

THE NATURE OF THE CORPORATION

Ingeniously Designed > Robert Monks, Corporate Governance Advisor & Shareholder Activist

I think the basic design of the corporation is one that is ingenious. It is ingenious in terms of taking into account the realities of human nature. On the one hand people are willing to take chances. But they're not willing to risk their entire wealth on a given venture. On the other hand some people can contribute labour of a particular kind. Other people couldn't possibly do that but they can contribute their own kind of specialized labour.

Many people would like to invest in a corporation but they're scared to death about putting all of their resources into one venture. They'd like to diversify it. Well the modern publicly held corporation permits all of these very understandable and strong forces to be accommodated. So you have a diversification at the level of the investor. The investor can buy in ten companies, rather than one company. Or he can buy in one company if he wants to.

You're a person with a particular and unique talent can have the value of that talent recognized by a venture. And you can have people fit together according to what works and not according to some predesigned scheme. The result is that the corporation has provided the flexibility and the framework within which genius has been able to express itself.

And it really is the ability of genius to be organized and to find financial backing that has made possible the increases in technology and the increases in wealth. That have so dramatically altered our world.

The Corporation Is Amoral > Milton Friedman, Nobel Prize-winning Economist

The corporation is amoral but the people who run the corporation are not amoral. I think it's very important to realize that moral distinctions are distinctions about what individual people do. So that to say that a corporation has no moral position does not mean that the people who run that corporation. Let me illustrate in a very simple case. A case that's created a lot of controversy, tobacco.

The corporation as such has no moral attitude toward tobacco but the executives of that corporation it seems to me have faced a very difficult problem. And a problem that they have not handled very well. It seems to me that when it became available, when it became known to the executives of that corporation. And what they were producing had effects that the public at large did not know about, namely health effects.

It seems to me that the executives of that corporation had a personal responsibility to insist that the corporation make available to the public that

information. Otherwise they were engaged in fraud and force. So that I don't think, it seems to me how can. Can a building have moral opinions? Can a building have social responsibility?

If a building can't have responsibility what does it mean to say that a corporation can't? A corporation is simply a artificial legal structure. It doesn't have any, it's neither moral nor immoral. It's simply what it is. But the people who are engaged in it, whether the stockholders, whether the executives in it, whether the employees they all have moral responsibilities.

The Corporation is Moral > Joe Badaracco, Prof. Of Business Ethics, Harvard Business School

First of all corporations are constituted under the laws of the land. And law among other thing is an expression of society's values, preferences and even its ideals. Secondly corporations are closely regulated, not just in the formal way by government but in countless other ways in which they try to act in ways that are sensitive and responsive to a variety of different communities, constituencies and institutions. And I'm not saying they do this because they've got motives of angelic purity. But they are responsive in the same way that politicians in a democratic society are responsive to the environment around them.

So in this sense of ongoing continuous sensitive accountability I'm not at all inclined to describe them as amoral. Third when a corporate system works well as it does, as it has been in the United States for a good while, and especially in the west decade or so. It's producing wealth. It's producing jobs, opportunities, training. Not to mention little things like funds going into the coffers of insurance companies. And trust funds and governments. Basically supporting a lot of people's retirement, health care and a vast number of other institutions.

If you look at the individuals who run these organizations, if you went up to one of them and said what's it like working here in the amoral corporation. I think they would look at you oddly and they'd probably try to usher you from their office, having made the assumption that you're a slightly odd person. Or somebody's at least seeing the world and talking about things in a way that's quite different from them.

The vast majority of people who devote their lives and an enormous amount of their time and energy to running organizations think they are doing something valuable. Again their motives are human motives, they're complicated, they're varied. They're high and low. But they believe they're doing something important. Now it may not fit some moral philosopher's narrow somewhat technical definition of right and wrong, or good or bad.

But in the broader sense I described a few moments ago building an organization, providing jobs, paying taxes, earning profits. Even the excitement of competing hard and fairly and winning as a member of a team in a competitive

market. Are all things that have a good deal of value, and I think genuine moral value.

The people who come to work every day whether they're in the factory or the executive offices don't undergo sort of personality transplant once they cross the corporate property line.

They bring some combination of who they are, how they've gone to school and what they've seen on TV the night before. So corporate morality is partly a reflection of popular morality. It's constrained however by the fact that under the law corporations do have clear obligations to serve the interest of their owners. That also I think is an important moral obligation. And hence another source of corporation's moral, corporation's morality.

Rights Vs. Responsibility > Dr. Vandana Shiva, Physicist, Ecologist, Feminist & Seed Activist

The people in these corporations need to be global citizens. They need to take responsibilities for their actions because the corporations, the corporation as a legal fiction being given human personality, is really the beginning of all the treachery of our times. We need to relocate these institutions back in the people who run them, who gain from them. Who make the millions out of them. Who destroy other peoples lives by the location in these corporations. But corporation was created as a legal fiction so that those board of directors of the eastern company could have rights without responsibility. That when there were losses, they wouldn't have to pay them, the company bore them. But when they got huge new loots of gold somewhere it would be their share.

Now this separation of rights and responsibility is the beginning of any destructive enterprise. And it's not the corporation itself but the people in those corporations, the CEOs of those corporations, the managers of the corporation, who need to go into any place only if people want them. Not by changing the rules of trade. They need to live by the rules of any locality, any community, any country, just like everyone else does. They cannot be above the rules of citizenship.

