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ORIGINAL RESEARCH

Conceptions of the Firm and Corporate Allegiances

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Abstract
This paper aims to integrate recent research on collective agency, corporate moral personhood, and corporate citizenship to answer the question of how corporations and corporate officers should respond to greater social expectations about the role of business in society. The central thesis advanced in this paper is twofold. First, the right answers to questions about corporate purpose and social responsibility depend on what the right conception of the firm is. Different conceptions of the firm will yield conflicting accounts of corporate purpose and responsibilities. Second, a normative theory of the firm can serve as a moral framework to make trade-offs and adjudicate competing stakeholder demands when decisions cannot be redescribed as win–win situations. By integrating the literature on the ontological status of collectives, the morality of corporate agents, and the responsibilities of business, this paper contributes a unique approach to defining what a person is, what the firm is, and, consequently, who has responsibilities (and what sort of responsibilities) to whom.

Keywords Corporate purpose · Corporate moral agency · Theory of the firm · Corporate social responsibilities · Stakeholder theory

Introduction

The Post-COVID era has been and is still prolific in publications about the role of business in society. Corporations can enhance and destroy people and communities. The wave of bankruptcies and company closures associated with the pandemic has extended a threat to the very heart of the capitalist system. International organizations are trying to tame a runaway capitalist system.

Against this background, academics are returning to the old questions about the purpose of business and the social and political responsibilities of business executives (e.g., Scherer and Palazzo 2011; Hart and Zingales 2017a, b; Ramanna 2020).

Legally, corporations are treated as persons. Morally, they are artificial entities. Can they be treated as their members, that is, as natural persons, in any meaningful sense? What kind of person would the firm be if they were like humans? Under the Anglo-Saxon model, a firm is a fictional person designed by the legal system to create wealth and limit individual liability. Such a fictional person lacks a moral conscience.

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What interests should the firm serve? In the neoclassical theory of the firm, its purpose is to serve only its shareholders, often defined as "the owners." Thus, corporate persons are not supposed to be sensitive to the needs and feelings of other persons (either human or corporate). Indeed, they can be negligently contemptuous of the safety and well-being of others insofar as they operate within the limits of the law.

Such a narrow conceptualization of the firm coexists with growing social expectations about the role of business in society. The firm and its executives are not only expected to comply with the law and to avoid harming its internal and external constituents and the natural environment. They are also called to be good citizens and assume remedial responsibilities traditionally allocated to governments. And they are even expected to take a side on an array of issues unrelated to their business, from sexual morality to the justice of a war. Beyond the ideological content of such demands, the examination of the moral and political status of the firm is a project that keeps the field divided, and scholars engaged (Crane et al. 2019).

The purpose of this paper is to integrate the literature on collective agency, corporate moral personhood, and corporate social responsibility to answer the question of how corporations and corporate officers should respond to these greater social expectations in different institutional contexts. The central thesis advanced in this paper is that the answer to the most fundamental questions on corporate purpose depends on how the corporation is defined.

By integrating the literature on the ontological status of collectives, the morality of corporate agents, and the responsibilities of business, this paper contributes a unique approach to account for what the firm does and should do morally.

The paper is organized as follows. Section Two considers the ontological and moral status of collectives. Section Three examines how different conceptions of the corporation determine its responsibilities. Section Four extends the analysis of corporate personhood to the role of the corporation as a citizen. Section Five uses the metaphor of corporate citizenship to examine corporate duties in different institutional environments. Section Six concludes.

The Collective Entity as a Person

There are roughly two fundamental ways of describing reality in the philosophy of social sciences. Methodological individualism holds that collective entities have no real existence and should be reduced to relationships between individuals (Weber 1922). Collectivists emphasize the primacy of sociocultural reality, which is the only way to describe individuals, and accept descriptions and explanations of collective action at the aggregate level (List and Spiekermann 2013).

Even some critics of methodological individualism can embrace individualism as they may concede that collectives exist ontologically but argue that their actions and relationships as collectives are morally neutral at best. In that view, ethics should focus solely on individuals as a collectivist morality would reduce the value of individuals to their contributions to the collective entity.

It is often argued that the whole is distinct from the sum of its parts but ontologically equal to them. Wiggins (1968) discusses the case of a jug and its constituent parts: the clay particles that make up the jug can be seen as a set of objects. Their non-identity becomes evident when we imagine replacing a few particles. Neither the jug nor its particles have a claim to ontological primacy when describing the reality at hand. They simply coexist. We could try to trace their origin. In the case of a jug, we know that the particles precede the constructed object. But comparable knowledge is not readily available in the case of

artificial entities such as a company or a nation. No single perspective offers a complete picture of the dual realities—the set of individuals on the one hand and the collective on the other. The way we perceive the world must encompass this dual perspective.

Individualists may reply that collective entities, despite their ontological status, are ephemeral. Corporations, for example, form, merge, and disappear. They unite and divide many individuals into different collectives, each asserting its own moral standing. In contrast, individuals are the only constant reality constituting various collectives at different times. Furthermore, the identity and boundaries of collectives are contingent and based on convention rather than nature. Thus, individualists argue that it does not make sense to grant them the same moral status as individuals.

