

Moral Standards and Corporation's Moral Responsibility

Article Damianus Abun
Divine Word College of Vigan, Ilocos Sur, Philippines
Email:- frdamy@yahoo.com

Abstract

It has been an old argument that Business Corporation is a legal entity, separate entity and separate from the owner. It has blanket to protect itself from being sued. Corporate veil has been used as shield to protect itself from prosecution. With such protection, how can it be morally responsible for its act? Moral responsibility is only applied to human, not to any other things. However, this paper will argue otherwise. Based on paper reviews, it is found that one of the requirements in determining moral responsibility is the presence or the absence of knowledge and free will in a certain act. Such requirement clearly strengthen the idea that corporation, though it is a separate entity from the owner may not completely out of hand, wash its hands and can just do what it wants but it has to be also guided by moral standards and take moral responsibility to its immoral actions. The reason is that a corporation as an entity is still composed of rational beings that have knowledge and free will in pursuing their objectives. Therefore, when things go wrong in the corporation, it is not only individual employees who committed the crime are taking the moral blame but also the corporation as a whole including the owner.

Key words: *Moral responsibility, moral standards, element of moral standards, individualism methodology, the nature of corporation, knowledge and freewill.*

Introduction

We are trying to understand moral responsibility of a corporation. The concern of this particular subject is: who is responsible for what is going on in a corporation when things are going wrong? Is it individual person or the corporation to be blamed? This question is raised based on the nature of corporation itself, that a corporation is not the same as individual person who has the reason or knowledge and freedom because moral responsibility is referring to human only, not to anything other than human. Now who is then to be responsible when things go wrong in a corporation? Is it only the man who has reason taking the responsibility? How about the corporation? This is the main issue that we need to understand in this topic. To help us understand this issue, we need to understand the nature of corporation. However, before going further, one needs to know about the morality of certain act. Are there moral standards to be followed? Are there moral standards being violated? Are these violations intentional or not intentional? What are the elements to be considered intentional? It is assumed that the judgment of certain act, either to be moral or immoral, is always based on criteria or moral standards, not on anything else. A certain act must be evaluated against those moral standards. However, moral standards elements may not be enough as basis for moral judgment and for someone to take the responsibility. Responsibility involves knowledge/reason and freewill. Therefore, reason and free will may be used as the starting point in any moral investigation, be it to the individual person or the corporation. After knowing the element of moral responsibility, then, we proceed to evaluate whether an organization or corporation is subject to moral evaluation, and if so, then what qualifies it to be treated as a human person so that it can be held morally responsible for its actions and what disqualifies it in order not to be held morally responsible.

The purpose of this article is to enlighten everyone on the nature of Business Corporation and its moral responsibility. We would like to know if a corporation, as a legal entity, not as a person, has the moral responsibility over the crime it has committed. The area of concern is corporate veil. Corporate veil has been used as shield to protect itself from prosecution. The question here is: is corporation protected from moral responsibility? In this paper, I would like to show that corporations cannot hide behind their corporate veil and wash its hand. To support my stand, careful readings on certain authorities related to the topic are the basis of the arguments presented in this paper. The paper will only limit its argument on the main element in determining moral responsibility of a corporation. The writer realizes the difficulty in writing this topic because it does not accommodate the idea of moral relativism. He assumes that the readers are believer of universal morality.

Moral Standards

The meaning of Moral Standards and the Law

Moral standards are bases for moral behavior and bases for determining whether a certain act is moral or immoral and for someone to be responsible or not. These are the guides of human behavior and decision making. These standards are not only applied to individual persons but also to a group or corporation. Something is unethical if it does not conform to a particular standard of morality. They may not be written but observed and they are assumed norms of moral conduct (Articulo, 2005). These norms are point for checking if certain action is good or bad. The concerns of moral standards are norms, not theory which explains why certain act is good or bad. Moral standards are not the same with social norms but they are beyond social norms. Though social norms are code of conduct within a particular society but they are not moral standards. Moral standards are beyond borders or may be called universal that are accepted by all rational being everywhere. The coverage of social norms is local, while the coverage of moral standards is universal. Therefore, the function of moral standards is to check if the social norms are moral or immoral. Example, certain society allows killing in the name of God or offers human as a form sacrificial lamb to God. Moral standards will tell us that it is immoral, though social custom declares that it is accepted.

Based on the above understanding, it is clear that ethical standards guide individuals to act in a good manner in dealing with other humans, society and the environment. These standards should encourage individuals to make the right decisions for their actions, and give them the courage to come forward should they notice dishonest and unethical behavior. Individuals need to follow the norms prescribed by all rational agents. Therefore, in deontological systems, being morally good is defined as obeying certain moral rules (Harris1986). When you follow those rules and do your duty, then you are good — regardless of any other considerations like whether the consequences of that obedience lead to suffering or happiness. On the other hand, if you ignore or break any of those rules then you are not doing your duty and are morally bad — once again, regardless of any consequences. These moral duties are absolute and unconditional duties such as telling the truth, being honest, being fair, etc. They apply whatever consequences might follow from obeying them. Example is the order not to steal. It is our duty not to steal, though the consequences of stealing would save the life the one who is stealing. It does not explain why one should not steal because it is the concern of moral philosophy.

