Corporate Social Responsibility and the Firm as a Person

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Abstract: Company responsibility has been defined under several concepts: Corporate Social Responsibility, Corporate Social Responsiveness, Corporate Social Performance etc. Nevertheless, a number of fundamental questions concerning responsibility remain unanswered. This article examines several of these questions. This responsibility is linked to the notion of a person. It is therefore necessary to define the company as a person. In fact, responsibility corresponds, before everything else, to a mixture of intentions. It is hence necessary to define this structure.

Key words: business ethics, person, property rights, structure of intention, responsibility

JEL Classification: M14

Introduction

Corporate Responsibility is not a new concept. It has nonetheless undergone many transformations. As in the 1930s, the businessmen’s responsibility or the moral function of managers becomes a subject of analysis (Berle and Means 1932, Bernard 1958). In the middle of the 1950s, reflection on corporate responsibility seems to have developed rather rapidly. However, this period was marked by a lack of consensus regarding the meaning of the concept. Corporate Responsibility appears as an archetype engaging the company in a phase wherein profit is only one element among others. This concept faced fierce attacks during this period, particularly by Levitt (1958) and Friedman (1962). According to them, the doctrines of Corporate Social

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Responsibility are basically subversive. It induces centralism and destabilises the bases of a liberal capitalist society. The sole responsibility of the company consists in making profit.

In the 1970s, the concept seems to compel recognition. The debates at that time focused on the various forms of responsibility and the way in which to analyse them. Corporate Social Responsibility, Corporate Social Responsiveness and Corporate Social Performance succeeded one another. However, models were built premised from the following question: how could one approach Corporate Responsibility? Many ramifications about the process of management and social performance of a company were drawn following this interrogation. Nevertheless, these developments implicitly supposed that a company could be morally responsible. Whereas they had been relatively focussed on this question, they later abandoned it to study questions further downstream. The current reflections, in the optics of the models of ‘Social Corporate Responsiveness’ and ‘Social Corporate Performance’, do not however ‘truly’ address Corporate Responsibility in its ethical dimension.

Here, we propose to rethink the definition as regards the social responsibilities of a company. Numerous models focus on operationalising and instrumentalising responsibility, but do not, however, take into account the essential conditions for a definition of responsibility.

This paper studies the relationship between person and responsibility: linked to two characteristics – the ‘power-on’ and the ‘intention’. It also develops the idea that a definition of responsibility implies a structure of the intention that demarcates the feasible sets of action and induces a ranking maximisation for the company.

The Company as a Person

Moral responsibility implies that a person is morally responsible. According to Kant, a person is someone who is supposed to be imputable for his own actions. Several conceptions about companies can be associated with responsibility. Nevertheless, they are not all compatible with the notion of the person, the subject or the citizen. We have to refer to the link between responsibility and imputation to define company responsibility from a social point of view. Responsibility occurs then in concurrence with two concepts: one of ‘power on’ and the other of ‘intention’.

From the Individual to the Person

In micro-economy manuals, a company’s behaviour is represented through concepts such as production or profit. It reacts like an ‘individual’; maximising its objectives
with restraint. At this level, the calculation is only shown on the capital and production factors and its end result is entirely selfish. The company is like a consumer, an agent, an ‘individual’ given only to rationalising one aim, which is that of maximising, under constraint, the function of optimising profit. It is certain that a more complex maximisation structure theory has been recognised and developed for a long time. Baumol (1962) followed by Encarnacion (1964) have tried to characterise this maximisation from intermediate objectives. While Baumol criticized profit maximisation and suggested that the company maximised its sales, Encarnacion integrated the profit as an objective in a lexicographic order.

But even in this extension of the theory, the company keeps its ‘individual’ status and cannot be considered as a ‘person’. No responsibility can be attributed to him or her.

The company is not however, a mere ‘black box’. The theory of Transaction Cost (Coase 1937) and that of Bounded Rationality (Simon 1959, 1979) amended this conception a long time ago.

The company can be analysed from two supplementary levels. It is first of all, an organisation composed of several individuals. At this new level, the calculation is placed on the people inside the company as well as the capital but still with a selfish end result. The responsibility exists therefore at the first level, that of the responsibility in the company. The autonomy of the company member creates a contract problem which is emphasized by Ricœur (1991). The ‘company contract’ or the adhesion of many who renounce their liberty in favour of a structure of production aimed at becoming members of this company.

