

Block 3: Business Ethics Concepts

Can a corporation itself be morally responsible?

Traditionally, our focus has been on **individuals**, their actions, and the consequences of those actions. However, this raises a profound question: **Can a corporation, as an entity, bear moral responsibility?**

- Who within the corporation carries moral responsibility?
- How much moral responsibility should be attributed to different roles within the organization?
- What principles must corporations follow to act in a morally correct manner?

Crane & Matten (2016), Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization.

The Corporation as a Moral Actor – Peter French's Approach

- Corporations possess organized decision-making structures, often referred to as **management systems**.
- These structures enable corporations to make **intentional and planned decisions**.
- Consequently, corporations, much like individuals, can be held morally responsible for their actions—or even their inactions—when these are deliberate and intentional.

Implications:

- Corporations are morally accountable not only for their actions but also for the organization and processes that lead to those actions.
- This perspective challenges traditional views that solely attribute moral responsibility to individuals within the corporation.



Peter A. French, *Collective and Corporate Responsibility* (1984).

Aggregate vs. Conglomerate according to Peter French

The Lynch Mob (Aggregate)



- Unorganized mass
- No organized will to act
- Actions shaped by the intentions of individual members (spontaneous actions/group dynamics)
- Group members (but not the aggregate itself) bear moral responsibility

The Company (Conglomerate)



- Organized decision-making structures
 - Own will to act
 - Actions are more influenced by the organization than by the intentions of individual members
 - Moral responsibility lies with the organization itself (and its management)
- Abländer (2011)



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Peter French distinguishes between aggregates and conglomerates to highlight the role of organized decision-making structures in corporate moral responsibility.

- **Aggregates:** Unorganized masses, e.g., a lynch mob.
 - Actions shaped by individual intentions.
 - Moral responsibility lies with individual members, not the group.
- **Conglomerates:** Organized entities, e.g., a company.
 - Actions influenced by organizational structures and intentions.
 - Moral responsibility lies with the organization itself.

In conglomerates, actions stem from organizational structures (e.g., policies or corporate culture), making the organization itself a moral actor.

Why is a company a moral actor?

According to Peter French, moral actors possess three essential capabilities:

- **Intentionality:** The ability to act with specific intentions and in a planned manner.
- **Rationality:** The capacity to make reasonable decisions and weigh arguments logically.
- **Responsiveness:** The ability to respond to criticism and resistance, either by modifying intentions or by adapting actions.

Implications for Individuals and Corporations:

- These capabilities are inherent to every individual, forming the basis of **individual moral responsibility**.
- Corporations, due to their organized decision-making structures, also exhibit these capabilities, establishing their **distinct moral responsibility**.

Peter A. French, *Collective and Corporate Responsibility* (1984); ABländer (2011).

Unlike regular employees, management—especially top management—has the direct ability to shape, adapt, and reorganize decision-making processes within the corporation.

Implications for Corporate Moral Responsibility:

- Top management holds a distinct responsibility to ensure that organizational and decision-making structures are designed in a way that promotes ethical corporate behavior.
- Failure to reorganize decision-making structures, despite having the knowledge and ability to do so, makes managers individually morally accountable for unethical corporate decisions arising from those structures.

Example: The Volkswagen Diesel Scandal

Managers who knowingly allowed flawed decision-making structures to persist, despite having the power to change them, bear individual moral responsibility for unethical outcomes, such as the deliberate manipulation of emissions data.

Peter A. French, *Collective and Corporate Responsibility* (1984); ABländer (2011).

Question

Whether the company or the individual employee is responsible depends on whether a moral wrongdoing can be attributed to the corporate structures or the individual employee.

Example 1:

Suppose a bank employee provides insufficient information to customers about the potential risks of an investment, contrary to the official guidelines of the bank.

Example 2:

A bank employee provides insufficient information to customers about the potential risks of an investment. This is part of the bank's business policy, which states that all risks should only be disclosed in footnotes (and never verbally) to customers.

Who is responsible? The bank or the employee?

Summary – The Corporation as a Moral Actor

Corporations are moral actors due to organized decision-making structures enabling intentional decisions, forming the basis of corporate moral responsibility.

Managers, especially top leaders, have distinct moral accountability for shaping these structures to ensure ethical behavior.

- **Corporate Responsibility:** Corporations bear moral responsibility for decisions from their structures.
- **Individual Responsibility:** Employees are morally responsible for independent actions outside corporate frameworks.
- **Management Responsibility:** Managers are accountable for ensuring ethical decision-making structures and are responsible for failures to act.

Peter A. French, *Collective and Corporate Responsibility* (1984); ABländer (2011).