One should remember that moral standards are not the same with legal standards. Following laws does not make one ethical. Abortion in a certain country is legal but it does not mean that abortion is moral because it involves killing a human being. While this practice is certainly legal, the unethical nature of it is quite clear. Another example is euthanasia. Some countries are legalizing euthanasia in which one can terminates one's life on the basis of mercy or other reasons. Though it is legal but such action is immoral because it is considered killing. Thus Legal

is following the law and may include exploiting holes in the legal system but it may contradict morality. Ethics is doing the morally right thing. Some laws may not even have any ethical connotations whatsoever. Some moral acts may be legal but it may be also illegal. The legality of an action does not guarantee that the action is morally right. Many issues in life that cannot be resolved by appeal to law alone. Thus Shaw, Williams (1999) argued that law codifies a society's customs, ideals, norms and moral values and changes in laws undoubtedly reflect changes in what society considers right, wrong, good and bad. However, he further emphasized that it is a mistake to see law as a sufficient to establish moral standards that should guide an individual, a profession, an organization or society. Law cannot cover all individual and group conduct. Thus conformity to law does not necessarily mean that the act is immoral or non-conformity to the law does not mean that the act is immoral.

Sources of Moral Standards

Related to moral standards issue, one may ask question, "Where are the sources of these standards or where do we get those standards? If our ethics are not based on feelings, religion, law, accepted social practice, or science, and then what are their sources? Many philosophers and ethicists have helped us answer this critical question. They have suggested at least five different sources of ethical standards we should use.

Common Good

Common good principle would argue that certain act may be considered good if it promotes the interest of the majority over individual interest. This principle is originated from the utilitarianism theory. Utilitarianism emphasizes that the ethical action is the one that produces most good for the greatest majority interest and does the least harm for all who are affected (Velasquez, 2014). One should not act if it does not bring good to the majority of the society, though it might violate to one's individual interest. If we apply it in the business setting, an ethical corporate action is the one that produces the greatest good for the stockholders, stakeholders and the environment. All actions are analyzed from its consequences, if the consequences are good for the majority, then such act can be pursued.

The Rights Doctrine

Immanuel Kant classified rights as natural and positive rights. Natural right is inborn right while positive or statutory right is what proceeds from the will of a legislator. From the two classifications of rights, thus we have innate rights and acquired rights. Innate right is that right which belongs to everyone by nature, independent of all juridical acts of experience. Acquired right is that right which is founded upon such juridical acts. Innate right may also be called the "internal mine and thine" (*meumveltuuminternum*), for external right must always be acquired (Kant, 1790). Kant argued that there is only one innate right such as birth right of freedom, while other rights are originated from right to freedom such as right to property and other rights. For Kant, freedom is independence of the compulsory will of another; and in so far as it can coexist with the freedom of all according to a universal law, it is the one sole original, inborn right belonging to every man in virtue of his humanity. This is a right to be independent and of being coerced by external force. The limit of this freedom is the freedom of others, in the sense that the exercise of freedom is limited by the freedom of others. Emanated from freedom is the right to property. It is believed that each one is free to own a property. He/she has the right to property if he/she is connected to it and that if any other person should make use of it with the owner's consent and if they do it without the consent of the owner, then they do an injury to the person or the owner. The subjective condition of the use of anything is possession of it as Immanuel Kant puts it, "Anything is "Mine" by right, or is rightfully mine, when I am so connected with it, that if any other person should make use of it without my consent, he would do me a lesion or injury".

Thus anyone who would assert the right to a thing as his must be in possession of it as an object. According to Robert Nozick (1974) as cited by Shaw (1999) argued that property rights is considered sacrosanct. It grows out of one's basic moral right. Such right is either reflecting ones' initial creation or appropriation of the product, some sort of exchange or transfer between consenting individuals or a combination of the two. However, Nozick, as quoted by Shaw argued that property rights exist prior to any social arrangement and are morally antecedent to any legislative decision that a state could make.

Reading the argument of Kant and Nozick, it can be said that there are two kinds of rights and they are moral natural rights and legal rights. Moral natural rights are possessed by man by virtue of their human nature; they are born with those rights, not conferred by the state. While legal rights are those conferred and recognized by the law. That's why we have constitutional rights which are conferred and protected by law. They cannot be altered by the state. While statutory rights are derived from legislation which are drawn by the people's representative such as right to minimum wage and right to just compensation to additional work (Articulo, 2005).

Thus the ethicists agree that the ethical action is the one that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends and not merely as means to other ends (Kant, cited by Stanford Encyclopedia of Philosophy, 2004). The exercise of any moral rights is limited to the moral rights of others, the sense that while the bearer of the right has the right to exercise his/her freedom but at the same time the same time the bearer should not violate the rights of others. Others have the duty to protect our rights and we have the duty to protect the right of others.

