

Environmental Integrity and Corporate Responsibility

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ABSTRACT. Environmental disasters like Bhopal have a way of calling attention to environmental and corporate ethical issues. This paper discusses these issues in terms of a livable environment as an inalienable right and of corporate responsibility as an philosophical and social psychological disposition that enables corporations to respect that right. The corporate conscience is compared to the individual conscience and analyzed according to the moral development theories of Lawrence Kohlberg. Its moral development is recognized as problematic from the cited performance records of some leading multinational corporations and from the anti-environmental lobbying efforts of the chemical industry itself. Outreach programs in environmental health associated with research projects in corporate ethics are suggested to develop the corporate conscience for preserving environmental integrity through corporate responsibility.

In the aftermath of Bhopal, public reaction continues to simmer over the issues of environmental integrity and corporate responsibility. The mass publics are not only defining their rights to a clean environment but demanding corporate responsibility in terms of industrial accountability. Tragic catastrophes like Bhopal have a way of making these definitions unusually clear. They underscore the need for a livable environment as an inalienable right for human survival.

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They also have a way of making these demands specifically forceful. They stress the need for corporate responsibility as an invaluable asset for company survival.

The environment as an inalienable right

Defining a livable environment as an inalienable right is not too difficult a theoretical exercise at this time. It is relatively simple to argue that if life, liberty and the pursuit of happiness are inalienable rights as defined in the Constitution of the United States, then whatever constitutive factors that become essential for the promotion of these rights can likewise be defined as inalienable rights (Blackstone, 1983). People simply cannot *live* in a chemically toxic area. They cannot experience *freedom* in an industrially polluted environment. Neither can they be *happy* worrying about the quality of air they breathe or the carcinogenic effects of the water they drink. Defining a livable environment as an inalienable right is not just a theoretical exercise in philosophical ethics; it becomes a practical legal argument in cross-national courts of law, when ten to twenty thousand innocent people lose their lives from the toxic effects on the environment caused by a multinational chemical company's alleged irresponsible operating procedures (Chemical and Engineering News, 1985; Robinson, 1985).

Corporate responsibility and corporate conscience

This case, notoriously regarded as the worst

environmental accident in history, conclusively demonstrates the necessity for public accountability on the part of this chemical company and every other company that poses a threat to public health and occupational safety. The time has indeed come for such companies to come clean and to address these environmental and other social ethical issues in their corporate policy and strategy. A process of authentic conversion by these companies is demanded by the principle of corporate responsibility. It is not sufficient for companies to create offices of corporate relations or even corporate responsibility, if public accountability is not written into their policy formulations and expressed through strategy implementation. The human race, not just a neighborhood, a town nor even a country, demands that if a company wants to operate on this planet, it must do so with a corporate conscience. Only this kind of company can avoid the self-deception of structural window-dressing and is capable of the process of self-regulation in its corporate strategy.

Having a corporate conscience means that a company takes responsibility for its actions, just as any conscientious individual would be expected to do. In corporate terms, this means that a company is accountable to the public for its behavior not only in the complex organizational environment but in the natural physical environment as well. A company is thus responsible for its product and for its effects on the public. A whole host of corporate ethical concerns issues forth from this charge of corporate responsibility, covering internal and external operational procedures. Such internal concerns as occupational health and safety, worker compensation, human resource policies and planning, research and development, etc. and such external concerns as advertising and marketing, product reliability, consumer relations, investment practices, community participation, domestic and foreign affairs, environmental protection, etc. must be dealt with as matters of a corporate conscience. This takes long-term planning based on the social ethical elements of rationality and respect.

These two elements of rationality and respect constitute the philosophical components of a

corporate conscience. Rationality is a self-directed moral component through which a company defines its goals and works toward this attainment by carefully calculated choices designed to minimize risks and maximize opportunities.

Respect is an other-directed moral component through which a company relates to the perspectives and needs of others within the inter-organizational ambit of its operational order (Goodpaster, 1983).

Rationality represents the value system of a company containing the rationale for corporate existence in terms of goal-setting organizational arrangements and the priorities for marketing behavior in terms of goal-attainment operational procedures. It induces a company to assume a business identity with an organizational purpose for product validity and to acquire a marketing image with an operational practice for product reliability. It is that value component in a company that establishes its commercial enterprise with corporate authenticity.

