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CORPORATE RESPONSIBILITY: PURPOSE, INSTITUTIONS, AND GLOBAL JUSTICE

POLITEIA

*9th Annual Forum on Business Ethics and Corporate
Social Responsibility in a Global Economy*





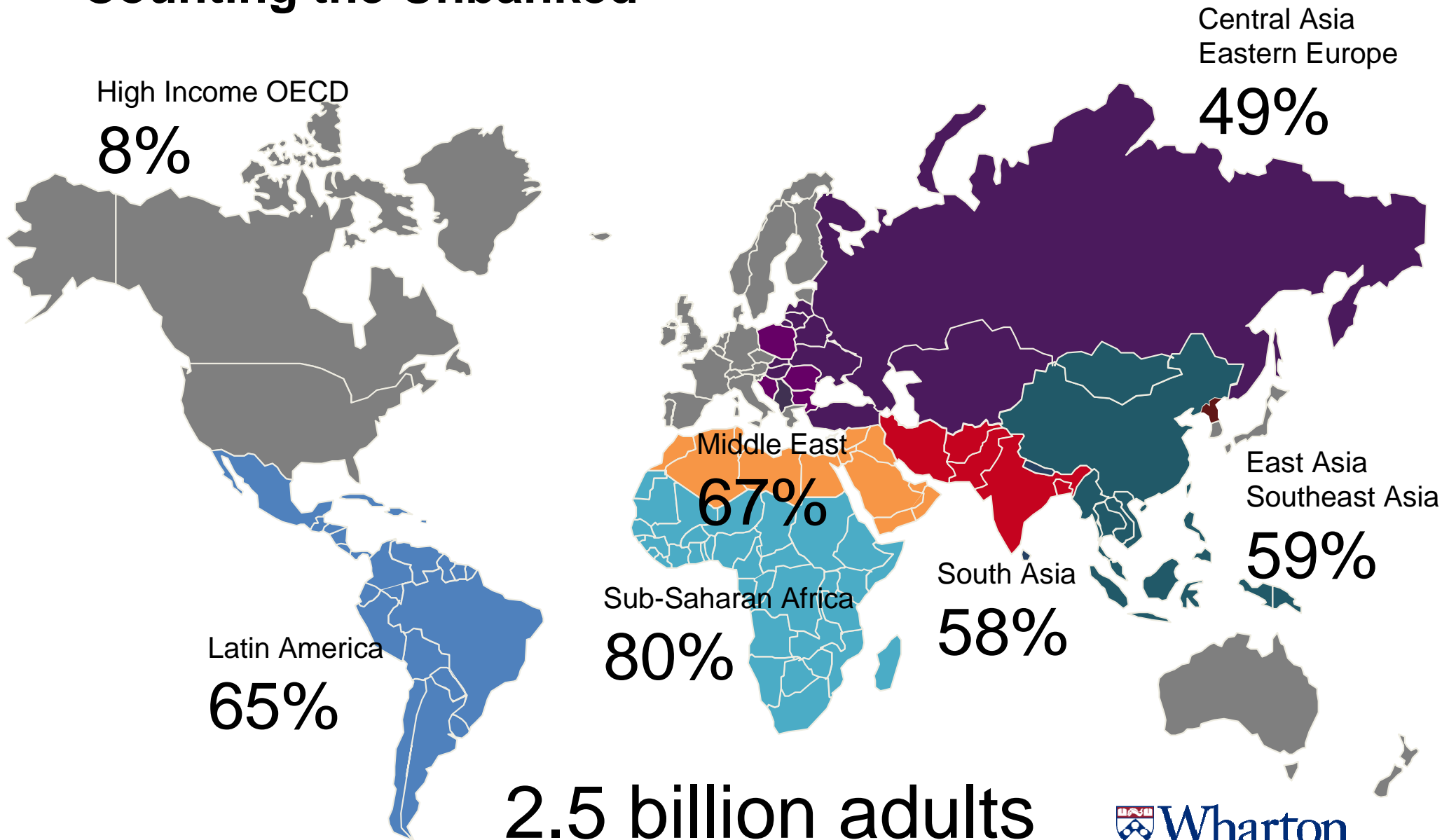
1.29 billion people live under \$1.25 per day.

