it affects the moral decision making of the corporation as a whole.

Corporate Culture as an Organization's Moral Personality

In recent years corporate culture has received great attention from the business press (O'Reilly, 1989: 9-10). The development of a strong positive corporate culture is highly touted as the cure for everything from organizational lethargy to American non-competitiveness (O'Reilly, 1989: 9-10). Yet, what is this highly touted organizational attribute and how does it relate to the organization's personality and morality?

Corporate Culture can be observed in organization at three levels (Gordon, 1991: 396-397). First, on the surface are the overt behaviors and other observable physical manifestations of culture (called artifacts and creations). Below this level is another that reflects a sense of what "ought" to be (i.e. values). At the deepest level are the things taken for granted as correct ways of coping with the world (basic assumptions). Corporate culture at the organization level is a "... system of widely shared assumptions and values that give rise to typical behavior patterns. These systems of cognition and behavior patterns are transmitted to organizational entrants in formal (e.g. mission statements) and informal ways (e.g. modes of speech) (Gordon, 1991: 397)."

O'Reilly (1989: 10-14) suggests that corporate culture can be looked at as a *control system* that acts in a way which allows the organization to better direct and coordinate activities. O'Reilly (1989: 11) defines a control system as "the knowledge that someone who knows and cares is paying close attention to what we do and can tell us when deviations are occurring." Thus, an important feature of a control system that works is the idea that those being monitored believe that people in power care about and pay attention to the results. However, one frequently finds that the demands of an unpredictable world create the need for non-standard behaviors (O'Reilly, 1989). In order to deal with unique situations in the real world, the organization develops social control systems in which there is general agreement about what constitutes appropriate attitudes and behaviors (Trevino, 1986). When people work within such a system, they thus attempt to meet the behavioral expectations of others in the organization (at least if they wish to be accepted). These expectations and the desire for acceptance result in social control of the behaviors of those involved in the organization.

Corporate culture can thus be seen as "a pattern of beliefs and expectations shared by the organization's members. These beliefs and expectations produce norms that powerfully shape the behavior of individuals and groups (Schwartz and Davis, 1981)." Thus corporate culture can also be seen as a normative system. Norms are essentially expectations about what are appropriate or inappropriate attitudes and behaviors (O'Reilly, 1989).

The strength of organizational norms can vary based on intensity and consistency. Intensity addresses the strength of approval for acceptable behavior or degree of disapproval attached to unacceptable behavior (e.g. the C.E.O. may not approve of lying to get a sale but if nothing untoward happens to those that engage in the practice then the expected norm may not be met). Consistency means that the norms are central to the organization and are accepted by all subunits (i.e. the norms are consistently observed and equivalently interpreted throughout the organization). O'Rielly (1989) labels consistency, "crystallization" since it tends to solidify the corporation's belief system. Simply put, strong corporate cultures have widely shared and strongly held beliefs and people are "...willing to tell one another when a core belief is not being lived up to (O'Reilly, 1989: 14)." The corporate culture that exists in the organization allows it, through its agents, to exhibit moral or immoral behaviors. This corporate culture is an attribute of the organization existing quite independently of any of the company's individual agents. If the organization possesses a *personality* which is distinct from the individuals which represent it, then corporate culture would be that *personality.*

While the corporation's culture may be its personality, is this personality one which can be moral in some way? The corporation, or its representatives, must deal with moral issues in some manner. This is because moral issues deal with actions that may harm benefit others (Valasquez and Rostankowski, 1985) and many decisions made under the auspices of the corporation's authority are just such decisions.[18] Furthermore, there are a number of ways in which the moral development of this *personality* can be enhanced. Trevino (1986) has proposed that organizational culture has a significant influence on the moral development of organizational members. These members are the corporation's representatives who make the day-to-day decisions involving moral issues. Hence, the ability to affect their actions bares critical importance to the ability of the corporation's personality to carry its moral standards into action.