Respect represents the moral system of a company through which an organizational disposition manifests itself in terms of the social psychological processes of role-taking reciprocity. It induces a company to assume a reciprocal business posture toward its clients with an awareness of consumer roles and needs in its advertising promotions and marketing transactions.* It is that moral component in a company that establishes its business reputation with corporate integrity.

As these two philosophical components of corporate conscience become activated in organization structures and management process, they allow a company to conduct its business operations with corporate responsibility. This happens in four decision-making phases: *perception*, *reasoning*, *coordination* and *implementation*.

Perception is the phase through which a company recognizes the consequences of its operational choices in terms of its impact on others as well as its input to its own business purposes. It is the fact-gathering phase that impells a company to consider all the effects of its operations on the total environment, internal and external,

with universal consistency rather than perceptual selectivity. It includes the monitoring and processing of all data that would prepare a company to make the right choices. This phase is the beginning of corporate responsibility.

Reasoning is the phase through which a company actually decides what the right choices are in terms of the interests of others as well as its own. It is the substantive or formative phase of corporate responsibility, as these decisions arise out of policy considerations and formulations. It is at this phase where a company's character begins to form through such formal structural and symbolic arrangements as offices of corporate responsibility, ethical codes, guidelines for moral behavior, etc.

Coordination is the phase through which a company integrates its moral stance with other basic operational considerations emanating from nonmoral sources, such as, legal, economic or political ones. So if a company is faced with a choice of relocating its plant operations in a foreign country with decreased labor costs because of profit maximization motives for its stockholders, it needs to coordinate these economic demands with the moral considerations of retaining the plant in its local based community whose population largely depends on continued operations for job security and economic survival. This is the integrity phase of a company's character whereby "corner-cutting" and "trade-off" practices are recognized as compromising tactics disjunctive of reputational honesty.

Implementation is the phase through which a company translates its ethical policies into moral strategies for responsible action. It is the accountability phase of a company's operations, where responsible performance becomes the moral by-product of self-regulative behavior (Frankena, 1980; Goodpaster, 1983).

This kind of corporate conscience does not come about through executives who manage a company's internal and external concerns by customary SOP's (standard operating procedures). Neither does a corporate conscience appear overnight by post-facto accountability gestures in the aftermath of accidents or disasters. No amount of press conference explana-

tions, nor post-mortem investigations, nor legal/ethical consultations can make a company responsible then. The formation of a corporate conscience is a process of long-term planning of policies and strategies with rationality and respect. The expression of its corporate voice is heard when a company's goals are set in accordance with these policies and pursued with responsible decision-making strategies, as described above, that project marketing opportunities and business practices in an ethical direction (Andrews, 1980). Directing a company along this course leads the corporation toward a way of life with a new set of COP's (conscientious operating procedures). Kenneth Andrews (1981: 177), editor of the Harvard Business Review, describes the course in terms of corporate strategy as happening in this way:

The board must sense at least how well the chief strategic officer of the company (in almost all cases the CEO) has investigated market opportunity, appraised and invested in the distinctive competence and total resources of his company, and combined opportunity and resources, consistent with the economic goals, personal values, and ethical aspirations that define the character of the company.

Corporate conscience and moral development

If a corporate conscience is only formed over a long period of time, manifesting itself in terms of a company character, it might be helpful to understand the process of its formation by looking at the human conscience in its moral development. Lawrence Kohlberg (1963; 1973; Colby, Kohlberg *et al.*, 1983) in a series of studies replicated over time, has found that an individual's conscience is formed through a process of moral development over time in a progression of six incremental stages. His research demonstrates that a person grows from pre-conventional levels of morality within which the first two stages appear as concerned with the consequences of an act rather than with the intentions of the agent. The first stage is the fear of punishment stage. In this stage, a person acts or decides not to act because of a fear of being punished or a fright from sanctions that may

