Addressing the Corporation and its Responsibilities: Why Corporations Should Not, and Must Not, Bite the Hand that Feeds Them

Introduction:

Management academia has extensively noted how corporations occupy a remarkably dominant space in contemporary social order (Ciepley 2013; Mayer 2014). Indeed, even from its 17th century inception, it has seemed the corporation's destiny to prevail as a ubiquitous 'world power' (Ciepley 2013: 139). Such agency has consequently given rise to a century-old debate surrounding corporate conceptualisation/governance that remains unequivocally animated and deliberated in academia/practice today (Dodd 1932; Friedman 1970; Mintzberg 1983; Carroll 1991; Phillips 1994; Stout 2002; Ruggie 2008; Lan and Heracleous 2010; Ciepley 2013; Fleming et al 2013; Mansell 2013). Yet despite copious research available, field experts still hold little consensus as to *what exactly* the corporation is, as made evident by Harvard Business Ethics Professor Joe Badaracco who, when pressed for a definition, claims, "it's funny I've taught in a business school for as long as I have without ever being asked" (The Corporation 2003, 2:24:20). However, despite its contestability and ambiguity (if not complete avoidance altogether), characterization of the corporation should be far from overshadowed, as it possesses significant implications for addressing larger theories of corporate responsibility as well as shaping/informing corporate practice (Mintzberg 1983; Lan and Heracleous 2010; Ciepley 2013; Ripken 2019). This essay therefore seeks to remedy three specific, widely-debated interrogatives which are: *what is the corporation, what are its responsibilities, and why*? The argument will thusly draw on existing conceptions of the corporation to suggest an alternative, transcendent definition and follow with a section demarcating the firm's responsibilities to the public that will be underpinned by two rationales of an economic and normative nature. The essay will then conclude by reiterating the corporation as a multiple domain-surpassing entity, a conceptualization that accordingly demands corporate-public accountability so as to avoid the collapse of not just corporations themselves, but that of wider society (i.e., the 'hand') that supports them.

The What: Conceptualising and Defining the Corporation

Certainly, quite a paradox exists in that defining the corporation is arguably the most weighted topic in business study, yet it remains most ambivalent (Stout 2002; Fleming et al 2013). The corporation's complexity has historically compelled a variety of conceptualisations that correspondingly deduce how (or if) corporations should act/contribute to society (Lan and

Heracleous 2010; Mansell 2013; Mayer 2014; Ripken 2019). Indeed, delineating the former concern inevitably ties to resolving the latter. Therefore, prior to offering rationales for corporate responsibilities, it is important to consider/develop existing definitions of the corporation. This section thus explores two particular legal conceptions as a way of informing a new, collaborative definition to support the notion of corporate accountability to the public.

The first legal conceptualisation to be drawn upon is that of the Natural or Real Entity theory. Such assumes the corporation as a 'naturally-occuring being' (Phillips 1994: 1062), acting accordingly through the individuals serving as its 'organs' (Lan and Heracleous 2010: 296), likewise how a living organism acts through their bodily components. Real Entity theory has been frequently invoked to underpin corporate social responsibility (Phillips 1994; Lan and Heracleous 2010; Ripken 2019), and has sustained that corporations, occupying existence separate to their shareholders, are thus entitled to the same constitutional rights as organic persons (Ciepley 2013). This logic implies corporations should behave as contributing members of society and therefore engage in stakeholder accountability (Lan and Heracleous 2010). However, while justifying the firm's responsibilities on the grounds of its lawful personification presents a sufficient start, the theory fails to incorporate nuances of the real market economy (Mansell 2013; Ripken 2019), and converges early medieval corporate notions with that of modern corporations (Ciepley 2013). Thus, viewing the corporation as a Natural Entity oversimplifies its present-day societal role, preventing it from acting as a presiding definition of the corporation.

In the quest for a more realistic conceptualisation, a second legal theory proves appropriate to discuss. The Artifice theory of the corporation contends it is a creature of the state (Phillips 1994), possessing no substantial reality and existing exclusively in law (Lan and Heracleous 2010). Holding deep historical authority, this definition characterised early corporations, designating them as government reifications owing their entirety to the government body which created them (ibid.). Artifice theory is thus consistent with stakeholder-oriented approaches too, as it reasons that as extensions of public law, corporations should concede to benefit the wider public society (Lan and Heracleous 2010; Ciepley 2013). However, despite such credence to the state, the corporation does indeed possess aspects of legal personhood that make it unable to be solely discerned fictional/intangible (Lan and Heracleous 2010; Ciepley 2013). Naturally, the corporation is still entitled to conduct marketplace activities and further is inherently composed of human persons (Ripken 2019). Therefore, Artifice theory is limited in its fictionality; the corporation does undoubtedly hold a presence that is beyond artificial in substance.

The aforementioned theories dually provide reasonable rationalisations of what the corporation is as well as whom it should account toward. However, restraints exist as to how each may be empirically applied, as legal theory often suits conceptual evaluation more so than practical corporate situations (Lan and Heracleous 2010). Thus, neither Natural Entity nor Artifice theory is commensurable to support/describe the contemporary corporation, as the corporate form exceeds too many contextual parameters to be confined to either single characterization. Perhaps, this is plainly because the corporation should not be conceived one way at all, but multiple, transcending ways.