Organizational culture may influence the moral development of organizational members in several ways (Trevino, 1986). The culture of the organization may enhance the individual's moral development by allowing them decision making authority and by encouraging role-taking opportunities. Strong agreement and commitment as to which behaviors are appropriate / ethical or inappropriate / unethical is achieved by allowing people more input into the decision process. Organizations can also influence moral behaviors by focusing greater attention on ethical actors in the organization who can act as referents for others. Additionally, moral action may be encouraged by assigning individual responsibility for the consequences of business decisions at every level of the organization. Failure to do this may result in the individual determining appropriate behavior by weighing more narrow, quantifiable, financial considerations more heavily than broader, qualifiable, moral ones. Finally codes of ethical conduct may aid in affecting moral behavior if they are consistent with the organizational culture and are somehow enforced. In essence then, the organization's moral personality can be enhanced by influencing the moral actions of its agents through the granting of decision making power, increasing or promoting the visibility of role models, assigning individuals' responsibility, and promoting and enforcing ethical codes.

However, it seems that something is still missing. Corporate cultures can do many things. Corporate cultures may help to give corporations a personality separate from the individuals which represent it. The corporation's culture may help its representatives deal with moral issues. A corporation's culture may influence the decisions its representatives make regarding actions taken on its behalf. Yet, the rich emotional impetus for such morality seems lacking. What pushes a corporation's agents to become outraged, to *desire* to tackle environmental problems, etc.? A corporation's culture seems like a ship without a captain: capable but directionless. However, corporations do not exist without natural people whose duty it is to run them (just as ships do not set sail without captains). If corporations are to act as moral persons, what is to be the emotional impetus behind their moral prerogatives? Who are the people charged with being the captains of the corporation? Obviously a board of directors is charged with *directing* the corporation but does this have anything to do with the company's moral personality?

Boards as Emotional Impetus for the Corporate Moral Personality

As was stated earlier, it may matter little that a corporation is incapable of emotions which move one to make moral decisions if the corporation is run by natural people who do have that sort of emotional life. It is those at the pinnacle of corporate governance - the board of directors - who are the natural people within the corporation who may have that sort of emotional life and who have the power to give emotional impetus to moral prerogatives the corporation - as a moral person - may wish to undertake.

Formally, there are several roles a board must perform. Among the roles a board has are "to establish the basic objectives and *broad policies of the corporation*" and "to elect corporate officers, *advise them, approve their actions, and audit their performance* (Mace, 1971: 7; emphasis added)." Thus, the board may have a substantial role in influencing moral decision making in the corporation because they possess many of the abilities (as discussed above) which can shape moral decision making in organizations. Boards, by performing their role, can grant decision making powers to organizational members, increase or promote the visibility of moral role models, assign responsibility, and promote and enforce ethical codes. Directors may thus create a corporate culture where the moral aspects of decisions are more likely to be considered. Such consideration is more likely if it is known that the board places importance on the moral aspects of the decisions made my its agents and in giving due consideration to the moral aspects of decisions the evaluation of corporate agents is likely to be more positive (O'Reilly, 1989).

For example, Johnson & Johnson's well known Credo sets a broad policy for the company and its top managers are immersed in its importance by the actions of the board chair. Starting in 1978, Chair and C.E.O., James E. Burke promoted the company's Credo through a series of small two-day seminars, two major follow-up seminars and semi-annual meetings to over 1200 of its top managers (Byrne, 1988). Such emphasis, promotes a corporate culture where moral issues can be discussed and ethical aspects of decisions can come to the fore. Because members in the organization were certain of the values of the corporation, Johnson & Johnson was better able to make moral decisions during both Tylenol crises. These decisions allowed the company to reintroduce the product - which in the long run benefited the shareholders.

On the other hand, it may have been possible for the board at Manville to have created a corporate culture which respected its workers so that a moral decision might have been made to clean-up its asbestos carelessness. The company, as noted above, chose another course: literally to let its employees handling asbestos to "work themselves to death (Brodeur, 1984: 142)!" At the time of making its decisions, Manville may well have chosen a set of actions which, though they could be seen as unethical, were quite legal. However, these less than ethical behaviors, came to judged over time, not only as immoral but legally negligent. The degree of negligence on Manville's part, the courts later found, was so great that the firm was held lible to a degree which bankrupted it. Such a result could not have been in the best long run interest of shareholders and therefore the directors had an obligation to insure that these less than optimal decisions were avoided. Thus, directors may in some ways be legally responsible for creating a moral corporate culture or corporate moral personality which was capable and, in Manville's case culpable, for injuring employees and shareholders.