ensue from the behavior in question. The second stage is the instrumental relativity stage. In this stage, a person acts in accordance with the self-vested benefits that accrue from a bargaining behavior of doing something only in terms of a return. Such pre-conventional morality is very often the kind of morality practiced in the business world and in its market place. How common it is for companies to engage in "trade-off" compromising activities and hard-dealing tactics that leave a company or an industry with little or no character. The chemical industry, for example, has a notorious reputation of pre-conventional morality, based on its own vested interests of lobbying against and even blocking pesticide law reform for safer environmental protection (Meyerhoff, 1985). Kohlberg goes on to show that an individual develops into a conventional morality level comprising two more stages. The third stage is the interpersonal concordance stage in which a person behaves according to incentives for self-approval from peers and/or authorities. Kohlberg typifies behavior of this kind as a good boy/girl morality emanating from socially approved values. The fourth stage is the rule-conformity stage where one begins to regulate behavior by rules and norms, thus manifesting development into a law and order morality. These stages of conventional morality are common to most business organizations in the corporate sector. Many companies now boast of having offices of corporate responsibility or corporate relations as a structural adaptation to achieve public approval as a "good company" responsive to social needs and environmental values. These companies generally operate by law and order policy and are quick to claim regulation observance postures as frantic face-saving attempts toward public accountability after occupational or environmental accidents. Finally, Kohlberg gives evidence that people grow into a post-conventional level of morality. He claims that most people at this level reach the fifth stage as the legal-contractual stage. Behavior at this stage is reflected by a morality based on one's reliability to keep promises as bound by legal contracts. Kohlberg also claims that fewer people attain the sixth stage, the universal ethical principle stage. Morality at this

stage is highly developed and is creatively manifested by those who conduct their lives through self-regulatory behavior in accordance with the universal principles of justice and reciprocity. Such post-conventional morality is not commonly found in corporate culture, though some companies do manifest exemplary ethical conduct by providing for occupational health and safety measures in their human resource planning and by promoting public health and environmental protection programming in their natural resource conservation efforts.

Programing needs and project possibilities

However exemplary such efforts are on the part of ethically responsible corporations, they are clearly insufficient to respond to the larger programming needs for social responsibility awareness in the whole corporate sector. Neither are they designed to deliver responsible practical services to the wider public. What is now needed, therefore, in this critical interface between the corporate and public sectors are environmental policy programs and projects that will provide informative, investigative and corrective services to various private groups and public organizations in society as well as to corporations.

Inasmuch as the university can hold a strategic and pivotal interface position between the corporate and public sectors and possesses the resources to fulfill these needs, it can, for example, establish outreach programs to offer these services to these sectors. Intermediary centers for environmental health policy concerns could be staffed to provide environmental and occupational health care information and advocacy, especially for low income minority groups, and conduct investigations of health problems and potential risks for the public in these matters as associated with local industries. These centers could also provide continuing education services in environmental concerns and occupational health and safety issues, corporate ethics and policy studies to managers and executives and even to state and local government officials. Such professional continuing education services could be offered either in the

form of weekend retreat seminars or in the evening extension division of the university. Courses in these areas could likewise be offered to undergraduate majors and graduate students in business and management schools.

Associated with such outreach programs could be various project possibilities for applied research in environmental health policy and corporate ethical studies. A major focus of this research could be to study the moral development process of the corporate conscience. Such questions as the following need to be addressed: how and why do few companies reach the higher stages of moral development? and why do most companies seem to remain at the lower stages of conventional and even pre-conventional morality? What is of critical importance to analyze in such studies is the relationship between scientific and technical cognitive awareness and moral development process. In his research of the human conscience, Kohlberg (1963, 1973) found a correlation between cognitive and moral development. His samples showed that individuals progressed in their moral behavior stages by greater correlational association with cognitive awareness levels than with levels of social class or affiliations with religious traditions and cultural orientations. What is quite salient for studies of the moral development process of the corporate conscience, however, is that the contrary seems to be true. Corporate ethical or unethical behavior does not appear to be that significantly correlated to scientific or technical knowledge. Many companies do possess the latter at very high sophisticated levels and yet exemplify very low standards of corporate ethics. In the well-renowned Pinto case trial of the Ford Motor Company in 1980, for example, evidence was introduced in the court proceedings that the company decided for the continued production of the Pinto cars in spite of its knowledge of engineering reports that the model contained serious potential explosion-prone safety risks (Redman, 1980). Similarly, in the case of the Union Carbide Company environmental disaster in Bhopal, evidence that company officials were warned about the potential dangers of a major lethal gas leak in the West Virginia plant eleven weeks before the one that actually