The nature of the individual existence has been disputed as more illusory than real. Parfit (1984)'s inquiry into personal identity casts doubts on the ontological standing of the "individual self." Just as companies and nations undergo change and reconstitution over time, critical reflection reveals the difficulties in positing a unified and constant "individual person." Thus, the individual may not be a natural given any more than the collective. According to that view, undermining the ontological status of personal identity may do more good than harm, for example, through dismantling the logical basis for egoism. Still, recognizing that fundamental concepts are culturally grounded rather than natural does not require abandoning individualism in favor of collectivism.

Taking both individual and collective entities seriously entails the existence of at least four types of moral principles governing their interactions, namely, principles governing (1) how individuals relate to other individuals, (2) how individuals relate to collective entities, (3) how collective entities relate to individuals, and (4) how collective entities relate to other collective entities (McMahon 1995).[1]

These four modes of relating are coextensive and may give rise to conflicts between equally valid moral demands. The analysis of whether #2, 3, and 4 are genuine moral demands—or that only #1 creates valid moral demands—goes beyond the scope of this article. However, it is worth mentioning that individualists will not face the kind of tragic dilemmas experienced by collectivist perspectives. But the individualist approach may lack the resources to understand not only the experience of such dilemmas compromising the agent's values but also to appreciate ethical issues involving collective entities such as affirmative action or collective reparations whose moral force and justification depend entirely on the notion that groups matter and that there are moral claims and obligations between groups. If all that matters is #1, that is, if fairness is owed solely to individuals, one cannot make sense of special considerations requested by or given to members of a particular group. Recognizing that there are both individual and collective dimensions of human existence helps to appreciate distinctive psychological, moral, and political conflicts and navigate them more inclusively.

The Corporation as a Person

What is the moral status of the corporation? Does it make sense to treat companies as if they were people?

[1] "At least" because one may argue that morality also encompasses principles how one should treat oneself and such principles may be different for the individual and the collective self.

Treating corporations as persons is a legal convention aimed at facilitating investment and limiting the members' liability. What kind of persons are legal persons? Unlike humans, who are predestined to die from birth, corporations are persons of unlimited life. Moreover, the members of the firm have limited liability, in the sense that their liability is limited to the assets each has invested in the firm.

Morally, the list of differences does not end there. As artificial entities, it is doubtful that companies can experience feelings of empathy towards fellow beings (other companies and human beings). And they lack the capacity to experience emotions, suffering, or guilty feelings that human beings have. These differences make corporate punishment more difficult, as it is not possible to inflict physical punishment on artificial entities. Still, their members, owners, and managers can be fined and even imprisoned, and the company can be fined and penalized as an entity. But the expressive function of moral punishment in humans is lost when a company is penalized.

Now, suppose for the sake of argument that it makes sense to treat companies as if they were humans. What would be their responsibilities, and to whom? What would be the benefits of treating them as a single agent in the moral domain? At the very least, humans have some obligations of care and respect for their fellow humans. That includes not only avoiding harm to others but also helping them when possible and at a reasonable cost for the agent. Ethicists have argued that a person has a moral obligation to rescue a fellow human being—say, a drowning child, and, more generally, to prevent something very bad from happening—if it is in her power and helping does not lead to sacrificing anything morally significant. Does the firm have a similar moral obligation? (Hsieh 2006).

Conceptions of the Firm: Ownership and Responsibility

The previous questions have entertained business ethicists for five decades since the publication of Friedman's article on the social responsibility of business. In response to demands and expectations for greater social sensitivity, Friedman (1970) advocates a minimalist view, according to which the company's only social responsibility is to increase its profits.

More recently, Hart & Zingales (2017a) revised Friedman's thesis by distinguishing between maximizing shareholder welfare and maximizing market value. Hart & Zingales claim that corporate officers have a duty to act in a way that aligns with the investors' preferences. One approach to achieving this is through shareholders' voting on corporate policies. Still, they believe the core of Friedman's thesis is compelling because, according to Delaware law, which governs a significant portion of corporate America, directors are elected by shareholders and so owe their loyalty to the electing shareholders. This approach—the classic approach to corporate social responsibility—is based on the fiduciary responsibilities of corporate directors: the firm should be governed by prioritizing the maximization of shareholder welfare rather than solely focusing on "value."

The core of the Friedman-Hart-Zingales thesis is based on the traditional view that corporations are not moral but just artificial legal persons. Consequently, moral responsibilities can only be ascribed to individuals. What does it mean to say that "businesses" have responsibilities? Only people have responsibilities, according to Friedman. A corporation is a mere artificial entity. It can only have artificial—that is, not genuine, not moral—responsibilities. Under that view, corporations cannot be said to have responsibilities by themselves. Thus, the first step to examining conceptions of corporate responsibility is to establish who has such responsibilities and for whom.