This ‘giving up’ of freedom introduces a second problem. Is this just simply being part of a company or, on the contrary, is it a negotiation of a share in a company? The company then appears to be a social institution in which many conflicting interests are being. At this second level, it becomes a calculation which includes the economic and social environment. Even though the calculation is carried out on the capital it nevertheless has repercussions on the people, although it is not deliberately aimed at them.

These two levels which run side by side with each other show that the company is an entity in society; can it then be considered as a person? Here, the calculation has to be considered from the point of view of people outside the company, the end responsibility hence having consequences on exterior capitals. Also, one has to ask oneself the question of company autonomy and the responsibility of the company. What characterises people is that they have the liberty to control themselves. A person is supposed to be autonomous and free to restrain him or herself because of existing morals. Morals exist because people themselves exist. In other words, people have their conscience which dictates morals and responsibilities.
The question of conscience is nevertheless highly conceivable, particularly for a company. If a company has a conscience and immediately takes on responsibility, this is its autonomy, its capacity to freely give rules of conduct which determine its degree of responsibility. Between the position where the company is absolutely not responsible because of market constraints (it doesn't then have the question of choice, even if it could question the choice that has been imposed upon it to survive the market) and the position where the company doesn't have the choice because it is immediately and infinitely responsible for its conscience; there is room for the question of conscience, a question of responsibility. This question rests on the idea that a person is autonomous.

It involves, nevertheless, appreenting the company like a person to define its social responsibility. This is done in two stages. First of all - to agree to recognize its power, through the concept of 'power x=1', and then to accept that the company has 'intention'.

The 'Power-On' of the Company

Running parallel to this economic concept, Hallis (1930) characterized the company by stating that its personality is simply fictitious, and owes its existence to the law or to a statutory act: nobody exists without legal status. Law creates its own subjects. Ethical responsibility is thereby excluded. The company is then held responsible solely from a legal point of view.

This dichotomy between the legal person and the economic person is even more accentuated with the theory of the property rights, to such a point that even the legal responsibility of the company is lost.

The company, or to be more precise, the name of the company, is simply a 'hat' under which people are physically gathered together. The physical status of these individuals has legal priority. The company loses its individual status to the physical status of the individuals. The theory of property rights is the most noticeable example of this conception. All organizations which are used to support a contractual group are fictitious (Jensen et Meckling 1976). The company is shown an entanglement of written and non-written (verbal) contracts between those in possession of production factors, the employees and the clients. (Jensen et Meckling 1976; Fama et Jensen 1983). The company represents a special organization. It is thus characterized by the existence of residual divisible wealth on the assets and income of the company which can, in general, be sold without the authorization of the other shareholders. The company is therefore a group of contracts. This concept implies that the company doesn't actually exist, it is not an 'individual' and cannot, therefore, be credited with any motivation or real objective. Hence there is no fundamental opposition between,
the company and the market – the company is a ‘private’ market (Alchian et al. 1972). The distinction between the inside and the outside of a company does not exist elsewhere and would make no sense either. (Barzel 1989). Only the contractual relationships are important.

The notions of company personality and responsibility are completely absent and there is no support for them within this theory, even from a legal point of view. Responsibility can only be placed on the individuals who undertook the contract but as the notion of person cannot be defined, the responsibility of the individual is not implicated in any more than that of the company.

This conception of the company poses two problems. Firstly, treating a company in such a manner implies that we overlook the socio-economic logic of companies together with the history of their existence. The model cannot differentiate between a company and a group of people or a crowd (French 1979). Yet the historical logic is an essential element for analyzing the company and its organizational evolution (Chandler 1962, 1977, 1990).

The second problem is regarding the criticism made by the radical American about the structure of property rights. The company is a place of conflict and opposition, characterized by the asymmetry of power (Bowles and Gintis 1993, Reibitzer 1993). Power originates in the imbalance between the markets and the constraints that put on the economic agents. The instability of the labour market (i.e. unemployment) gives companies great power over salaries. If the source of this power is unbalanced it becomes fixed by the hierarchy of the company’s production organisation. It follows that the system of property rights constitutes a way of imposing production tasks on the employee.

