

## **Changing Logic of Corporate Responsibility in a Globalized World**

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### **Abstract**

There is much ongoing debate about the responsibilities of the business community. However little helpful is being said about the fundamental question that why should corporations be responsible? So far attempt has been made to ground responsibility in a litany of the duties of business and duties of managers that rest either on their enlightened self-interest that extend beyond the narrow conception of self-interest or on the fact of community pressure. However these talks about business responsibility are deprived of any moral obligation of business. This paper was set out with the modest purpose to explore the possibilities of forging common ground between philosophical moral theories and corporate social responsibility (CSR). It was argued that in the new globalized world the traditional notion of economic responsibility is no longer adequate and very notion of moral responsibility need to be rethought to comprehend the notion of corporate responsibility.

**Keywords:** *Business Ethics, Corporate Social Responsibility, Moral Responsibility*

### **Introduction**

Throughout the human history business enterprises were set with clear purpose and goals that was the expression or function of a certain set of beliefs or values at a certain time. Originally corporations were the instruments of the owner or the founders who were locus of responsibility for corporate actions. However, this traditional locus of responsibility that holds the owner accountable for corporate actions has evaporated with

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the loss of owner control due to split in ownership and management. Occurrence of split between owners and managers have removed traditional base of responsibility. Split in ownership and control of the corporations also resulted in new changes in the objectives of corporations and corporation become an end in itself with its own agenda and objectives. With this split managers acquired the vested interest in the survival of the corporation and to give an adequate return on investment to the owners becomes just one of the conditions of survival of Modern Corporation (Wilbur, 1982).

While modern corporations become an end in itself but problem of grounding responsibility remains unsettled. Considering the power it possesses for good and evil there is a mounting need and pressure to make corporate activity responsible. There is much ongoing debate about the responsibilities of the business community starting with duties to stakeholders and extending those to consumers, general community and to the total environment. However there is little evidence being provided to support the claim about the foundations of all this responsibility. Little helpful is being said about the fundamental question that why should corporations be responsible? So far attempt has been made to ground responsibility in a litany of the duties of business and duties of managers that rest either on their enlightened self-interest that extend beyond the narrow conception of self-interest or on the fact of community pressure. However these talks about business responsibility are deprived of any moral obligation of business. Classical economics hold firmly to the view that primary objective of the business is profit maximization. This paper argues in the new globalized world the traditional notion of economic responsibility is no longer adequate. Therefore, very notion of moral responsibility need to be rethought to comprehend the notion of corporate responsibility. This paper is set out with the modest purpose to explore the possibilities of forging common ground between morality and CSR.

### **Normative Foundation of Responsibility**

There has been a persistent philosophical tradition to reflect on the idea of moral responsibility. Understanding and application of the concept of moral responsibility can be traced back to earliest Greek times. It is implicit in some of earliest surviving Greek text that they regard both human and superhuman agents as worthy of praise or object of blame based on their respective behaviors. Ascription of responsibility could be either other directed or self-directed. The main criterion to hold an agent morally responsible for his action is his faculty to evaluate reasons for his action. Theories of moral responsibility also elucidate the conditions under which the concept of moral responsibility is applicable e.g. free will to perform an action for which a person is held morally responsible. Object of responsibility could be any action or omission etc (Irwin, 1999). Aristotle (384–323 BCE) in course of discussing human virtues and vices also stated that only those agents are subject to the ascription of responsibility, which possesses the capability for decision and deliberation. Two competing interpretations can be derived from Aristotle's account of moral responsibility (Eshleman, 2009).

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First is a merit-based view that means that it is appropriate to praise or blame if an agent deserve such reaction due to his behavior. Whereas second is consequentialist view, which state that praise and blame is also appropriate if it result in desired changes in the behavior of an agent. However, reflections on such factors that undermine human control could also lead to fatalism. Fatalism is a belief that one's future or some aspect of it is predetermined. Fatalism might threaten the moral responsibility of an agent by undermining his control, deliberation, choice, and action, based on assumption that what is fated will transpire regardless of individual choices. Another possible threat to moral responsibility is causal determinism, which holds that everything that happens is caused by some antecedent conditions e.g. scientific determinism and theological determinism.

Scientific determinism attributes causal conditions to prior states of the universe and the laws of nature. Whereas theological determinism attributes these antecedent conditions, to the nature and will of God and ultimate outcome is loss of individual control, deliberation, choice, and action(ibid). Thinkers are divided on the issue of ramifications of causal determinism for moral responsibility. There are incompatibilist who hold the view that causal determinism is not compatible with the idea of moral responsibility as if causal determinism is true, and then agent cannot be held morally responsible for anything. Whereas compatibilist hold the opinion that causal determinism does not completely undermine the significance of human deliberation, choice, and action. Therefore an agent could be hold morally responsible for even if both who s/he is and what s/he does is causally determined. However both these positions are criticized on the ground that requirements for holding someone responsible are not justifiable as objective conditions as holding someone responsible is also embedded in our reactive attitudes. There are two different but related concepts of responsibility namely; responsibility as accountability and responsibility as attributability. Whereas answerability" model—appears to combine aspects of the attributability and accountability models (ibid). The recognition of diversity within the concept or amongst concepts of moral responsibility has generated new consideration about the possibility of responsibility ascription especially in cases when the conditions of its application cannot be jointly satisfied.