Friedman-Hart-Zingales' view illustrates the traditional individualist approach mentioned in "The Collective Entity as a Person" section, which reduces corporate responsibility to that of corporate officers and members. Corporate officers bear the obligation to run the corporation according to the wishes (or interests) of its owners, who have hired them to run the corporation in that way. Once ownership is distinguished from management and control, executives become responsible to the owners. Hence, they have fiduciary duties to them.

Friedman-Hart-Zingales challenge two claims, namely, (1) that the company has responsibilities on its own and (2) that corporate officers have special social (moral) responsibilities by virtue of their role. Corporate officers have legal responsibilities to shareholders, they were hired to run the corporation, but they do not have special moral or social responsibilities because such a task is beyond the scope of their contract—and, one may add, beyond their expertise—and instead belong to public officials who have been not appointed or democratically elected to serve the public good.

We can see a strict division of labor between political institutions and the corporation. The idea is that the best way for a corporation to contribute to society is through wealth creation for its shareholders. The government is responsible for providing public goods, which are funded through the taxes it collects from individuals and corporations. Each individual person—including corporate officers—can individually pursue social objectives, but in their individual capacity. Corporate officers lack the legitimacy and expertise that is necessary to be well-positioned to serve social goals different from shareholder profits. According to Friedman, making business leaders socially responsible is a way to conflate shareholders' interests with society's and a way to infringe on the shareholders' property rights.

In short, the traditional view holds that the corporation is an artificial legal entity with only legal responsibilities. Only individuals, not corporations, can have moral responsibilities. And the only responsibilities they have as corporate officers are towards the shareholders, understood as owners. As any collective entity, the corporation has no social responsibility apart from legal compliance. Executives and managers playing their corporate roles should not use "shareholders' money" in social causes unless they benefit "the owners" (i.e., the shareholders). At most, as individuals, individually and voluntarily, executives can participate in charitable activities.

Scholars have challenged Friedman's argument for 50 years to the point that now shareholder theory has become a minority view, at least in business ethics.

Conceptions of the Firm: Social Contract and Responsibility

A central claim in this paper is that theories of corporate responsibility can be framed as answers to the question of what the corporation is. When Friedman (and Hart and Zingales) argue that (1) corporations are merely artificial legal entities, (2) only individuals can have moral responsibilities, and (3) corporate officers have responsibilities only to the shareholders, there is an implicit claim about the conception of the corporation.

Yes, it is an artificial legal entity. But more is needed to answer the question about whose interests corporate officers should serve. One can simply say that the law should define what interests the corporation should serve, but that does not address the moral status of the corporation (and it makes corporate purpose totally dependent on the legal system). Descriptively, one can survey different legal systems and conclude, for example, that

the firm should be organized as the most successful corporations in the world (Hansmann and Kraakman 2001).

However, morally, the question remains. Friedman's conception of the corporation is that it is merely a piece of property. Thus, the question of corporate purpose is parasitic on the ownership of the corporation. If the shareholders are the owners, as Friedman argues, it follows that corporate officers should serve shareholders' interests. One can surely deny that shareholders are the owners in any meaningful sense because even though they have property rights over stakes, they do not have corporate control (Stout 2012).

But ownership is not the only way to capture the essence of what the corporation is. Other authors hold that the organization exists as a result of a process of social authorization or contract with the society in which the corporation operates, sometimes described as a social license to operate (Demuijnck and Fasterling 2016).

A kind of social contract describes the relationship between the corporation and society. The firm receives authorization to operate, its members are granted limited liability, and it has the right to use human, economic, technological, and natural resources. Those privileges ground some corporate duties: the firm is obliged to comply with the law, make good use of available resources, and collaborate with building a better society. These duties of corporate citizenship are moral duties (Donaldson and Dunfee 1999).

Under this and other alternative conceptions of the firm, corporate officers' duties are not limited to serving shareholder interests. Stakeholder theory holds that corporate officers are accountable not only to shareholders—the "financers"—but also to other current and potential groups that are or can be affected by corporate action, including employees, customers, suppliers, local governments, and even the global community. What are the implications of these conflicting conceptions of the corporation? Under the classic view, for example, pharmaceutical firms are not held responsible for providing certain medicines in social emergency conditions such as the COVID pandemic, even if they are in a unique position to help. Friedman and the likes may condone helping in such cases, but they would not frame such decisions as expressions of the firm's solidarity, compassion, or social sensitivity—which are nonsensical because the corporation is like a building—or the executives' noble sentiments—which are out of place when serving in their role as fiduciaries of the shareholders. Instead, in order to be morally permissible, such decisions should be understood as profit-maximizing initiatives or as communication strategies that will enhance the firm's reputation. Under this rationale, donating medicines to underprivileged populations could be justified as the best business decision with no reference to the social value this initiative would create (except, again, for reputational or other profit reasons). Likewise, the classic view may oppose exploiting legal loopholes that do not entail moral wrongs—from certain forms of tax avoidance to questionable environmental practices—when they have the potential to be perceived as socially irresponsible.