occurred in its sister Indian plant indicates that corporate responsibility on the part of the company did not match the scientific technological awareness levels of its cognitive development (Robinson, 1985). Furthermore, the chemical industry itself is known to employ self-protective strategies for the safeguarding of its own trade secrets as proprietary rights in the face of its awareness of community right-to-know laws promulgated for public health protection. The industry is also known to systematically block the enactment of these laws and to persist in controlling the scientific pesticide testing and licensing arrangements with the government in spite of its knowledge of the serious toxic effects of its products from the pesticide data reports. Finally, as mentioned above, it is likewise known to deploy political strategies, and lobbying tactics for the blocking of pesticide law reform in spite of technical awareness of lethal risks for the public associated with its pesticide manufacturing processes (Meyerhoff, 1985).

Other related questions in need of critical analysis for applied research in environmental health policy and corporate ethical studies could be: How are role enactment factors in management process related to ethical behavior in organization structures? And under what situational and/or interactional conditions do managers and executives recognize and deal with ethical and environmental issues? What are the correlations between the moral development of the corporate conscience and the scientific, technical knowledge of its particular industry? What are the correlations between the moral development of the corporate conscience and the corporate cultural affiliations of a particular industry?

Related to this last question is the problem of cultural relativity so often posed as a corporate ethical dilemma for the multinational corporation. What may be unethical business practice in the United States may be a normative cultural practice in another country. The notorious Lockheed scandal in which "sensitive" payoffs for securing contracts, recognized in Japan as a commonly accepted business tactic, were judged as illegal and unethical bribes in the United

States provides a pertinent case study of such corporate ethical dilemmas (see Kotchian, 1983). In spite of this cultural relativity problem, there are some universal ethical norms common to all cultures that require further analyses in matters of multinational corporate ethics. Kohlberg's (1973) own research demonstrates that the sixth stage universal principles of justice and reciprocity offer cross cultural norms for the individual conscience. A relevant question to probe in this regard, therefore, is: what significance does this finding have for the multinational corporate conscience and its moral development? Also, in this regard, the United Nations' 1962 Declaration of the universal norm of National Permanent Sovereignty over Natural Resources (UN Chronicle, 1984) is a guideline that only asks a fourth stage moral behavior from multinational corporations. Another practical question that presents itself for study relative to this norm is: what makes the developed nations continue to behave with an undeveloped second stage corporate conscience as they persist in collaborating with multinational corporate accomplices through dealings of instrumental relativity in "stealing third world resources" (see Tanzer, 1984)? Heylin (1985) raises questions of this kind in critical analysis of Union Carbide's multinational corporate ethical dilemmas in the context of cultural relativity. Pointing to the social responsibilities of multinational corporations in the matters of transferring potentially hazardous technologies from developed nations to developing countries, he asks:

What are the moral obligations of U.S. firms making such transfers, especially when the receiving country may not fully appreciate the dangers and may not have the technological and regulatory infrastructure and ethos to handle such transfers safely? And what of the receiving nation's own desires? A developing nation may well have a very different view than the U.S. on the cost/benefit ratio of jobs and progress on the one hand and environmental and safety standards on the other (p. 3).

Probing such critical and practical questions as suggested here, these research studies can be conducted in conjunction with the continuing education seminars and retreat programs for

business professionals. In this way, the research can be designed not simply as a data base yield for literature but also for application through case study learning for participants and organization consulting services for corporations.

If previous environmental accidents and occupational health disorders are to be corrected, such outreach programs, as proposed in this paper, need to be established for the public, if corporate responsibility is to be a measure of a university's own service to society. If future environmental accidents and public health disasters are to be spared, corporations must support such programs, especially through their corporate relations or responsibility offices and their research foundations. Their executives and managers, moreover, must avail themselves for participation in such continuing professional education and applied research projects to promote the formative consulting work of developing their own company's corporate conscience. Only then will corporations begin to manifest a company character committed to environmental integrity through corporate responsibility.

Note

* In human interaction, role-taking is a social psychological process of taking the role of the other. (Mead, 1934). It requires a fundamental cognitive-emotive disposition in an individual to understand the situational needs of the other with sensitive awareness of the other's role. It is a social relations phenomenon of self-other interaction in role theory based on the principle of role reciprocity (Turner, 1969).

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