26% of children in the world are stunted due to malnutrition.

(World Bank 2012)



Counting the Unbanked



(McKinsey 2010)

2.5 billion adults





If every person in the developing world had the same carbon footprint as an average person in the US or Canada, we would need the equivalent of nine planets to absorb the CO₂ produced.

(UNDP 2008)

Revenue of 10 Largest Companies:

\$2,825 billion

GDP of 36 Poorest Countries:

\$474 billion



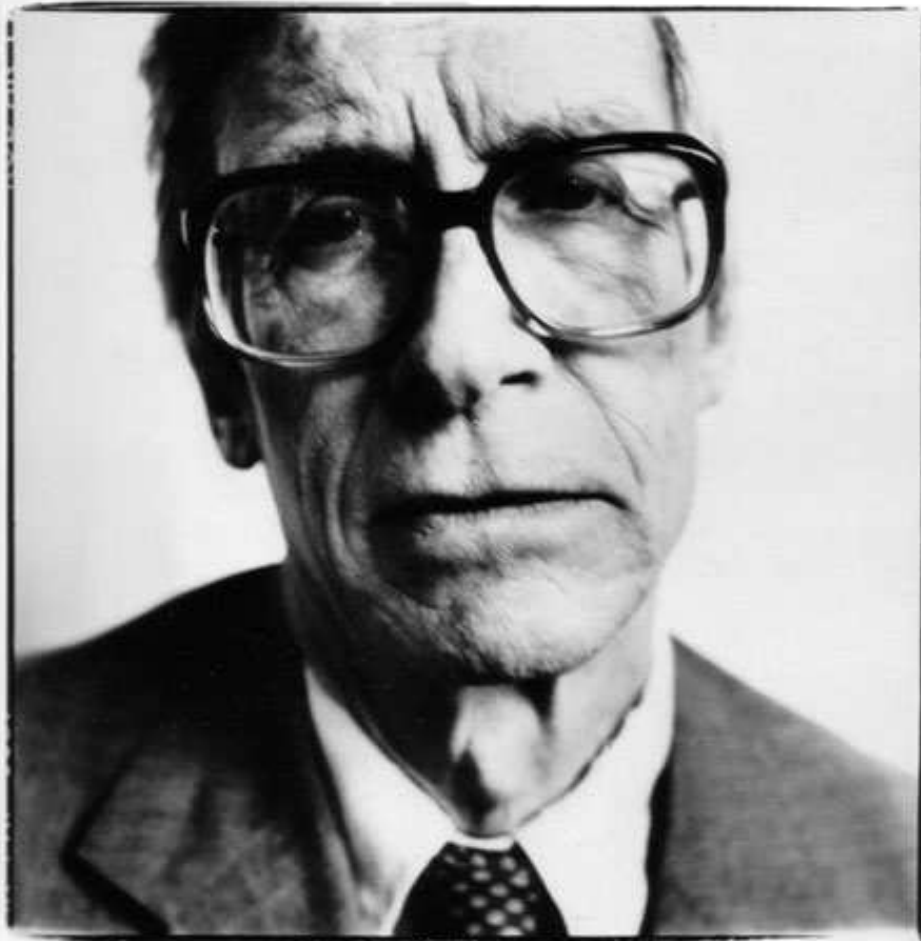
(Fortune 2012, World Bank 2012)

**SHOULD MULTINATIONAL
COMPANIES BE AGENTS
OF JUSTICE?**

Outline

- **Global Injustice**
- **Minimalist Approaches**
- **Beyond Minimalism**
- **Confronting Corporate Purpose**
- **Concluding Thoughts**

GLOBAL INJUSTICE



**Justice is the first virtue
of institutions...**

- John Rawls, *A Theory of Justice*

Global Justice: An Institutional Framework

- **Well-ordered societies (Rawls 1999)**
 - Rights to subsistence, security, liberty, property, and formal equality
 - System of law that is able to impose duties and obligations
 - Capacity for citizens to influence legislation and seek redress
- **Distribution of benefits and burdens of global economic activity**
- **Institutions may be incomplete (Hsieh 2012)**
 - Weak
 - Piecemeal
 - Contested