In contrast, non-shareholder-oriented approaches would highlight the firm's responsibility toward other stakeholders, such as COVID patients, their families, and communities. Such responsibilities would be framed as moral duties that are independent of the expected shareholder profitability because there are responsibilities that transcend the interests of the firm and its shareholders.

Tradeoffs and the Power of "And"

But these approaches need not be antithetical. ESG scholars try to integrate the classic and the stakeholder approaches appealing to the business case for social responsibility:

“It pays” and “it creates long-term social value” may be consistent statements (Porter and Kramer 2011). A more skeptical look can be found in De los Reyes et al. (2017).

Hence, regardless of the moral value of caring for the environment, avoiding racial and sexual discrimination, or contributing to social development, these social initiatives can be justified by reference to shareholder value (even if ESG does not “pay” in the short term).

If consumers are more sensitive to the social investment activities of the products and trademarks they consume and are willing to pay more for them, perhaps the “corporate social responsibility market” will be profitable.

The main attraction of this consequentialist strategy for social responsibility is that it combines economic and moral justifications. Prahalad’s research on the possibilities of building profitable businesses by bringing market solutions to the worstoff in society points to the feasibility of simultaneously doing right and good (Prahalad 2004). That is the message behind Freeman’s “The Power of And.” (Freeman et al. 2019).

It goes without argument that if the decision can be framed as a win–win, it would be irrational not to do it. Business ethics, and ethics more generally, come to our help precisely for cases when there is no win–win course of action. That is, when tradeoffs are necessary, even if tragic. When they are not, when social initiatives maximize shareholder value, there is no reason not to engage in such profit-maximizing social initiatives. Still, the most interesting cases demanding a theory of the firm entail tradeoffs. That is what makes the theory of the firm a normative theory, a theory that can guide decision-makers to adjudicate value conflicts and stakeholder tensions.

The business case for social responsibility rests on the empirical claim of the power of “and,” that is, that there are win–win situations that remain unrecognized but better describe the nature of business and so the consistency of social value and shareholder wealth maximization.

Management scholars have explored the relationship between social and financial performance to test the business case for social responsibility and determine whether the interests of shareholders, employees, consumers, communities, and other relevant stakeholders converge. Public opinion studies reflect the willingness of consumers to pay higher prices and become loyal to socially responsible and environmentally friendly products and brands. Social reputation is one of the main company assets to attract talented employees and conscious clients. Of course, these corporate investments entail higher initial costs that are only incurred by “responsible” companies. In the short term, they may lose money by embarking on social initiatives. However, in the long term, social investments will be justified as they build more loyal and lasting relationships with customers, employees, suppliers, and local communities.

Two major reasons make the win-win approach particularly attractive. First, the business case overlaps with the utilitarian case for social value creation. Second, it can be empirically tested.

Over the last 50 years, finance and management scholars have explored the empirical relationship between the firm’s social initiatives and its financial results (Aguinis and Glavas 2012). In one of the first and most cited studies of this kind, Margolis and Walsh (2003) reported the results obtained in 127 empirical studies conducted from 1972–2002. They reported a positive relationship between social performance and financial outcomes in both directions, that is, that social performance explains financial performance and that financial performance explains social performance. Along similar lines, Orlitzky et al. (2003) conducted a meta-analysis of 52 studies suggesting that social and environmental responsibility is likely to pay off.

In the fifteen years after the publication of these two meta-analyses, empirical research on the relationship between social and financial performance has exponentially grown, with at least 224 new papers that shifted the focus from empirically assessing the relationship as a whole to identifying the more concrete empirical mechanisms underlying that relationship (Vishwanathan et al. 2020).

Based on longitudinal data collected from 130 firms from 1995 to 2007, Tang et al. (2012) reported that firms benefit more when they adopt a consistent CSR engagement strategy that entangles related dimensions of CSR and begins with aspects of CSR that are more internal to the firm.

Likewise, Vishwanathan and collaborators (Vishwanathan et al. 2020) conducted a meta-analysis of 344 studies and reported four empirical mechanisms explaining how social responsibility positively affects financial performance by enhancing firm reputation, increasing stakeholder reciprocation, mitigating firm risk, and strengthening innovation capacity. Their findings suggest that the combined four mechanisms explain 20% of the relationship, indicating more room for future empirical research.

Similarly, Taylor et al. (2018) report that strategic engagement in social responsibility, rather than merely sponsoring environmental initiatives, contributes to increasing firm value through CSR.

In sum, these and other studies suggest that social responsibility pays. This inference justifies a moderate optimism among the advocates of the win–win approach, although more empirical evidence and better conceptualization are necessary for the case to be conclusive. On the other hand, these studies do not address the aggregate effects of the widespread adoption of this model, such that a similar behavior of competing companies might dilute reputational effects. But the positive correlations refute the classic thesis that corporate officers investing corporate money in social causes are defrauding the firm's shareholders and infringing upon their property rights. The empirical evidence supporting the business case for CSR challenges the claim that shareholders' interests are inimical to social responsibility. Rather, it suggests that their interests are better served in the long term through the stakeholder approach.