This criticism is particularly interesting because it brings forward the notion of ‘power-on’. However as is pointed out by Ricoeur (1991), the notion of ‘power-on’ is an essential characterization of a person.

It is certain that in this framework the power relationship is limited to the conflicts between the entrepreneur and the employees and therefore only concerns the internal company responsibility in accordance with the property rights system. On the other hand, it doesn’t allow for a definition of company responsibility. An extension of this concept of ‘power-on’ helps an understanding of company responsibility when related to company power affecting its surroundings (the outside).

The Intentionality of the Company

The theory of organisations (March and Simon 1958) indicates a starting point at which it is possible to relax the dichotomy between the legal person and economic theory. In this framework, the company is a legal entity created for a certain number
of limited objectives (profit, production etc.). The members of this organisation do not react as individuals in their full capacity. They react in an impersonal way as company agents subjected to company constraints, with an aim of producing or achieving an objective which has been defined by and for the company. The individual's actions are part of a whole within the company.

In this case, the individual reaction is that of an impersonal agent belonging to the company and not as a person. It is therefore wrong to put any responsibility on them. Furthermore, according to George (1911), the company is, even within this framework, a legal person and not a moral person. It is therefore equally wrong to put a moral responsibility on a company; it can only have legal constraints. One can only refer to the legal status of a company and its stakeholders.

Nevertheless, it is probable that one of the earliest attempts to formulate a moral personality (metaphysics) for the company is that of French (1979). He supports the theory of organisations. His arguments favour 'intention'. The intention of the company is defined by a structure of internal decisions. This structure of internal decisions is the personal organisation which enables it to use its power and pursue its activity and achieve objectives. It demonstrates, therefore, the possibility of an intention on the part of the company from the politics and strategies defined and followed by it. Decisions for action are realised, not by the company members' own reasons but for the company's own reasons as an organisation. In this way, according to French, the company is endowed with 'intention' and can therefore be considered as morally responsible.

This theory has been greatly criticised. Velasquez (1983) distinguishes two forms of responsibility. The first type consists of viewing the responsibility as an obligation or a duty, for example, 'the responsibility of a company is to serve its clients'. The second type of responsibility is used to indicate that an action or its consequences are attributed to a particular agent as in the example 'So and so is responsible for the road accident that occurred yesterday'. Velasquez refers to the second type. This type of responsibility is explicit to the idea of criminal responsibility. This requires the two conditions 'actus reus' and 'mens rea'. In other words, there is criminal responsibility if the accused (1) has participated directly in the crime (or helped participate in the crime or did nothing to intervene although he/she could have done) and (2) the crime was committed voluntarily and in full knowledge of the consequences. The roots of this notion of responsibility are found in the doctrine of 'imputability'. This doctrine is present in 'Ethical Lessons' (Eine Vorlesung Kants über Ethik) and summarised in 'The Metaphysics of Morals' by Kant. According to Velasquez, French refers to this form of responsibility.

Let us now consider the first particularity (actus reus). The actions attributed to the company are no actions carried out by the company as a distinct entity, because the company cannot react effectively except through its members. The intention of the
company, according to French, does not allow the actions of the company to be intentional since only the members can carry out actions. Between the strategy of the actions and the realisation of these actions, there is a difference that compromises French's conclusions. Next let us consider the second particularity (mean real). If the actions are carried out by the members and not by the company, then the actions of the company are unavoidably a result of non intentional actions, linked together by the members.

The criticism aimed at this model of the theory of organisations is the separation between the strategy which defines the actions and the execution of these actions. This criticism renders invalid the notion of intention which is the foundation of French's reasoning (1970).

The company as an organisation is unable to move from legal responsibility to moral responsibility. According to Khalil (1997), the theory of organisations does not permit the definition of a company as an individual.

However, a key element lingers on through the notion of intentionality. This intentionality can be linked to the power of the company as an institution. If the company is an institution, a place where conflicts are resolved, it is involved in a mechanism representing conflicting powers. These conflicts are not only inside the company. We can extend this reasoning by the fact that the company is also an institution in society, that it has a central position (Sainsaulieu 1955) and "power-on" its economic, social and ecological environment.