MINIMALIST APPROACHES

Minimalism

- **Individual moral responsibility**
 - **Managers**
 - **Employees**
 - **Shareholders**
- **Weak side constraints on corporate activity**
- **Positive responsibilities that leave open the question of corporate purpose or corporate responsibility**

Minimalism Need Not Be Insignificant

- **Financial performance and corporate social performance**
 - BOP (Prahalad 2009) and Creating Shared Value (Porter and Kramer 2011)
- **Do no harm**
 - Establish well-ordered institutions (Hsieh 2009)
- **Noninterference**
 - Meet minimal standards for employment (O'Neill 2000)
- **Rescue**
 - Provide goods and services to those in need (Hsieh 2005, Dunfee 2006)

Questions

- **How widespread in their applicability are these approaches?**
 - Do no harm
 - Noninterference
 - Rescue
- **Are these approaches grounded in justice or merely consistent with it?**
- **Do recipients of benefits stand in the right relation to MNEs?**
 - Beneficence v. justice
 - Appropriateness of MNEs taking on functions of states

BEYOND MINIMALISM



Onora O'Neill

- ***Primary agents of justice*** have “capacities to determine how principles of justice are to be institutionalised” (2001: 181).
- MNEs are normally considered ***secondary agents of justice***—agents “thought to contribute to justice mainly by meeting the demands of primary agents, most evidently by conforming to any legal requirements they establish” (2001: 181).



Onora O'Neill

- **“Once we look at the realities of life where states are weak, any simple division between primary and secondary agents of justice blurs. Justice has to be built by a diversity of agents and agencies that possess and lack varying ranges of capabilities” (2001: 194).**
- **“Many [MNEs] are evidently capable of throwing their considerable weight in the direction either of greater justice, or of the status quo, or of greater injustice. ... it is plain that [MNEs] can have and can develop ranges of capabilities to contribute both to greater justice and to greater injustice” (2001: 194).**

Questions

- **How extensive are the capabilities of MNEs to further justice?**
 - Fill in for functions of states
 - Help establish just institutions
- **Is ability adequate grounds for assigning MNEs a role in furthering justice?**
- **Are there limits to what or how much can be required of MNEs?**
 - Analogy to natural persons

CONFRONTING PURPOSE

Interest-Based Approaches

- **Leading contemporary accounts**
 - Shareholder primacy (Friedman 1970)
 - Stakeholder theory (Freeman et al. 2010)
- **Differ in terms of the weights assigned to the interests of stakeholders**
- **Grounding a responsibility to further global justice**
 - Follows from shareholder responsibility (Hsieh 2004)
 - Largely a function of the capabilities of MNEs

Functionalist Approach

- **Emphasizes the social function served by for-profit business enterprises**
 - Hypothetical social contract (Donaldson 1982)
- **Production-based account (Hsieh forthcoming)**
 - Business activity is socially valuable because it produces goods and services that allow consumers to meet their needs and wants
 - Participation by business in political institutions on the basis of expertise
- **Distinct from stakeholder theory**
 - Value not in fulfilling specific needs and wants, but in enabling fulfillment

Functionalist Approach

- **Grounding a responsibility to further global justice**
 - Subsidiaries of MNEs are incorporated locally
 - Given incomplete institutions, in what ways can productive activity enable citizens to meet needs and wants
- **Role of MNEs in furthering justice**
 - Provide goods and services that are lacking
 - Establish preconditions for engaging in productive activity
- **Distinct from interest-based and minimalist approaches**

CONCLUDING THOUGHTS

Summary

- **In the face of global injustice, should MNEs be agents of justice?**
 - Provision of goods and services that are lacking
 - Fill in for functions of states
 - Help establish just institutions
- **Challenges for minimalist and interest-based approaches**
 - Applicability of principles of harm, noninterference, and rescue
 - Emphasis on individual responsibility to address injustice
- **Functionalist approach as an alternative that connects the issue of global justice to corporate purpose**

Questions

- **What are ways in which MNEs can effectively further global justice?**
- **Are there ways in which MNEs can be agents of justice that do not relate to their role in productive activity? What is their responsibility then?**
- **Is a production-based account too demanding or insufficiently demanding of MNEs with respect to furthering global justice?**
- **How plausible is the production-based account of corporate purpose?**



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