Therefore, respective to the previous theories, this essay now turns to the proposal of an alternative, more encompassing corporate definition. What will be tendered draws on Ciepley's (2013) argument that defies the singular, liberalist perspective and suggests a surpassing, political conception of the corporation (ibid.). The theory actively replaces the firm as a privately-owned body and contends it is not only private, not only public, but an entity of its own category, that of the "corporate" (ibid: 139). Ciepley's reasoning is palpably built on the corporation's dual private/public orientation, as the corporation indisputably embodies both sectors (Ripken 2019). On one hand, the corporation cannot occupy a solely private identity, as much unlike traditional private entities, corporations cannot be created without assistance from the civil state (Ciepley 2013). However, corporations equally cannot be discerned as solely public, as far from other public bodies, corporate direction/staffing does not derive from government intervention (ibid). Corporations can thus be viewed evenly as participatory, publicly-involved "organs of society," (Ruggie 2008: 199) without specifically mirroring governmental obligations, as well as products of private initiatives without behaving independently of government altogether.

Yet, the key point to be heeded here is not only that the corporation is "amphibian, incorporating properties of [public and private] and exhibiting additional properties unique to themselves," (Ciepley 2013: 156) but also that the corporation is intrinsically *dependent on external forces to exist.* Indeed, the government affords the corporation key privileges quintessential to its creation/function, namely its charter, entity-shielding, asset lock-in, and limited liability (ibid.). These state-granted privileges, coupled with private arrangements made by human members, thus paint a blurred picture of the corporation's sector orientation, but coincidingly provide clarity that corporations are undoubtedly reliant on multiple inputs (Stout 2002; Ripken 2019).

In considering this, a corporate definition can thus be called upon that concurrently overlaps with existing conceptualisations, supersedes any labels of private/public institution, and fully acknowledges corporate dependence on external support. Therefore, the corporation could be defined, as it is in this essay, as a *widely contested, deeply powerful societal entity that remains accountable to the individuals, groups, or systems responsible for its existence, identity, and operation.* Drawing on aspects of Real Entity theory (by asserting corporations justly hold a degree of legal/social personhood) as well as Artifice theory (by implying government - but more broadly the public/society - is responsible for corporate emergence/survival), this definition characterises the corporation as its own, governed and created by the many. Put in this regard, the wider public is the 'hand' that feeds the corporation its sustenance, what gives it a purpose/role in society. To fail to cater to such groups would be cutting off the corporation's life source and consequently its future (Stout 2002). Hence, in its implications for corporate responsibility, this beyond public/private definition of the corporation "justifies greater regulation of...activity for the common good" (Ripken 2019: 9) and will thus inform the rationales given in the following section.

The Responsibilities and Why: Rationales for Supporting the Hand that Feeds Them

Now the corporation has been adequately defined, this essay will address the two remaining queries, relating to the firm's responsibilities to the public and further why such a position is not only beneficial economically, but essential normatively. As outlined by Ciepley (2013), the corporation, embodying both public and private attributes, should utilise their multiplus status for the better of wider society and therefore "bear heightened responsibilities toward the public" (ibid: 153). That being said, the corporation must account toward the stakeholders for which it not only owes its life but also its ability to thrive (Carroll 1991; Fleming et al 2013; Mayer 2014). Thus, the corporation's role as a transcendent societal entity reasonably informs grounds for corporate responsibility. However, the case(s) for *why precisely* the firm should be oriented this way is yet to be made. In other words, what's in it for the corporation to behave responsibly, and further, why is it necessary? The answer to such a weighted query will now be discussed on the basis of two separate rationales.

The first rationale to be addressed is one of an economic nature, that is, the ‘business case’ that corporations should account toward the public simply because it is within their fiscal advantage to do so (Mintzberg 1983; Arnold 2016; Wettstein 2012). This instrumental take on corporate social responsibility (CSR) thus reflects responsible action as not only a tool for additional economic development but also as a “function of risk management” (Wettstein 2012: 20) for corporate entities. Therefore, far from conflicting with the fundamental corporate motive to “make as much money as possible,” (Friedman 1970: 1) instrumental CSR builds a bridge, if not a ‘friendship’ (Paine 2000: 319) between socially-conscientious behaviour and financial pursuit.

Such a self-interested position, while perhaps ascriptive to a business-as-usual mentality (Fleming et al 2013), has regardless shown widespread empirical success. For example, a meta-analysis of 52 studies conducted by Orlitzky et al (2013) exemplifies instrumental CSR’s positive correlation with corporate financial performance. Additionally, reputational crises mitigation exhibited by large corporations such as Nestlé and Apple illustrate the business case’s strong implications for company social recognition (Wettstein 2012). Indeed, corporations can increase competitive advantage as well as achieve desired economic outcomes by rationally/fairly including their constituents/stakeholders in various social programs and processes (Orlitzky et al 2013). It serves important to note here that while instrumental CSR positions shareholders as fully legitimate stakeholders, it does not advocate for shareholder primacy, as the key factor in applying the business case is *balancing* interests of multiple groups, not a singular one (Lan and Heracleous 2010).