Boards Responsibility for the Corporate Moral Person

Directors could be considered negligent in performing their duties for no other reason than they failed to develop in their corporation a proper moral personality to protect the shareholders investment from catastrophic loss (like the one in the Manville case). To the extent that directors fail to instill in the corporation's agents a sense of morality, and to the extent that this lack may result in a forseeable threat to the shareholders' investment, then the directors should be liable. This is not greatly different from instances in which the state makes parents liable for the misdeeds of their minor children. One would assume that since parents are responsible for their children and their children's moral upbringing, if those children perform illegal and immoral acts[19] their parents are rightfully liable (Shapiro, 1989). The same would hold true for those who are guardians of the corporate person, i.e. the directors. Since directors are responsible for their wards - the corporation - then if those wards perform immoral and illegal acts, their guardians - the directors - should be liable. (As Manville found out, what is immoral this year, may be considered negligent and criminal next year. The line between acting immorally and illegally, over time may become fairly blurred.) So rather than being limited in the moral actions they may undertake, directors may have the legal duty to promote broad policies of social action. Directors may even be liable if they do not develop the moral personality of their corporation.

Is it right to hold the directors responsible for acts of the corporation? It has been argued that to enforce ethical behavior it may be best to seek out ways in which culpable members of an organization may be located and punished for immoral and illegal acts (Corlett, 1992). However there are substantial practical difficulties involved with this approach (Stone, 1975). First, this approach is reactive: it addresses the problem of immoral corporate behavior after the immoral act has occured. As has been argued above, it may be better to instill good moral standards in the corporation's agents before illegal or immoral acts occur. That is, avoiding immoral actions may be better for the shareholder's long term financial investment - not to mention the concerns of others. Thus, a second problem, if directors are to be proactive in instilling moral values into the corporation, how do the directors insure that the corporation's moral personality maintains its good health? If they are unaware that the organization's culture is not encouraging moral debate, how are they to know? Finally, there is the problem of recidivism owing to a lack of change in the overall corporate personality or culture if irresponsible directors are on the board. Even if directors are found to be responsible for the immoral actions of the corporation, little in the organization's culture may change. The reason for this is simply that corporations are also bureaucracies, and as such, individuals are easily replaced with others like them and business as usual typically continues unabated (Stone, 1975: 58-69).

Thus we are faced with three problems if we are to make directors responsible for aiding in the development of a corporate moral personality: (1) the reactive nature of problem correction; (2) the ability to monitor the corporate culture and; (3) recidivism which might occur after members in the organization change.

Problems regarding the reactive nature of problem correction and the ability to monitor the corporate culture can be addressed through the use of a Moral Audit (Ostapski & Issacs, 1992). As Ostapski and Issacs (1992: 232) note, the general idea of a Moral Audit runs about as follows:

> "Each corporation should have an internal systems of checks and balances which systematically and continuously evaluates the extent to which specific moral obligations are being fulfilled. To achieve this objective, corporations should establish a well structured and effectively implemented Moral Audit which focuses on the ethical and legal implications of their actions and the harm which these actions may cause."

The Moral Audit thus does three important things. First, by formalizing the inclusion of moral issues into the decision making processes, the company insures that its agents take them into consideration. Secondly, the Moral Audit sends a clear message that those in charge of the affairs of the organization care about the moral aspects of decisions made with the organization. Finally the Moral Audit allows those at the top of the organization to monitor the decisions made and the likely actions which will be taken of the corporation's behalf.

While the details regarding such an audit can be found elsewhere (Ostapski & Issacs, 1992) it is important to note that the process does not end with the completion of the Audit. Results of the Audit must be reported to those with authority to make substantial changes (e.g. the board) and such changes must be instituted. If results from the Moral Audit are ignored or the Audit is carried out so poorly that it is ineffective in evaluating the organization's systems it is of no use.

However, what keeps the Moral Audit from becoming just an exercise? The same thing that keeps other types of internal audits from not being simply an exercise: liability related to failure to heed the results of such audits and the company's C.P.A.'s audit opinion. If the Moral Audit is carried out poorly or its results are ignored, the damage which results may make the company liable to others for their injuries and the directors liable to the company for their negligence. Also, since the Moral Audit tests the internal controls present in the organization it comes under the review of the company's external auditors - the C.P.A.s. If corporate culture is a control system, as O'Toole suggests, then it seems reasonable for the C.P.A. to review those methods employed to maintain it - i.e. the internal Moral Audit - and qualify their audit opinion if those systems are not functioning properly.[20] From a cynical point of view we can say that this kind of audit qualification pushes the corporation into Moral Bankruptcy.