The Justice Doctrine

Plato as cited by Velasquez (1996) argued that in a society that lacks norms of justice, he suggests, people inflict injustices on each other. People quickly conclude that they will be better off if everyone adheres to norms of justice. People consequently agree to cooperate in mutual adherence to norms of justice. It is a long this line of reason, we take justice as one sources of moral standards, a standard of moral behavior. All know that just action is considered to be ethical. Therefore, the principles of justice are some portion of the total principles that make up ethics. There are a lot of different ideas about justice. Aristotle and other Greek philosophers have contributed to the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally-or if unequally. This kind of definition refers to fair treatment. But the question here is: who does the treatment and who are to be treated? The answer to this question leads us to think of individual justice and social justice or group justice. Justice is not only fair treatment from other people toward the person but how the person treats other people justly. Therefore justice becomes individual virtue and social virtue. A just person always treats other people justly and a just society is always treating its community members justly. As a just individual, I pay people more based on their work, based on the amount they have contributed to the organization and so the greater the amount that they contribute to an organization, the greater they receive. Just society, just government, just organization would treat individual justly as how the individual treat each other. In this case justice means giving what is due to a person fairly deserves. An act is ethical if it gives a person his proper due, otherwise the act is unethical. Giving what is due indicates that all persons must always be treated equally.

Velasquez (2014) argues that there are two kinds of justice and they are distributive and retributive justice. Distributive justice is dealing with the way how the wealth is distributed to members of the society. Thus distributive justice refers to fair distribution of society's benefits and burdens. The benefits should be distributed according to the contribution or the burden.

Someone should not expect more if he/she has not contributed anything to the production of the output. Thus, pursuing society's benefits but avoiding burdens is unethical because it is unfair for anyone to benefit from society's economic pool without working hard for it. Such idea of justice falls within what Aristotle called formal justice. Formal justice is the requirement that we should treat similar people similarly. If two persons have the same qualifications, the same amount of contribution to the organization, they should be treated equally or similarly. This kind justice would contradict with what Karl Marx meant by justice. For him justice is to share benefits according to the needs but the burden is shared according to the capability. While retributive justice refers to the punishment given to a person who committed a crime and punishment must be equal to the crime she/he committed. Not accepting the punishment is considered unethical because such act would mean that the person avoids what is due him. In relation to this idea, it is the same when someone destroys the property of other people, then it is his due to pay or replace it. When he violated the law, then it is his due to be jailed.

There are other views of justice when we talk about society as a whole (Velasquez, 2014). When a person thinks that talents, education qualification, ability, experience are the basis for job distribution and salary structure, would understand justice in terms of merit. This what we have mentioned above that justice means giving what is due to the person who deserve. Such idea is originated in the idea of Plato. Plato believes that people are classified not based on their family background but based on their talents and abilities and with such talents and abilities, those persons can play their social role. Further, when a person considers that the government should provide free education to all, would think that justice is about equality. This is rooted in the belief that all men are created equally or the same. Therefore treatment should not be based on religion, gender, race, and nationality and all should be given the same opportunity. Therefore, since all human are the same, they should be given equal shares of benefits and burdens. Next, if a person believes that business is importance to the common welfare of society and they should be given tax break, then they view justice as utility. For this group justice means what promote the common good or common welfare of the citizens. In this case, a business is just when it promotes the welfare of majority of people.

Natural Law and Virtue Doctrine

Humans are born good, they are given the natural knowledge, capability of knowing what is good and bad which is already built in the reason. Such concept would emphasize the point that human are rational being and moral being. This is true to all human beings. Peter Singer as cited by Arneson (1998) argued that human have special moral privilege based on the superior cognitive abilities. Though his argument has been criticized by some for it leads to conclusion that there are different capacities among human and so there must be different level of moralities among human. Beside the point of different argument but the common point in the argument is that all human are moral being. All actions are commanded by reason which makes a different from the animal and therefore actions motivated by reason are necessarily good or moral. It makes a different from animal. Such concept leads us to categorize acts as have human act and act of man. The human act is calculated by reason, while act of man is calculated by instinct which is the same with animal. Therefore, an act is good if it reflects the nature of man as a rational being and a moral being and these are first basis for moral evaluation of human acts.

Since human are moral being, then definitely human must possess moral character or virtues. Therefore human are necessarily virtues human being. Aristotle argued that that a virtuous person is someone who has ideal character traits. These traits derive from natural internal tendencies, but need to be nurtured; however, once established, they will become stable. Virtue ethics emphasize the role of character and virtue in moral philosophy rather than either doing one's duty or acting in order to bring about good consequences. A virtue ethicist is likely to give us this kind of moral

advice: “Act as a virtuous person would act in your situation.” Or virtue ethicists would advise us, “act always as honest person”. Honesty here is not refereeing to certain dealings or transactions but the honesty is a character of the person. Human transactions must always be honest because honesty is a reflection of human as a moral being, a virtuous human being. If transactions are not honest, then it is immoral because it does not reflect a character of human being as virtuous human being. A virtuous person is someone who is kind across many situations over a lifetime because that is her character and not because she wants to maximize utility or gain favors or simply do her duty (Athanasoulis, 2013).