The Corporation as a Citizen

Thus far, this paper has explored the possibility of treating corporations as moral persons, the implications of this anthropomorphization on the responsibilities of corporations and corporate officers, and the relationship between conceptions of the firm and its responsibilities.

In the same way that individuals have responsibilities as members of their communities, corporations are said to have political responsibilities in their role as citizens. In their seminal paper, Moon et al. (2005) take the corporate citizenship metaphor seriously to inquire whether corporations can be citizens. Considering the nature and role of metaphors in business and the debates about the political concept of citizenship, they assess the firm as a citizen through a fourdimensional framework of democratic citizenship and conclude that the firm does not fit the "liberal minimalist" model of citizenship but may fit with other more participatory models.

Can the firm be considered as a citizen by virtue of its participation in the public governance process? What are the potential benefits and problems of framing business ethics debates in terms of citizenship?

Examining a rich body of literature in political philosophy about individual citizenship, Néron and Norman (2008) conclude that some aspects of citizenship do not directly apply to corporations—such as the notion of membership in a state and national identity—but the language of citizenship draws attention to legal and political "virtues" (or "vices") that arguably can be applied to corporations and to define and assess business practices.

In contrast, Van Oosterhout (2008) argues for discarding the notion of corporate citizenship entirely and instead shifting the focus towards concepts that can genuinely transcend the confines of economic and political organization because the notion does not adequately address the potential misleading aspects of political citizenship that should be part of a theory of corporate citizenship.

Despite the differences between individuals and corporations, taken as citizens, they both share some role obligations. As explained above, corporations have responsibilities due to the legal authorization conferred by the state to operate. A social contract with the state justifies some obligations, including duties to comply with the law, respect human beings, protect the environment, and promote a better society. Like individuals, corporations are said to have special political responsibilities by virtue of their ability to help, in the same way that such abilities make an individual responsible. That can explain why, under the court of public opinion, pharmaceutical firms were held to have special responsibilities to act during the COVID pandemic even though they were not backward-looking (causally) responsible for the pandemic and that helping would entail imposing a cost on the firms' shareholders due to resigning part of the profits for the commercialization of the COVID vaccine.

At the global level, their special position, size, and economic and political power make business corporations into main agents of global power. Although nation-states retain their formal power and legitimacy over their citizens, corporations outweigh some states' capacities to provide the conditions for social development and innovations.

The leading economies of the world are private. A 2021 study concluded that if Apple's market capitalization were equal to a country's annual GDP, it would be in the G7, being larger than 96% of country GDPs, a list that includes Italy, Brazil, Canada, and Russia. Only seven countries had a higher GDP than Apple's market cap.[23] According to another recent study, the corporate sector's contribution measured in GDP per capita has tripled since 1960 in major OECD economies, in proportion with their overall economic growth. Companies underpin 85% of technology investment and 85% of labor productivity growth since 1995, a larger proportion than their GDP contribution.[4]

Corporate Citizens, State Institutions, and Global Duties

The nature and extent of the corporation's duties as a global citizen depend on its relative size and power as well as the strength and political stability of the national institutions where the company operates.

[2] Wallach, O. "The World's Tech Giants, Compared to the Size of Economies." Visual Capitalists, July 7, 2021.

[3] Available at https://www.visualcapitalist.com/the-tech-giants-worth-compared-economies-countries/

[4] [3] McKinsey Global Institute. "A new look at how corporations impact the economy and households." May 31, 2021. Available at https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/ourinsights/a-new-look-at-how-corporations-impact-the-economy-and-households

Companies conducting business abroad experience tensions between the home and host countries' moral and legal standards. The firm's dilemma is whether to act according to local legal institutions and ethical customs or, instead, in accordance with a universal code of conduct. For example, for their operations in developing countries, companies should decide whether to follow international labor standards prohibiting nepotism and favoritism in the selection of their employees or whether to accept the promise of employment for a family member as a form of recognition in the local culture.

International companies have faced similar dilemmas regarding the practice of bribing foreign public officials to facilitate business, which has been prohibited in the USA since 1977 when the United States Congress passed the Foreign Corrupt Practices Act. However, until the mid-1990s, European companies were not only allowed to pay bribes abroad, but such payments were tax deductible. The discrepancy can be explained by reference to two different conceptions of the legitimacy of corporate actors to interfere in the local traditions of the countries where they operate. One position holds that bribery is a universally wrong practice, so it is never acceptable regardless of what local law and customs mandates. Alternatively, it is argued that the company lacks the legitimacy to meddle in the internal affairs of other countries and its local traditions, which should be respected and tolerated.

Regardless of the legal regulations in place, multinational companies operating in countries where corruption is a usual way of conducting business face this dilemma: should they follow their own standards—typically prohibiting such payments— and lose business opportunities or rather follow the standard practices of host countries that allow them? What should a good global citizen do and why?