If the corporation were threatened with Moral Bankruptcy, it may make significant changes to change its board and moral system. If the C.P.A.s issue a 'Moral Bankruptcy Audit Opinion' then other significant actors (like major shareholders, institutional investors, regulators, etc.) may force board and systems changes upon the corporation. Thus individuals on the board who are not looking after the health of the corporation's moral personality will be replaced. With the threat or issuance of a 'Moral Bankruptcy Audit Opinion' there is less likelihood that irresponsible directors will be replaced with ones that will allow the continuation of past poor practices. Thus, recidivism, which might occur after members in the organization change, is reduced.

Conclusion

It has been argued that the idea that corporations can be moral persons is misleading because of the various limitations inherent in the corporate character. The main points of the argument against the corporate moral person involve limitations which arise from limits on corporate agents, selfish motivation and incapacity for the corporation to be moral. Yet, several counter- arguments have been raised here. Limitations on agents may be mitigated by viewing the fiduciary duty of directors as including the need to address moral issues - if for no other reason than their consideration reduces risk regarding shareholders' assets. Limitations on the corporate moral person arising from the selfish motivation of its agents may be a non-issue since even the most well known of moral codes suggests selfish motivation. Finally, the corporation may have the capacity to be a moral person through its possession of a corporate culture.

While it has been suggested that the corporation lacks the emotional capacity needed for it to be a moral person, it has been argued here that this is only seems to be the case when one looks at the corporation as a legal entity and not an active organization. When we look at the corporation as an organization, we find that corporate culture may serve it well as a moral personality. While such a personality seems to lack the moral impetus of an emotional person, directors serve it well to provide such a source. Directors thus need to play a role in the moral upbringing of their ward - the corporation. If directors fail to develop a corporate culture which is open to the discussion of moral issues, they should be held responsible for the sequences of such a failure. Moral Audits and threat of the 'Moral Bankruptcy Audit Opinion' have been suggested as ways to help maintain a vigilant board and a healthy corporate moral personality.

Notes

[1] We will concern ourselves, as Ewin's does, with the publicly traded for-profit corporation and reserve discussion of other kinds of corporations for another time.

[2] Consistent with other authors treatment (e.g. see Jones, 1991: 367) the terms *moral* and *ethical* will be considered equivalent and used interchangeably.

[3] Much of what follows along this line is from Ewin. Though I am paraphrasing him in the three short text sections following this note, portions of his text, though unquoted may have been included. I accept blame for mistakes in content or logic and credit him for valid, interesting concepts or phrases included.

[4] With regard to duty we are referring to the fiduciary responsibility agents owe to their principle.

[5] A guardian may legally make limited contributions to charity which, if the ward were capable, she might authorize. Yet, this is a limited behavior set with which a representative may exhibit a moral personality.

[6] Even if one were to consider simply monetary gifts to charity the corporation may be some advantage over the independent actions of its shareholders when it comes to charitable gift giving. The reason may be the economies of scale related to corporate philanthropy, i.e., it would be more cost effective for the charitable organization to pursue a few large gifts than many small ones. If independent shareholders were to give the same gross amount to a charity as the corporation the net contribution from the corporation may be greater because the acquisition cost to the charity may be less for the corporate contribution.

[7] Let us assume for the moment that things are as they appear: that seemingly moral actions - regardless of their motivation - are truly moral actions. Also let us assume that the seemingly moral actions of the corporation's agents are legitimate and promote the stockholder's interests. For example, charitable gift giving that attempts to promote the corporation's public image and may thus aid in attracting a quality workforce. Whether this motivation taints the moral nature of the gift is discussed later.

[8] This also assumes that shareholders have little ability to affect change in the organization through some sort of direct voting on issues the corporation is dealing with (e.g. through shareholder proxies). Evidence from shareholder votes show they have little substantive effect of corporate policies.

[9] This form of investment, of course has an uncertain payback. Advertising is very much the same thing since it involves an up-front monetary investment with an uncertain future payoff.