Moral Responsibility

After knowing that someone has done something wrong based on either one or all of those moral standards, then that person should take the responsibility. Responsibility means something for which one is responsible to one's act or the state or fact of being responsible, answerable, or accountable for something within one's power, control, or management. Related to the topic of ethics, responsibility would mean being accountable for what we are doing knowingly and freely. It is the extent to which the person or group deserves blame or punishment for what he/she has done or the group has done. In other words, she/he should not wash his/her hands and throw his/her moral responsibility to other people after he/she committed certain action. Be responsible and take the blame. Why? The person who performs an act knows why he acts and freely commits it, even though he knows his act is wrong but he/she does it and therefore she/he must take the full responsibility for his/her actions. Consequently the person deserves blame or punishment. Thus moral responsibility involves the notion of guilt or innocence (Articulo, 2005). Take an example, the employer was found to be violating the right of employees to privacy. The investigation committee recommend to the management that certain employer has to take the responsibility. As a result, the employer was punished and the employer was ordered to pay for moral damages.

The example mentioned above is a case of individual act, in a sense that the act was done by an individual person, not authorized by the management. Now our concern is, how if such act was done out of duty or she/he was authorized by the management as prescribed in his job description? Should the individual employee or the corporation take the responsibility? Should both wash their hands? The contention here is related to the extent of moral responsibility. Moral responsibility refers to both, individual and collective moral responsibility (Risser, 2014) because immoral act may be done either by individual person authorized by corporation or a group as a corporation. There can be a situation in which as a group knowingly and freely plans certain activity which brings disaster to a community. Moral responsibility becomes complicated here because it involves corporation which is not considered a human person or rational being. Corporation is only a legal entity created by law which is not an individual person that has no reason, knowledge and freedom or free will. How can it be imposed with moral responsibility? Therefore, we have the reason to argue that the person or a group who has committed certain immoral act is not always responsible for their wrongful act. It might have been the idea behind why some individual prefer to form a corporation than single proprietorship because it has a veil to protect from moral responsibility. It is a veil given by law. It has a limited liability. Now, what happen if certain corporation committed a crime? Who is the one taking the blame? Let us be clear that morality and law are two different things, in a sense that what is legal may not be always moral and what is moral may not be always legal. The issue on hand is moral issue and as a moral issue, there are simple requirements to be met if certain act is moral or immoral. In this regard, there must be criteria or requirements to be fulfilled for one or a group to be morally responsible, and thus we need to know when the person is morally responsible and when they are not. In order to determine moral responsibility, we need to know what makes an act right or

wrong morally. This is important criteria to determine on which we can base our judgment and moral theories will help us in determining the extent of moral responsibility.

Element of Moral Responsibility: *Knowledge and freedom*

Moral standards are the guide of our moral behavior. Everyone including corporations should be guided by those moral standards. However, in determining moral responsibility of certain act, moral standards may not be a good starting point. Therefore, evaluating certain act and their moral responsibility merely based on the moral standards would not be enough or sufficient. The issue of moral responsibility is framed within the nature of persons. Persons are classified as unique because of the reason, minds (McKenna & Widerker, 2006). Thus the starting point to be investigated is knowledge and freedom. Thus, we need to see if the violation of those moral standards were intentional or not intentional. In other words, evaluation may continue if the element of knowledge and free will are found. Thus, the primary step to be taken before a judgement can be done is to find out if there was the presence or absence of knowledge and freedom or free will (Sandel, 2014, cited from Immanuel Kant). If there was a sign that knowledge and freedom were present in the act, then the question remains: to what extent is the presence of knowledge and free will? This is relevant to the issue because it will determine the level of moral responsibility. But we will not go deeper into it because our main purpose here is to find out if corporation can be morally responsible for its action. A judgement on certain act can be made if it is found that there is presence of mind or reason and free will, if the act was done knowingly and freely. In other words, the person can be blamed if the person is acting out of his knowledge and free will. The person acts knowingly and willingly despite the fact that he knows that such act will destroy common good, the right of people, justice, the doctrine of his religion, and dignity of other people. Despite of that knowledge in mind, however he still commits it.

Reason allows us to act with a purpose and guide us to pursue the objective. With such reason, one can identify or differentiate right from wrong or good from bad and one can avoid it. Thus the absence of reason, depending on the situation or circumstance, can reduce or mitigate the moral burden of the person who committed the act. It is the reality that many times a person acts out of fear or anger or external force. In other words, the person is not in full control of his acts. In such situation the person may or may not be morally responsible. When the person acts without being aware of the consequences or the wrongness of his act, cannot take full responsibility of his act.