Corporate Citizens in Weak States

The use of bribes to conduct business abroad illustrates how the responsibilities of corporate citizens are affected by the strength and stability of the political institutions under which they operate. Weak states do regulate the company's activities, but, in practice, large companies have the capacity to exert political pressure and create positive outcomes not only for their internal stakeholders but also for the societies that host their operations.

Two famous examples from South America come to mind. The 1990s was a time of structural change in South America, with more established democratic systems. The continent was transitioning from regulated to market economies within the framework of what was called the Washington Consensus. Argentina and Peru—led by Presidents Menem and Fujimori, respectively—were reforming their economic and political institutions along the lines of the Washington Consensus: they privatized state-owned companies and softened regulatory policies.

Still, corruption was rampant. But despite public perceptions of widespread corruption in both governments, the accusations were overlooked by foreign governments and global institutions such as the IMF and the World Bank. Instead, they highlighted the economic growth miracle in Argentina and Peru. In such a context, some American companies resorted to bribes. IBM paid a multimillion bribe to obtain a contract with the Argentine National Bank. When an Argentine federal judge denounced the bribes, government officials were prosecuted and left their posts, and the president and vice president of IBM Argentina were fired. However, the USA-based headquarters denied paying the bribes and prevented the Argentine courts from extraditing the US-based executives involved in the transaction.

Similarly, in Peru, the USA-based mining company Newmont, which operated a gold mine in the Andes mountains that has the richest gold reserves in the world, exerted political influence and paid hefty bribes to obtain a favorable ruling from the Peruvian Supreme Court of Justice when the ownership of the mine was disputed.

Bribery was prohibited at that time and now by the Argentine and Peruvian legal systems. U.S. companies have also been prohibited from paying bribes abroad since 1977. But despite the legal prohibition, these and other companies did pay bribes.

Still, even if corruption was the usual way of doing business in those countries, more was expected from corporate citizens such as IBM and Newmont, in line with what both companies declare in their statement of values and codes of ethics, embracing standards of transparency and integrity in adherence to anti-bribery legislation in the USA.

Returning to the initial question about the moral status of corporations, the cases of IBM and Newmont are revealing because only a few individual executives were held accountable for the illegal behavior in both companies. In other words, neither the top executives nor the company as an entity suffered the negative consequences of the scandal, and both companies continued to operate normally in Argentina and Peru.[5] However, the individual human beings who paid and received the bribes were punished.

These cases raise the paradox of corporate citizenship: the corporate citizen is held responsible for its practices and targeted for its wrongs, but only a bunch of individuals—the individual citizens who perpetrated the wrong in the interest of the corporate citizen—are punished and ostracized, not only for bribery payments but even for human rights violations.

Consider the story of the United Fruit Company (UFC), to which Pablo Neruda dedicated a poem with the company's title and whose business practices associated with the denial of union rights and political clientelism have been reflected in García Márquez's novel "One Hundred Years of Solitude." UFC was an American multinational company engaged in producing and trading tropical fruits, especially bananas and pineapples, on Third World plantations. Its commercial interests covered large areas of Central America and the Caribbean, where the company was known as "Mamá Yunay."

With the collaboration of the U.S. government, the company helped overthrow democratic systems and the establishment of bloody dictatorships in countries that were hostile to its business activities. The expression "banana republic" was coined to describe the company's support to local leaders to carry out their economic interests (Alzola 2011).

Among the company's long list of incidents is the "Masacre de las Bananeras," when UFC pressed the Colombian government in 1928 to repress a demonstration of agricultural workers demanding labor improvements. Another famous case, described in Mario Vargas Llosa's last novel "Tiempos Recios," was the instigation of the 1954 military coup in Guatemala, when democratically elected president Jacobo Arbenz Guzmán was deposed in a CIA-sponsored coup to protect the profits of the United Fruit Company.

Overall, power asymmetries between strong corporate citizens and weak nationstates can ground special moral responsibilities. When labor, environmental, and transparency

[5] Government officials and IBM Argentina were fired and jailed. And Peruvian President Fujimori submitted his resignation while the Newmont executives involved in the deal were also removed from their posts. See "In Argentine Bribery Scandal, an Ex-Executive of I.B.M. Says He Is a Scapegoat," By Calvin Sims. The New York Times, Nov. 5, 1996. Available at https://www.nytimes.com/1996/11/05/business/inargentine-bribery-scandal-an-ex-executive-of-ibm-says-he-is-a-scapegoat.html. See also "Tapes Spy Chief Left Behind Scandalize Peru," By Clifford Krauss. The New York Times, Feb. 3, 2001. Available at https://www.nytimes.com/2001/02/03/world/tapes-spy-chief-left-behind-scandalize-peru.html

standards in the host country are weaker and less enforced than in stable political systems, corporate citizens have the ability not only to avoid exploiting institutional weakness but also to improve the societies in which they operate.