Modern conception of individual centered moral responsibility in which individual is held as primary bearers as well as the primary addressees of moral duties clashes with the collective nature of harm in the global age. In modern global age most of the problems are produced by the interplay of multiple structures and actors which make it impossible to fix blame on an individual and held him responsible for remedial measures. Therefore doctrine of individualism fails to account and provide remedy for collectively produced harms in case of large scale global problems (Green, 2005). Irony of the globalized world is that actors cause and sustain harm without having any conscious intention. Individual actors may contribute to structural harm and injustices without doing anything wrong in the conventional sense, simply by going about their regular activities. Structural injustices are different from individual moral wrongdoing. Structural injustice occurs as a result of

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many individuals and institutions acting to pursue their particular goals and interests, within the framework of accepted institutional rules and norms. Global structural injustices are complex and difficult to comprehend because root of the problem often lie beyond the reach of any single institutional agent or government. These global problems have wider implication for our traditional understanding of morality and moral responsibility in globalized world.

According to Green (2005) short coming of common sense moralities could be solved by assigning moral responsibility to institutional agents in case of large-scale global problems. Institutional agents are better equipped to deal with underling structural causes of global issues. Institutional agents have greater impact and leverage due to better access to information that they can use to avoid harmful outcomes linked to their conduct. This is true both for producing harm as well as for remedial actions. Restrictive liability model has striking implication for global society. It left most pressing problems to domain of supererogatory action and reduces them to issues of mere philanthropy and charity. More adequate ethic of moral responsibility is required for collective age to solve multidimensional large-scale problems. Leaving important issues to mere philanthropy; not only is essentially insufficient, it is also ethically unsound (Clark,1916).

In modern society most vital functions are performed by the institutional agents thus attribution of responsibility to these agents makes sense. According to Green (2005) in society of organizations, heightened status of organizations should be match with enlarged moral obligations. This shift from individual to institutional agents reflects a partial departure from conventional doctrine of responsibility(Young, 2006).Responsibility needs to be ascribed beyond causality. Scheffler (2001) has outlined the significance of consequentialism as the philosophy to highlight the normative limits of traditional notion of individual responsibility. Failure to prevent harmful consequences is no less important than act of wrong doing (Wettstein, 2012). Consequentialism as a philosophy greatly widens the scope of one's normative responsibility. This conception of moral responsibility has a bearing on broadening the scope of business social responsibilities.

### **Grounding Corporate Social Responsibility**

The scope and existence of social responsibilities of the business firms have been acknowledged for decades even in area of business policy, which is mainly concern with the economic performance (Scherer &Palazzo, 2007). However, in the long-standing tradition of the liberal market economy, responsibilities of commercial agents are narrowly defined and restricted only to negative duties. The core assumption in orthodox economic theory termed as *Euclidean economics* (Clark, 192, p. 132 ff) is that business is a special domain within society with a distinct morality that derives its efficiency from the self-interest of mutually benefiting commercial agents. The market is portrayed as a neutral force linked to economic individualism and personal preferences (Stehr et al., 2006). The neo-liberal economic theory paradigm has limited space for particularism, sentiment, and

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morality, except for the minimum morality that is defined by law. However, current debates on the moral responsibilities of businesses have begun to question this established principle that the morality of commercial life ought to be a minimum morality (see also Hsieh, 2013), and moral reasoning is gaining ground to explain market behaviour (Dubbink&Liedekerke, 2014). Clark (1916) argued that private enterprises cannot be governed solely by private interest.

Since 1970 discussion about the role of business in society gain popularity due to increased awareness about the growing number of social and environmental scandals. Current interest in social responsibilities of the business is also the outcome of changing expectations of society. Social commitment of business is not only expected in areas directly related to business but also in areas which are not directly related. This process has gained momentum due to process of globalization, which is eroding the institutional basis of existing governance mechanisms(Scherer & Palazzo, 2007). It is worth mentioning here that notion of corporate responsibility is not an utterly new or revolutionary but corporations were originally designed as public institutions to address public needs. Perception of corporations as instruments for the profit maximization is a distortion of what these institutions were originally designed for. Profit is a mean to fulfill the corporate purpose and not an end in itself. According to Wilbur (1982) corporate activity can best be understood as an activity of a person. Roots of this conception of corporation can be historically traced back to the legal conception of corporation that was shaped after the legal conception of the natural person. Corporations have rights and obligations at law like those of natural person. Another important reason for plausibility of the conception of corporation as person is that rights and powers as well as duties, of the corporations are exercised by persons acting as corporate agents.