Knowledge and free will are the first bases for moral judgement of certain act because we believe that only knowledge and freedom belong to human as a rational being. Consequently all acts performed by human must be based on his reason or knowledge and free will. This is what we call human act; the acts are specifically belonged to human, a rational being who has a freedom. Knowledge and freedom are the only things belong to human and the acts that are belonged to human act are the only the acts we can judge. Human should act based on the knowledge and his free will (Widereker and Mckenna, 2006). This is to emphasize that there are other acts which we call act of man. The act of man does not necessarily belong to human but also belong to animal which is not necessarily motivated by reason but by instinct like animal. Example, eating, drinking, sleeping, is acts that are also belonged to animal. These acts are neutral to moral judgment. Therefore, we emphasize that it is only human act that we can judge morally. Before we judge certain whether it is immoral or immoral based on the motive, the means, the ends and consequence, we need to determine first if the act was done knowingly and freely (Widerker & Mckenna, 2006).

Taking Full Responsibility, Not Full Responsibility and Exempted.

Based on the discussion on the determining factors of moral responsibilities, then we have the idea that not all wrong act are done knowingly and freely. There are certain situations or circumstance that a certain person committed a certain act either with full knowledge and freedom or incomplete knowledge. It is here we need to examine when someone can be full responsible of his /her action or not fully responsible for his /her actions (Widerker and Mckenna, 2006).

Someone is judged to be morally wrong and fully responsible for his/her actions when she/he does it with full knowledge and freedom. In other words, he/she does it knowingly and freely. The person has a complete knowledge of the wrongness of that act but he/she chooses to commit that act at his own choice and free will. In other words, the person committed such act intentionally, voluntarily and is a product of contemplation and deliberation. After establishing facts and determining that such act is done knowingly and freely, then the person has full responsibility and that person should be punished according to the crime he/she has committed. Example a manager knows that bribery is immoral, however, despite of such knowledge, he/she committed it.

However, there are circumstances in which a person commits certain act not because he/she has full knowledge. Despite of her lack of knowledge, she/he committed it because she /he might be pushed or forced by a certain circumstance that he/she has no choice but to do it. This is the case that we cannot throw all the responsibility and blame over that person. Given that situation, in the case of lack of knowledge of the correctness or rightness of the act, however, the person cannot also be removed from all moral responsibilities. The responsibility and blame are still with the person, however, to a lesser extent, not totally exempted because lack of knowledge is not sufficient enough to exempt the person from moral responsibility because he/she could still find ways to get information but he/she did not.

A person can be exempted totally if the person acts out of complete ignorance of the moral wrongness of the act, unintended result of a rightful act, result of an accident, coercion to the extent that the person's reason cannot work and when such person has no capability to know if such act is right or wrong, good or bad. The first and the last is the case of a child or a crazy person who burn the house of their neighbor because of excitement to the see the beautiful fire. The case of unintended result is the case of double effect of certain act. This is the case in which a person performs certain act that lead to, either good or bad outcome. Example a doctor examines a pregnant mother who has cancer. The only way to deliver the baby is through caesarean; however, the result was the mother's death.

Corporate Moral Responsibility

The Nature of Business Corporation

In order to determine moral responsibility of corporation, first, we need to know the nature of corporation. Proper understanding is needed for us to determine if a corporation is morally responsible for their actions. This is due to the fact that corporation is not human, it is a legal entity created by law but what qualifies it to be like human and therefore be responsible morally. It is commonly known that a business entity is an entity that is a group of people organized for some profitable or charitable purpose. Business entities include organizations such as corporations, partnerships, charities, trusts, and other forms of organization. Generally speaking, entrepreneurs incorporate their business in the state where they conduct their business (Perez, 2015). After incorporation, then the business is considered legal and it is now recognized as a legal business entity. It has a legal personality and now can legally pursue its business objectives as prescribed in their constitution and bylaws as approved by the Security of Exchange Commission. Thus the treatment to a corporation is now the same treatment to a person. Business

entities, just like individual persons, are subject to taxation and must file a tax return. Some business entities are exempt from federal income tax. These include non-profit charities, non-profit corporations. Business entities may be subjected to state income tax, depending on the laws of the state or states where they conduct business.

There are different types of businesses and knowing different types of businesses could help us understand the nature of business. The classification of business is depending on the objective that it pursues. Therefore, first, we have sole proprietor. Sole proprietor is unincorporated businesses and it is usually owned by a single individual. There are no forms we need to fill out to start this type of business. The only thing you need to do is report your business income and expense. This is the easiest form of business to set up, and the easiest to dissolve. A Sole Proprietorship in the Philippines is also known as a "single proprietorship, A sole proprietorship is the most simple form of business and the easiest to register in the Philippines, through the Bureau of Trade Regulation and Consumer Protection (BTRCP) of the Department of Trade and Industry (DTI). It is owned by an individual who has full control or authority over all the assets, as well as personally answers all liabilities or losses. The fact that it is run by the individual means that it is highly flexible in which the owner retains absolute control. In relation to liability, the sole proprietorship has an *unlimited liability* as compared to corporation. This is in case if the owner put up his/her business not by her/his own capital but from loans either from individual person or from the banks. When the business bankrupt, then the owner has to pay all the money that he/she has loaned from other people or creditors. The creditors can also file case against the owner and run after the owner and can proceed not only against the assets and property of the business but also the properties of the owner. Therefore the laws do not differentiate between the owner and the business, both are the same.