According to Otto von Gierke (1887) the company is known to be like a pre-legal person, a sociological person. Following this theory, law cannot create the subject, it can only determine what it does and that, only in conformity with its requirements. Gierke sees the company as an emanation of social actions having in general a personality that the law declares only as a legal fact.

The company as an institution has independent objectives, respective objectives of its members. It is therefore granted freedom of actions. If we add the existence of morals because the conscience exists and imposes itself. The company is also granted with a freedom of intention with regard to the conscience. In other words it freely constrains all its actions pertaining to itself. If it therefore, a person exercising power over his or her socio-economic environment.

Of course, the objectives of the company as a person can be different to those of the people in the company. The responsibility of the company and in the company gives rise to other questions of coherence which we shall not discuss now.

Then, our purpose will not be to discuss the concept of intention in itself, but to define a structure of 'attention'. Let us consider that responsibility relates to three elements: economic, ecological and social responsibility. These three elements form a whole whose parts are not interchangeable. Profit is also considered as an element. Spaeemann (1989) writes that the parts of a symphony cannot be interchanged. One
would obtain another symphony and not another version of the same symphony. The ethical intention poses the same problem. The order of the three elements cannot be modified without simultaneously changing the nature of the intention. The structure of the order of the three elements defines responsibility. In other words, responsibility is premised on the structure of intention. In that sense, responsibility has a 'finale sans fin' (finality without end): the others persons.

The Structure of Intention

The structure of intention can be analysed from the hierarchical choices of the company. The choice is not made on actions in a given set, but rather, on the set of actions. For instance, the decisions of the company are not to classify actions to view of gaining profit, but to classify profit itself among other finalities, such as employees and environmental protection, etc. The structure of intention is defined from this classification. Various orders result in various 'finalities without end' and not only in the same finality arranged differently.

Nevertheless, the structure of intention results in actions by the company. These actions must be able to be carried out. In other words, the structure of intention must allow for action.

Profit is not the sole objective of the company. The responsibility of the company refers to a set of 'standards' or norms, having an influence on the actions which it will be able to carry out. Let us call the set of norms to which the company must conform \( X = \{ n_1, \ldots, n_m \} \). Imagine three of these norms: profit (\( n_p \)), the preservation of the environment (\( n_e \)) and the remuneration conditions of the company employees (\( n_o \)).

The responsibility of the 'citizenship' of the company analysed under the angle of structure of intention requires an order or classification of these various norms. A structure of intention (\( \theta \)) whose ordering would take the form \( \theta : 0 > \psi > \alpha \) indicates that profit is preferred to the preservation of the environment, and is itself preferred to the level of remuneration of the company employees. In other words, the structure of intention corresponds to a maximisation of profit. In the second and third maximisation, if actions can be carried out without decreasing profit, then the company will try to satisfy environmental preservation norms and the remuneration of employees.

On the contrary, a ranking \( \theta : \psi > 0 > \alpha \) indicates that profit is only one objective maximised among the two others. Thus, two different structures correspond to different global intentions and are not necessarily of the same global intention whose parts are interchangeable. In ordering \( \theta : 0 \), profit could be entirely used to satisfy the two other norms. The ecological and social damage caused by the activity of the company can be repaired. In ordering \( \theta : 0 \), logic is safeguarded by prevention and not by repair.
Insofar as certain damage is irreversible, the structure of intention differs enormously. The elements are not perfectly substitutable.

The structure of intention can thus be appreciated starting from the set of orders. Let \( \Omega = \{ \theta_1, \ldots, \theta_n, \ldots, \theta_n \} \) be the set of the possible structures. The corporate responsibility consists in selecting a structure of intention in the set of the structures of intention. The classification of the order of the norms, in other words the classification of the elements of \( \Omega \) is called meta-classification or meta-ordering (Sen 1974, 1977).

If the ordering selected is \( \theta_1 < \theta_2 > \theta_3 \), i.e. that which privileges the environment, then employees and lastly profits, this implies that the maximization of the profit is subject to the constraints of maximization of the other elements. Such a ranking is established according to the impact of the company on the society. \( \psi \) represents the whole of the society, \( \omega \) a fraction of the community (employees of the company) and \( \omega \) the company.