[10] There are circumstances where insurance proceeds are preferable to normal business activity. A fire is welcomed by the maker of obsolete products. Yet, such circumstances must be considered anomalous.

[11] For example, Brodeur (1984: 142) relates an interview where the following statement was made by a former asbestos plant manager: "'I remember going one day... to see some Johns-Manville people... We asked them if they knew of any way we could improve the dust situation in our factory. My God, they were brutal bastards! Why they practically laughed in our faces! They told us that workman's-compensation payments were the same for death as for disability.'" Basically, these managers felt it was more cost effective to allow its workers to work themselves to death. The idea that moral acts may serve as a type of insurance obviously eluded the management until the company was litigated into bankruptcy.

[12] Moral actions on behalf of the corporation may still be legitimate even if they do not provide some form of insurance. The task of those running the company is to do so in accordance with the wishes of stockholders. Assuming stockholders are moral persons, it is unlikely they want their corporation to act in an immoral manner. If the corporation's agents are up-front about the values they maintain for the company, then potential shareholders (who may wish greater profits through less moral behavior) are forewarned about the investment. The *Body Shop* is

explicit about its corporate values and potential shareholders are thus able to make an informed choice about investing (O'Toole, 1991)

13 Various versions of the *Golden rule* can be found in many places. Among the oldest being the Old Testament (Lev. 19:18) version: "Love thy neighbor as thyself." The negatively stated Golden rule – "What is hateful to thyself do not do to another (Hillel, as quoted in Seldes, 1985: 184)" is fairly common and can be found in Chinese, Greek, Jewish and Hindu philosophies (Confucius, Isocrates, Hillel, and in The Mahabharata respectively; see Seldes, 1985: 91, 202, 184, 262; respectively).

14 One can imagine circumstances where this logic may *seem* faulty. For example, the moral act of saving the life of another may seem morally questionable given certain motivations. If you saved a person's life because you knew they were wealthy and you hoped to be the beneficiary of financial rewards later due to the endangered person's gratitude were you still acting morally? The act of life saving is still a moral one. If, through no pressure on your part the rescued person later gives you a financial reward because he or she is so grateful that you have saved their life then this may be acceptable. If, however, you later attempt to obligate the rescued person to give you money for saving their life such a demand is not be moral. In making the demand you have not acted morally since you are trying to obligate someone to something they could not have agreed to (because the obligation would have been extracted under duress). The life saving and the attempt to obligate are two different acts however. One moral and the other not. One can perform a moral act and *hope* for gain from it - to *demand* such a gain is not moral. Thus care must be taken here to keep within the bounds of the Golden Rule. I would not want someone to make me feel obligated in this manner for saving me and thus I should not expect it

15 This is not to imply that individual morality is not important in the decision to act ethically, rather that interpersonal relations found in organizations have a substantial impact upon the chance that ethical actions will be undertaken.

16 Even criminal organizations have ethical standards of behavior. The standards may not agree with the rest of society but they are still standards of what are considered right and wrong behaviors for that organization's associates.

17 Several authors have argued along a somewhat similar vein. Stone (1975: 35) states that, "When individuals are placed in an organizational structure, some of the ordinary internalized [moral] restraints seem to loose their hold ..." and one finds an "... organizational 'mind' to work with, a 'corporate conscience' distinct from the consciences of particular individuals..." French (1984: 32) argues that, "corporations are not just organized crowds of people, [but] that they have a metaphysical-logical identity that does not reduce to a mere sum of the human-being members." What French (1984), and Corlett (1992: 208), are saying is that this metaphysical-logical identity is the organization's "'collective mind' that is irreducable to the sum of the respective minds of its constituent members."

18 Jones (1991: 367) discusses this somewhat more fully. Also, one may argue that the choice to look only at the economic outcomes of a decision and not broader social issues is itself moral decision. In either case the decision not to take into account moral aspects of a decision is a decision regarding morality.

19 There are laws which are unjust and their violation might be considered moral. These laws fall into another class and for the sake of brevity should be considered elsewhere. We will assume that most laws reflect some form of morality intended to protect people and their violation represents an immoral act.

20 In this sense the Moral Audit is no different than any internal control system with a problem. In such a case the external auditors have a good reason to qualify their opinion since a poorly performed of followed-up Moral Audit could increase the corporation's likely financial exposure to loss.

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