Second is corporation. A corporation is an entity which is separate from its owners. Therefore, unlike sole proprietorship, corporation has limited liability protection. The Corporation is formed under the laws of the state in which it is operating, with Articles of Incorporation. It has shareholders, and the shares may be privately or closely held, or they may be offered for sale to the public. Corporations are taxed separately from their owners at the corporate tax rate. Since corporations are separate entities, the debts and liabilities of the corporations are also separate from those of the owners. This separation is sometimes called a "corporate shield" or "corporate veil". Corporate veil is a term used to describe the separation of the corporations from its owners. As a separate entity, the corporation is set up to shield its owners from personal liability for the debts and negligence of the business. Since it is a separate entity, when the corporation is sued, the individual shareholders and officers cannot be brought into the lawsuit. But there are cases in which the corporation's officers and shareholders could be sued for negligence or for debts; the action of bringing in these shareholders to be sued is called "*piercing the corporate veil*" or "lifting the corporate veil. "There are two instances when a corporation can be sued: first, in the case of fraud, in which the corporation was found to be a sham that was set up for the purpose of carrying on fraudulent deals or for fraudulent purposes. In this case they knowingly and freely pursue immoral objectives. Second, in the case of egregious and willful activity by corporate shareholders or officers who put corporate gain over public good (Murray, 2015). Again they knowingly and freely pursue immoral intention even though they know that the common good will be violated.

Third is partnership. It is a legal relationship formed by the agreement between two or more individuals to carry on a business as co-owners. Unlike Corporation, partnership is not a separate entity from its owner. Since it is not a separate entity from its owners, then the owners must take the responsibility in case of business going bankrupt. Partnership must have at least one general partner who assumes unlimited liability for the business, for actions of the partnership. It may also include limited partners who are merely investors and who do not share in the day-to-day

operations of the business and who do not share in liability. Partnership must have at least two partners. Partnerships are usually registered with the state in which they do business, but the requirement to register varies from state to state. Partnerships use a partnership agreement to clarify the relationship between the partners, roles and responsibilities of the partners, and their respective shares in the profits or losses of the partnership (Murray, 2015)

Fourth is Trust. Trust is usually formed upon the death of an individual and is designed to provide continuity of the investments and business activities of the deceased individual (Perez, 2015). Fifth is called non-stock nonprofit corporation. Their purpose is not for profit but it is for service or for charity. Such kind of business is exempted from tax but it needs to report its activities and income and assets to ensure that it complies with the government laws with charitable institution or corporations. We use the term nonprofit because these organizations are not set up for the *sole purpose* of making a profit. Rather, they pursue public benefit purpose that is recognized by the constitution. What makes an organization a nonprofit is that: first its mission. Its mission is to undertake activities whose goal is not primarily for profit. Second, no person owns shares of the corporation or interests in its property. Third, the property and income of the nonprofit corporation are never distributed to any owners, but are recycled back into the nonprofit corporation's public benefit mission and activities. In terms of ownership, it is owned by the public, it belongs to no private person and no one person controls the corporation. All its assets are dedicated to service or charity. The cash, equipment, and other property of a nonprofit cannot be given to anyone or used for anyone's private benefit without fair market compensation to the nonprofit organization (Fritz, 2015). In terms of control, it is controlled and governed by Board of Trustees and their function is to see to it that the organization serves the purpose and the founder does not own or control the nonprofit. Board of Trustees does not act as individual persons but act as a group. Nonprofit is only accountable to the public and it is therefore, it must file annual information return to the appropriate office of the government (Fritz, 2015).

After understanding the nature of business, now we have idea how business are working. Some are taking full responsibility and others are avoiding responsibility which is allowed by law by creating a corporation. However, setting aside the discussion on the different kinds of business organization, from the definition, it gives us a clear view of what business organization is all about. Depending on the kind of business, each business has different set up and has different level of liability. Some have unlimited liabilities, while others have limited liabilities. In the case of unlimited liabilities, then such business cannot cover itself from legal charges and assume the damage. However, our concern in this particular topic is corporate moral responsibility. A corporation has a limited liability because it is a separate entity from its owners. The concern is: who is taking the moral responsibility or who is going to take the blame?