That said, despite the empirical evidence presented in favour of instrumental CSR, it is naive to think that any corporate action is free of moral/ethical normativity (Paine 2000; Wettsetin 2012). The argument for an economic rationale can thus only hold so far, as it does not satisfy the ethicist perspective that stakeholder social norms/expectations must be highly adhered to based on purely moral grounds, (i.e., because it is the ‘right thing’ to do) (Carroll 1991; Paine 2000; Wettstein 2012). It has even been argued that instrumental CSR mirrors dangerously close to the institutional philosophy of Italian mafia by fixating on extreme profit and acting strategically (if not deceptively in some cases) to gain personal advantage (Gond et al 2009 as cited in Arnold 2016). Therefore, the business case, while worth employing for short-term economic performance, is not a strong enough rationale alone to support long-term, ethics-based CSR.

In turning to a more normative case, this essay now discusses a second rationale to implicate not only why corporate responsibility is something corporations *should* do but also something they *must* do in acting accordingly with ethical praxis. Taking in mind the considerable consequences corporations irretrievably have on wider society (Ripken 2019), perhaps the appropriate stance for CSR is one that takes the moral high ground (Wettstein 2012). Indeed the "normative legitimacy" (Arnold 2016: 258) of contemporary corporations depends on the willingness/ability for companies to obtain and respect moral custom. But corporations, holding agency in both public and private spheres (Ciepley 2013), cannot choose to remain neutral, as organisational decisions are unable to be separated from their social implication (Mintzberg 1983). By this logic, corporations *must* be responsible to the wider public, as ethics are inextricably linked to corporate direction (ibid.); one cannot be normatively divorced from the other.

The moral rationale becomes even stronger when termed in the long-term survival of not just the corporation itself, but also society as we know it. Again, it is crucial to acknowledge the corporation's dependence on multiple inputs which require equal consideration to properly delegate corporate responsibilities (Stout 2002; Ripken 2019). Thus, in order to guarantee continuance, corporations must recognise/nurture the relationship between them and the bodies to which they owe their livelihood. Such corporate virtue safeguards integral supports who, when not accounted for, may withdraw, or in the case of natural resources, disappear altogether (Stout 2002, Orlitzky et al 2013). Thus, CSR aids corporations in evading social/normative violation.

Incorporation of the moral argument also holds empirical validity, as socially-conscientious behavior has proven to foster senses of cross-cultural/multifaceted thinking indispensable for navigating and directing the contemporary corporate frontier (Lan and Heracleous 2010). Further, ethical regard may in fact catalyse a new watershed for corporate reputation, restoring trust in the corporate form and thus redefining its impact on the world (Mayer 2014). In this way, corporate responsibility is normatively/socially demanded; only through endorsing an ethical perspective and taking care of the systems beyond itself may the case for CSR stand at its strongest (Mintzberg 1983).

Indeed, both rationales of economic and normative natures commonly rely on multi-stakeholder approaches and are predicated on the notion that corporate responsibility is not just a matter of economic gain but also moral imperative. Each case additionally transgresses various dialectal boundaries and further confirms the corporation as a multiple domain-surpassing entity. Hence, in bringing more well-rounded justice to the corporate agenda, it can be suggested that corporations embody both fiscal and normative rationalisations for CSR (Fleming et al 2013). Such corporations are indeed already apparent in contemporary society, as evident through benefit, or 'B Corporations' who hybridly exhibit profit maximisation while equally exerting positive, ethics-based impacts on the environment/ society (Ripken 2019). Thus, the business and moral cases for corporate responsibility, descriptive of corporations' serious dependence on and implications for society, provide reasoning that corporations *should not*, and *must not*, dismiss, or I go as far to say, 'bite,' that which gives them subsistence.

Conclusion:

The colloquial English expression '*don't bite the hand that feeds you'* warns against acting negligently toward the person/group that has helped and/or provided for the individual in question. This expression has been parallelly invoked throughout the provided essay to describe the corporation's distinct purpose/responsibilities. It is evident the ontological characterisation of the corporation and its corresponding modes of governance has enlivened academic/expert debate for centuries, and continues to do so to this day (Dodd 1932; Friedman 1970; Stout 2002; Ciepley 2013; Arnold 2016). This essay has thus sought to give an antidote to such a debate by addressing what the corporation is, what its responsibilities are, and lastly, why. In citing existent theories (Phillips 1994; Lan and Heracleous 2010; Ciepley 2013), the corporate entity has thus been allocated to its own multidimensional category, conceptualized as that which bears responsibility to the public not only for its own financial merit (the business case) but also for the betterment/survival of wider society (the normative case). Such a corporate delineation therefore leads to the warranted conclusion that by acting in socially responsible ways, corporations can remain profitable entities while also avoiding the devastating consequences that would result from biting the hand that feeds them.

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