In the short term, it may be more profitable to abide by the lower standards of the weaker states in which they operate. But if a company states that it is committed to upholding superior values, such a commitment should be universal (at least to the extent that it treats local conventions with respect). What is right and wrong is always perceived differently in different cultures. However, there is widespread agreement about how children, workers, clients, and the environment should be treated to justify why individual and corporate citizens should uphold and promote universal values.

Corporate Citizens and "Woke Capitalism"

That takes us to the question of how corporate citizens should conduct business in contexts of stable political institutions. They are often asked to take a side on controversial issues such as those surrounding what is called "woke capitalism," which is often perceived by customers as insincere and inauthentic forms of communication and advertising of socio-political standpoints.

Beer Company Bud Light has recently faced a boycott led by conservative commentators and celebrities in response to a social media promotion by transgender influencer Dylan Mulvaney, who shared a video in April 2023 on her Instagram account, where she has 1.8 million followers, to promote a Bud Light contest. Following a decline in Bud Light's sales, Anheuser-Busch, the beer brewer, announced in late April that two of its marketing executives would take a leave of absence. The company also received criticism from members of the LGBTQ community for its inadequate response to the backlash, which alongside other concerns regarding brand collaborations with transgender individuals, coincides with the introduction of proposed legislation by conservative state lawmakers aiming to regulate the lives of young transgender individuals, impose restrictions on drag shows that may involve transgender performers, and mandate schools to disclose information about transgender students to their parents.[6]

Besides marketing campaigns, companies and executives make statements and institute anti-bias training to garner goodwill among consumers and workers. Is that a requirement of corporate citizenship? How far companies can and should go?

The George Floyd protests in the USA—which started in Minnesota in 2020 in response to police brutality against African Americans—raised similar questions about whether companies should commit to changing the police system besides advertising campaigns and whether a company can support meaningful police reform and create positive change.

What can corporate citizens do? Companies and executives can help reshape the conversation as they have done with ESG. There is a rich tradition of CEO activism and companies' engagement with public issues and institutions, from the companies that promoted better employment practices in South Africa disobeying apartheid laws to Google withdrawing from China in response to the country's censorship and online hacking.

[6] "Behind the Backlash Against Bud Light" by Amanda Holpuch, The New York Times, June 14, 2023. Available at https://www.nytimes.com/article/bud-light-boycott.html

Some of these attempts were successful (the Sullivan principles were instrumental to ending the apartheid regime in South Africa). Others were not (Google attempted to change China, but eventually, China ended up changing Google).

While it is not always clear what the most effective decision is, corporate citizens are in a position to do more than just focus on products and profits. Public engagement can sometimes be necessary to facilitate social change. About meaningful police reform, business firms and executives can contribute to abolishing neck restraints or minimize the effects of the so-called blue wall of silence in police departments (for example, by exposing those who follow it and promoting better educational practices). The out-of-control police violence has the potential to destabilize society. Since a peaceful society is a pre-condition for business, there is a good business case to make for ending police brutality.

But from the fact that corporate citizens can help does not follow that they should help. Is that part of what being a good corporate citizen means? As explained above, the answer to this question depends on the definition of what the firm is.

What would Friedman-Hart-Zingales say about corporate activism in the wake of the protests? Under the traditional shareholder-value model, the company should not engage in activities unrelated to its core business. Moreover, corporate activism is often seen as an illegitimate use of a company's power and money to enter debates on issues that ought to be debated by citizens as political actors in the political arena.

In contrast, recent statements on a redefined purpose of the corporation (to serve the interests of all of its stakeholders) would acknowledge that companies have become major political actors and business executives actually help shape laws and regulations through consultation, lobbying, and campaign donations, and thus implicitly assume some responsibilities to be good citizens.

Given the role of social media and civil society organizations, even if unintended as political statements, any company's public statement entails taking a stand. Thus, it is difficult for companies to avoid engaging in public issues. Furthermore, CEO activism can be linked to a company's interests, such as environmental or governance issues or the education of future employees. So, even Friedman-Hart-Zingales would have to agree that corporations necessarily have responsibilities beyond shareholder value creation. But what are the limits of such citizenship duties?

Retail company Target's conduct in response to the Bud Light boycotts and the George Floyd protests is a good illustration of the challenges that corporate citizens face. Target joined Bud Light in shifting its marketing support of the LGBTQ community after it faced backlash from some customers. For years, Target positioned itself as an LGBTQ company friendly and created displays and merchandise for Pride Month, the annual LGBTQ celebration in June. But this time, it moved its Pride displays from the entrances of some Target stores and placed them in the back. Although Target claimed that the decision was motivated by employee safety concerns, commentators highlight that the company's actions, coupled with the conservative backlash faced by Bud Light, could potentially isolate the very community they intended to support. Furthermore, those who initially criticized Target and Bud Light may now feel even more empowered to target inclusive initiatives undertaken by other companies.[7]

[7] "Brands Embracing Pride Month Confront a Volatile Political Climate" by Jordyn Holman and Julie Creswell, The New York Times, May 25, 2023 https://www.nytimes.com/2023/05/25/business/targetpride-lgbtq-companies-backlash.html

Target was also at the center of the protests for the death of George Floyd in Minneapolis, Minnesota. Target launched in Minnesota in 1962. Its corporate headquarters are in Minneapolis, and it has consistently been recognized as an excellent corporate citizen in its local community. So, why was a local company that is very progressive a target of the protests in Minnesota? Of course, this could have been just by chance, as the Target store that was looted is located across the street from the Minneapolis Police Department. But Target had supported initiatives with the city's police department, from donations to set up surveillance cameras throughout downtown Minneapolis to other funding of the police department's programs.