Many persons like management, employees, consumers and investors play an instrumental function in a corporation. Corporate activity is surrounded by and dependent upon the activities of many persons (Wilbur, 1982). However modern corporations resulted in the loss of individual freedom and people have become instruments of corporate purposes.Thompson (2006) also argues that collective entities like states and corporation can be the legitimate cites of moral responsibility although it is not clear that they have the same free will that is precondition of moral responsibility. Corporations should be hold responsible to individuals and society in the same way that persons are held responsible to each other and to society in general. Increasing power of multinational corporations suggest that they ought to be held responsible for both their action and inactions (i.e., omissions) and should be part of any multi actor policy dialogues that are essential for deciding on certain collective courses of action. Such engagement of multinational corporations is not a voluntary corporate responsibility but a matter of moral obligation for the solution to our large-scale global problems. CSR practices should not only focus on respecting negative rights by should also avoid harmful actions (omission) or whether they also have obligations to promote positive rights (action).

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### Moral Frameworks for CSR: An Overview

CSR implies an implicit relation between business and society based moral commitment of the rights and duties. Variety of existing CSR definitions (Carroll, 1991) acknowledge the social and environmental responsibilities of business along with their profit and stakeholders responsibilities. However, which moral theories form the basis of CSR is a fundamental question that is often encountered by the business leaders. To answer this question is important to understand if moral foundation of existing CSR practices provide reasonable justification and whether the moral foundations of companies' official ethical business guidelines, mirror the moral foundations of managers. Most of the empirical work on CSR is focused on instrumental consideration and normative aspect is relatively neglected (Margolis & Walsh, 2003). There are various moral frameworks that include various types of moral theories for example Cavanagh et al. (1981) moral framework includes three basic moral theories: utilitarian theories, theories of right and theories of justice. Reidenbach and Robin (1990) moral framework contain five different basic moral orientations: deontology, utilitarianism, relativism, egoism and justice theories (Reidenbach & Robin, 1990). Crane and Matten (2007) in their framework of moral theories highlight: egoism, utilitarianism, ethics of duties, and theories of rights and justice (Crane & Matten, 2007).

According to theory of moral egoism companies should act to maximize their own self-interest. According to this theory companies do not have moral responsibilities toward others and their aim is to earn profit and CSR policies are concerned to support goal of profit maximization. Ethical egoist would prefer to maximize their self-interest within some contractual arrangements. Libertarianism as moral theory is based on premise of negative rights such as freedom of speech, freedom of religion, freedom from coercion etc., but does not recognize any positive duties such as giving charity or donations to needy. Moral obligation of the agent is to avoid harm. Thus libertarian (Nozick, 1974) hold that companies are not responsible to help people their only moral obligation is to avoid harm. Utilitarian believe in maximizing total sum of happiness from an impartial perspective (Frederiksen, 2010). Thus when translated into CSR policies utilitarianism is a demanding theory that believe that companies are morally bound to promote the best possible outcome.

Thus this is an important empirical question to investigate that which action is likely to maximise happiness. However some utilitarian like Mills would not agree that we are bound to have equal positive duties towards distant others. Mill (1957) supported to focus on those people who are close to us to maximise the total sum of happiness. Supporters of the social proximity argue that we have moral obligations towards people who are related to us relationship between family and friends is a case in point. Our positive duties for our family is stronger than our positive duties towards strangers. Though CSR has being criticized by both sides of the ideological spectrum but despite mounting criticism companies around the globe are involved at least in some form of CSR, though

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most of them have no strategic CSR plans and mostly follow ad-hoc versions of CSR. Grounding CSR in moral framework may help companies to design strategic enhance the scope and effectiveness of CSR policies.

### **Concluding Remarks**

Commitment between two or more parties based on mutual benefit is called responsibility. Any such commitment can be viewed as aspect of ethics that held someone responsible for others. In the same vain corporate social responsibility means that companies have or should have a sense of responsibility towards the impact of its operations on the society in which it operates (Waddock, 2003). However, Global interdependence of modern time makes fundamental features of the common notion of responsibility problematic. Common sense notion of responsibility is restrictive and limits the scope of responsibility to a relatively circumscribed sphere of circumstances. An ascription of responsibility is limited to those actions what individuals themselves do, as opposed to what they fail to prevent. Responsibility is also restricted to those persons with whom an agent has ongoing interaction or relatively immediate connection e.g. family member or neighbor. In today's world of globalized markets, everyone stand in relation of mutual obligations and the scope of an agent's moral obligation extends to the distant others as well. However everyone is not positioned equally in this global basic structure where some people occupy positions of privilege while others are relatively or absolutely deprived. Difficulty is to square authority and obligation with the individual freedom in order to maintain the integrity and independence of the individual (Wilbur, 1982). This problem is further aggravated in case of transnational structures due to lack of regulatory institutions through which these millions might engage in collective action. Finding a universal moral foundation in a globalized world, which is characterized by diverse cultural practices, is hard to achieve. To deduce practical guidelines for business conduct from diverse theoretical or philosophical foundation is even harder.

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