Corporate Moral Responsibility and Individual Responsibility

The starting point of discussion is: is a corporation not morally or morally responsible for its actions? This question is raised because of the fact that corporation has a limited liability. Such nature of corporation has brought controversies between theorists whether a corporation is morally responsible or only the individual person, not the corporation. Answering the above question would be simple if we follow the previous argument on the determining factor of moral responsibility, then we can give immediate answer to this question. As long as the act was done knowingly and willingly by the corporation, the organization is morally responsible. However, problem becomes complicated because it is not a matter of applying such principle but the theory of corporation makes it complicated. The idea of corporate veil makes things harder. Pursuing this idea, we encounter a problem and the problem is a corporation has no reason and free will because it is a legal entity created by law that can carry out a business for a certain objectives. It is not an individual person who acts knowingly and freely. Corporation is a separate entity from

its owners and thus it has a limited liability, in the sense that it cannot take all the blame for its actions. Why? Two opposing groups present their views. Those who use the *individualism methodology* would argue that "corporations don't commit offences; people do (Bodenheimer, 1980). The strategy of Individualism, as revived by numerous commentators in recent years, is to abolish corporate criminal liability and to rely instead on individual criminal liability (Lederman, 1985). He continued that theoretical basis for imposing criminal liability on the corporation remains unclear. And such situation has encouraged the trend toward a slight restriction in the scope of corporate criminal liability.

How can we apply moral responsibility and blame to a corporation? Friedman (1967) as cited by Lederman (1985) argued that many debates have come out to discuss issues related to moral responsibility of the corporations. Indeed, the very substance of the corporate body is controversial and various views concerning it have emerged. There are those who treat the corporate body as a mere legal fiction devoid of the ability to function independently and requiring permanent representation by human beings. Others treat corporations as real entities claiming that the law merely recognizes the existence of corporate bodies rather than creates the corporate entities. A third group of jurists rejects both these approaches and offers additional explanations. For the upholders of the theory of individual responsibility rooted in methodological individualism and its related metaphysics, argue that one cannot ascribe moral responsibility to a corporation but only to a "a flesh and blood" individuals who are moral person but Soarez (2003) argued that corporations have sufficient structural complexity to be agents whom it makes sense to call to account for their actions and the consequences of those actions. It may not be possible for corporations to be responsible in the way that the individual can be but they can be responsible appropriate to corporations. J. Braithwite and B. Fisse, (1998) in an article, "The Allocation of Responsibility for Corporate Crime: Individualism, Collectivism and Accountability" as cited by Soarez (2003) argue that methodological individualism amounts to a dualistic ontology. On the one side are individuals and on the other are corporations. Individuals are observable and therefore, real, while corporations are abstractions without the possibility of direct observations. If it is so, it is not possible to ascribe to moral responsibility to a corporation and ideas such as agency, autonomy and rationality do not apply to a corporation. Therefore we cannot expect formal organization or their representative to take the moral blame. It is along such line of argument, Soarez (2003) lamented that moral responsibility is a word without meaning. Amidst those conflicting discussions, however, debate along such idea never ends because of the desire to settle the score on who is holding the moral responsibility. The question of who is holding the responsibility remains alive because different interpretation of the nature of corporation. Trying to settle the interpretation, Lederman (1985) suggested that that distinctions must be made between human beings and corporate bodies. Those distinctions are not to clear one and punish one but to clear the responsibility in terms of the extent to which both are responsible morally. Some argue that even assuming that the individual desires of a group of people working in concert can form a "collective will" as a result of the interdependence and mutual influence within the group, and even assuming that this synthesis of desires is distinct from the separate wills forming it (Braithwite & Fisse, 1998), the problem of personifying the corporate body is not thereby brought to a clear-cut solution. The corporate entity is an enterprise devoid of the physical ability characteristics of the human race. Man possesses consciousness and physical aptitude, as well as the power to exercise them. Corporate bodies, in contrast, are bereft of those capacities and depend totally on a human source in order to function.

To clear such issue, Soarez (2003) presented two arguments from two contestants: *Nominalists and realists*. For the Nominalists, corporations are collections of individuals or aggregations of human beings. While the Realists argue that a corporations has its own existence and a meaning as well as moral/legal personality of its own. He further emphasized that both of these views have

implications for moral and legal responsibility. In the Nominalists view, corporations do not exist apart from its members; any blame worthiness or responsibility can only be obtained from the culpability of an individual employee. Therefore, in line with this Nominalists view, corporations are moral persons in the sense that they are entities and they are intentional actors. Corporations are entities with dominant role to play in our society. Corporations are more than mere collection of individuals which means that they are capable of moral decisions and therefore susceptible to moral blame. However, this would leave one with the problem of deciding whether the corporations should be responsible for the behavior of its employees or only for some of them. Definitely if employees or employee acts on behalf of the corporation because they are or he/she is carrying out their duty or her/his duty authorized by corporation, then in this case the corporation has to take the blame. On the realists view, corporations represent something beyond individuals which means that following this point of view, it may be possible to find a new candidate for attributing responsibility. In the realists view, the corporation is not morally responsible. However, Lederman (1985) settles this issue by using the conspirator theory. He said that the theory of conspiracy holds any conspirator liable for crimes committed by fellow conspirators in the furtherance of the conspiracy, even if the conspirator was not capable of committing the offense himself. The analogy to the theory of corporate criminal liability suggests that each breach of law the corporate body has been accused of is in furtherance of an offense previously plotted between the corporation and the perpetrator. Hence, the corporation is criminally liable for the acts of the perpetrator in execution of the plan of the conspiracy.