These facts may not justify the protestors targeting Target, but they explain why a company like Target cannot avoid engaging in public issues. Target has a longstanding commitment to social issues. It obtained a perfect score of 100 on the Human Rights Campaign's 2019 Corporate Equality Index, and it is a partner with GLAAD's Spirit Day—described by the Gay & Lesbian Alliance Against Defamation as "the world's largest and most visible LGBTQ anti-bullying-campaign." In 2016, Target famously published a blog post welcoming transgender employees and shoppers to use restrooms and fitting rooms corresponding with their gender identities, challenging the North Carolina Bathroom Law, which prohibited individuals from using public restrooms and changing facilities that did not match their biological sex. The national press described Target's stance as "the most prominent position taken by a national retailer" at the time.[8] In response, conservative advocacy groups boycotted Target's stores for allegedly enabling sexual predators.

These examples indicate that companies like Target can do much more than just donations and training. They also suggest that political engagement is risky. Target CEO Brian Cornell publicly supported the Minneapolis/St. Paul community in the wake of the murder of George Floyd. The company provided first aid, food, and basic essentials and engaged with community leaders to support local families. Yet, social activists expected more from Target; they wanted the company to say "Black Lives Matter" and join the protests. The activists did not justify burning down Target's building or say that looting is justified. Instead, the protestors called Target to be on the streets with them, demanding justice. Because it is the right thing a good corporate citizen would do and because it can indirectly contribute to meaningful police reform.

Conclusions

This paper has aimed to link questions about the responsibilities of corporate agents and their executives with issues about the ontological status of collectives and the moral status of the firm. Hopefully, the philosophical, legal, and management literature on collectives, corporate moral agency, and corporate citizenship have been successfully integrated here to explore how corporations and their executives should respond to greater social expectations in different institutional environments.

The central claim defended in this paper is twofold. First, the right answers to questions about corporate purpose and social responsibility depend on the conception of the firm in place. Second, a normative theory of the firm will be of help when decisions cannot be

[8] "Target Steps Out in Front of Bathroom Choice Debate." By Rachel Abrams. The New York Times, April 27, 2016. Available at https://www.nytimes.com/2016/04/28/business/target-steps-out-in-front-ofbathroom-choice-debate.html

redescribed as win–win situations and corporate officers have to make tradeoffs and adjudicate competing stakeholders' demands.

Different conclusions on the status and the responsibilities of corporations will result if the corporation is defined (1) as an aggregation of individuals whose existence is limited to its legal status and whose essence is the aggregation of property rights or (2) as a social institution whose existence and public justification have been established by the community through a social contract that entails some rights and privileges as well as some duties and social expectations for both parts.

When (if) a business decision can be framed as a win-win, it would be irrational not to pursue it. Typically, corporate citizens engaged in competitive situations will be required to make tradeoffs and adjudicate value conflicts between different stakeholders. When tradeoffs are not necessary—when one can have it all—there is no reason not to engage in profit-maximizing social initiatives. But most of the gray-area issues in business entail value conflicts that demand a framework for decision-making, that is, a normative theory of the firm that can guide corporate officers to settle stakeholder tensions.

In the end, theories of corporate responsibility and corporate citizenship can be framed as answers to three questions, namely, (1) what a person is, (2) what the corporation is, and, consequently, (3) who has responsibilities (and what sort of responsibilities) to whom.

By integrating the literature on the ontological status of collectives, the morality of corporate agents, and the responsibilities of business, this paper has hopefully contributed a unique approach to account for what the firm does and should do morally.

What kind of person is the one that is praised when it does well but blameless when it does wrong because its human members pay for its faults? Our moral system still needs to be adapted to deal with these citizens, who are not strictly moral persons. While they can be said to contribute to moral progress, the real persons, as corporate members and as citizens, are the ones who continue to make a difference. They can make these special citizens function as if they were indeed persons instead of machines. And good persons.

Arguably the most crucial difference between real and fictional persons is that it is a tragedy when one of us dies. However, when a company dies, be it bankruptcy, merger, or acquisition, we may have reasons not to cry (or not, at least with the same intensity as when losing a human life). Like Neruda in the case of the United Fruit Company, someone is justified to celebrate the bankruptcy of companies that "incarnate evil." Surely job losses due to bankruptcies change our perceptions of the social importance of the firm. But a company that stops serving the social purposes it was created for and authorized to exist does not justify its social existence.

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