Whatever structure selected, since the profit is no longer the sole objective and is, on the contrary, subject to a preliminary maximization of other objectives, the feasible actions by the company are delimited. Let us call \( A' = \{ a_1', a_2', \ldots, a_n', \ldots, a_n' \} \) subset of the actions respecting the order \( \theta_1 \). \( A' \in A' \) is a restricted set of actions for company \( \omega \). Certain actions are eliminated since they do not respect the order. For example, the reproduction of a pollutant cannot respect the norm \( \psi \), even if it is likely to evolve substantial profits.

Nevertheless, the structure of intention is defined by the three norms. The classification selected must thus be compatible with their realization. In other words, actions must be possible to obtain a profit. Thus, a necessary condition for the structure of intention, compatible with the three norms selected, is \( a_1' \cap a_2' = \emptyset \), i.e. the responsibility of the company is compatible with the profit. The subset \( a_1' \) of the actions constrained by the market and the \( A' \) subset of actions, compatible with the responsibility, must have a non-empty intersection.

Responsibility is the counterpart of freedom. If the company is constrained to make a profit to be able to carry on its activity in the market and if the external pressure of the market forces it, then it is not free. Its responsibility shall hence be nullified. On the other hand, if the market does not oblige the company to realise the greatest possible profit, it can then act freely, and becomes morally responsible. The degree of responsibility thus corresponds to the intersection of the two sets \( A' \) and \( A' \).

In a general way, we may define by \( A' \), \( A' \), \( \cap A' \) the sets of actions \( A' \) corresponding to the three norms. The responsibility of these three norms implies (figure 1)

\[ A' \cap A' \cap A' = \emptyset \Rightarrow A' \]
In the order \( \Theta \), the company chooses an action \( a^*_w \in A_w^+ \) compatible with \( w \), then an action \( a^*_w \in A_w^+ \) that may be compatible with the rest of the actions for \( a \) and then an action \( a^*_w \in A_w^+ \) if it is possible to achieve a profit \( \pi \). The order of the action sets delimits feasible actions for each following set. The company realizes a ranking maximization calculation.

Admittedly, profit can be lower by respecting the order \( \Theta \), where the profit is placed in the second or third maximization, with an order that would place profit first. The degree of sacrifice for the company would be the difference between what it would obtain if it did not take into account the other elements of responsibility and what it would obtain by respecting these elements. The profit would be for example

\[
\pi = f\left( a^*_w, \Theta \right) - \alpha(a^*_w, \Theta) \]

where \( a^*_w \) is the most realisable action under the order \( \Theta \), privileging profit, and \( \alpha \) is the action which best satisfies the order \( \Theta \), privileging the safeguarding of the environment. Represents the degree of sacrifice by the company. It is possible that the profit is nullified or negative if the degree of sacrifice is too large (2.1). The norms defining the responsibility would then be too strong and would not leave any place for maximisation of profit in the second or third maximisation. It would be the case, for example, if the norm of environmental protection were stated as follows: "It is necessary to take the most ecological action possible". One would obtain \( A^*_w \cap A^*_w = \{0\} \). There are strong chances that one would lead to an empty set if the standards are not dichotomic (Antispenger 1999).

The order principle can nevertheless be softened if it is shown to be too extreme. A first solution would consist of eliminating, for example, the first element from the
Conclusion

Any definition of Social Responsibility of the company needs to tackle the company as a person. The concept of person is associated with the power of this person on its environment. A direct link may be built with the intention of a person.

We have proposed a theory of responsibility based on the structure of intention. The principle induces a ranking maximisation on the set of actions. The lexicographical principle is itself particularly adapted to the analysis. The result is that a definition of moral responsibility is achieved, not only by the choice of actions in a set of actions given, but also by the choice of the set of actions, implied by the structure of intention.

An analysis of the set of actions makes it possible to classify the models of Corporate Social Performance as a particular case of the structure of intention. A case which seems rather distant from a moral conception of the responsibility. An analysis of the moral responsibility thus does not reveal the classification of the actions, but rather the classifications of the sets of actions.

Other conceptions of corporate responsibility could certainly be considered, in particular those based on the collective responsibility or on the concept of prudence. However, each conception can be perceived as a more detailed development of a particular set of actions among various classifications.

NOTES
1 For a survey see Ballet and de Bey (2000).
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