Based on those arguments presented in the discussion, we can settle our case on the question of “who is taking the blame?” Following the argument, the traditionalist and the nominalists definitely would answer that the one who is taking the blame is an individual person or employees because they are the ones who have reasons and freedom. They have the knowledge of what is right and what is wrong and the knowledge of what is good and what is bad. Therefore using their freedom, individual employee or employees could refuse to carry out a job which is not moral, even though they or she/he is authorized to do so. Further they argue that individuals had to carry out the particular actions that brought about the corporate act. Contrary to the traditionalists and nominalists’ view, French (1979) as cited by Velasquez (1998) claimed that when an organized group such as corporation acts together, their corporate acts may be described as the act of a group and consequently the corporate group and not the individuals who make up the group must be held responsible for the act. Take an example, the defective product of a beauty product cannot be attributed to the individual person but it is attributed to the corporation or the company where the product is made, so long the cause of defective product was not caused by individual employee but a consequence of following the order of the company. Velasquez pointed out that more often than not, employees of large corporation cannot be accused of “knowingly and freely” join their actions together to pursue corporate objectives. Often time they may not be aware of the intention and the ends/objective of the corporation’s act because they are not involved in the discussion during the planning process and they have no way of finding it out and are not capable of stopping it. In this case, the excusing factor is ignorance and inability.

However there are situations wherein employees know that the corporation’s plan is immoral, however, they just ignore about it because they have no power and no choice to do otherwise except to follow the order. They have the capability to question and to withdraw their cooperation but they choose to go along because of the fear and pressure that they might be fired. However, such situation could not be used as an excuse by the employees or employee from their moral responsibility. Velasques (1998) claimed that following orders out of fear of his/her boss cannot absolve the employees/employee from moral responsibility. Unwillingly cooperate with the corporation to do a certain crime cannot excused him/her from moral accountability because such reason is not serious enough to cause his/her mind goes blank but she/he is still in full control of

her knowledge about the wrongness of her/his action. Example, an employee was authorized by his/her employer to put a bump near the gate of their business competitors. The employee cannot claim that he/she is just following orders because the employee knows that it is wrong but still doing it. Doing a certain crime because of fear, threat, and uncertainties may lessen or mitigate the moral responsibility of the employees. The employees/ employee can only be exempted from moral responsibility if the employees/employee is found to be in complete ignorance about the wrongness of their act and if he/she was coerced by his/her boss to commit a certain crime, however, such reason can only be accepted if the coercion was very serious up to the point that her reason cannot function well. Moral responsibility requires merely that one acts knowingly and freely and it is irrelevant to use the reason of "following orders only". Following orders because of pressures may only mitigate the employee's moral responsibility over the crime.

Conclusion

Moral standards are applied to all who are called rational being, be it an individual person or a corporation. Consequently all must take the responsibility if they are found to violate moral standards. We conclude that employees and corporations are morally responsible to the crime they have committed. However moral responsibility depends on the circumstance in which how the crime is committed. The determining factors of moral responsibility of corporation are knowledge and freedom or freewill. Though a corporation is separate legal entity from the owner, and not considered as an individual person, however, a corporation is composed of rational human beings who have knowledge and freedom. There are situations in which, as a group, it knowingly and freely pursues objectives that are in violations of moral standards. When they violated the ethical standards, they are acting as a group with full knowledge and free will. Employees are acting on behalf of the corporation. They are authorized by the corporation to carry out their job as prescribed by the organization or in other words, they are just doing their job. However, employees cannot just wash their hands and throw the blame to the corporation because the element of reason and free will are retained with them. Thus as individual employees, he/she has still the freedom to choose to follow or not to follow if the order is not moral.

It is based on such argument, we conclude that both: employees and corporation are morally responsible to the crime committed by the corporation. This position may be opposed by those who are using the argument of individualism methodology; however our determining factor is knowledge and free will. As long as these two factors are present in certain act, then corporation is morally responsible. In this regard we have group and individual moral responsibility. Individual responsibility maintains that only individual human agents can be held morally responsible, and group responsibility maintains that groups, such as corporation, can be held morally responsible as group, independently of their members. These opposing positions rest on a deeper conflict between methodological individualists, for whom all social phenomena, such as group activities, can be explained by reference only to facts about individual humans, and methodological holists who defend the ontological position that there are social groups capable of actions that cannot be reduced to the actions and interests of their individual members. Though they are using different approach but the two approach lead to the same conclusion that both individual employees and corporation are morally responsible because both are still considered rational being who have knowledge and freewill.

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