And when they leave they need to leave exactly like the rest of us do. I've taught in North America, I always have to pay taxes before I go home. These guys think they have a right to loot everything and walk off with giving nothing back to a country or a community. That is the context of responsibility I was talking about.

I have dealt too long with evasive concepts of abstract power, which disembodies the power that ultimately is held by real human beings. And to me, the corporation is the people. It includes those stockholders who would like to be able to make easy money just by putting their shares in there. It includes everyone who gains by the abuses of that corporation. Nothing in the world is abstract - only abstract. Everything has concrete form.

The corporation's concrete form is the people who gain from it. And the people who gain from it, its management systems, its ownership systems and in our contemporary time when more and more of the ownership is in the hands of shareholders. Everyone who participates in, in the kind of casino economy through which destructive action can be terribly rewarding on Wall Street.

And it's because these concrete embodiments have worked out this abstract disembodiment that we see the kind of crisis we are seeing. We just have to re-embodiment the corporation back and every shareholder of Monsanto needs to take responsibility for genetic pollution. They cannot make the money and disengage from the responsibility. Every manager in Monsanto needs to feel responsible for the farmers of India their pushing to suicides.

Note

More than 25,000 small farmers in India have reportedly committed suicide since 1997. While it is difficult to confirm exact figures, recent international news reports suggest about 200 farmers each month kill themselves by hanging or by drinking pesticide.

More Rights Than People > Noam Chomsky, Institute Professor, MIT

By now about close to half the stock is owned by about 1% of the population. And the bottom 80% of the population hold about 4% of the stock.

And it's always, and the corporations are inter-linked. Like a bank will own a big piece of one corporation. I mean it's a massive system of highly concentrated power given the rights of immortal persons but without the responsibility of persons. And the courts then proceeded to take another step and that is to identify the corporation more and more closely with the management. So instead of the people, the association of people which by then was a joke anyway because of the concentration. But instead of the association of people being the corporation it was the management that was the corporation, and the directors.

Actually that's very similar to what happened in other tyrannical systems of the 20th century. So if you look at the history of bolshevism, for example, this was part of the critique of bolshevism very early by left winged Marxists like Rosa Luxemburg and even Trotsky before he bought into the system, predicted that the Bolshevik system was going to transfer power from the working class to the party to the central committee. And then to the maximal leader. Which is indeed exactly what happened then, and in fact very quickly.

And the corporate system is going in the same path. So the corporation was identified in the law created by the courts mostly. With the top leadership they become immortal persons. In the modern period the last, the period that's very misleadingly called globalization, the last 20 years or so, corporations even get rights far beyond those of people.

So for example if General Motors operates in Mexico they're supposed to have what's called National Treatment. They have to be treated like a Mexican person. On the other hand if a Mexican person of flesh and blood comes to New York and says I'd like to be treated like everyone else he'd be lucky if he gets out alive.

80/20 Rules; Private Tyranny; Strategic Alliances > Noam Chomsky, Institute Professor, MIT

I mean every corporation knows, in fact there's a rule, there's a law, a rule taught in the business schools called the 80/20 rule. Which is that 20% of your customers give you 80% of your profits. And if you can figure out a way to get rid of the other 80% you're better off. By now there are ways to do that. One of the advantages, one of the effects of high tech is you can monitor your, the people who purchase very closely. And you can adjust services in such a way that it's only the high spenders who get any services.

And you call the telephone company to ask a question. And they instantly know are you a high spender, or a low spender. High spender usually means business. If you're a high spender you get a lot of, treated very nicely and so on. If you're a low spender they essentially want to get rid of you. So you get put on lists and then they lose your call and so on.

And that's very carefully calculated. I mean this was a big study in Business Week about it but it's perfectly natural. These are, because remember these are amoral institutions. In fact they are private tyrannies which are amoral and required to be amoral. They move towards, they want to avoid monopoly because then they get public service requirements. But they want to be very limited. So just a few of them which can have what are called strategic alliances. They can effectively act together.

Flaws In The System > Noam Chomsky, Institute Professor, MIT

Suppose a bank lends money it cares about one thing, its own profits. Now there's a property called systemic risk. The risk that if you, if the market say crashes somewhere it's going to be contagious. And there is that phenomena. It's monstrous in fact. But the investor doesn't think of it, can't. You know you think about your own risk. You cannot think about the cost to others. Of the fact that contagion may destroy a system. That's not part of your calculations. That's another externality.

So the system is sort of built to magnify extremely dangerous properties. And this happens all over the place. I mean what are called the externalities are just, dominate life. Well those are things, properties that are inherent in this minimally

competitive, tyrannical systems. And yeah they are flaws if your values happen to say you'd like a different world.

Morality; Indoctrination; Structure of Institutions > Noam Chomsky, Institute Professor, MIT

Our nature, the nature of humans allows all kinds of behaviour. I mean every one of us under some circumstances could be a gas chamber attendant and a saint. Depends on all sorts of things.

These things are not written in your genes. And the people are, have a fundamental moral nature. I don't doubt that like if you see a starving child and you can steal food from him and there's no policeman around very few people would do it. If they would do it they're really pathological. I mean there's some pathological extremes. But ordinarily, people wouldn't behave like that.

They do behave like that on a massive scale, massive scale. But they're unaware of it and there's a huge indoctrination system designed to make them unaware of it. And even to make them think that the starving child is stealing from them so we're the victims. That's what propaganda and regimentation are all about. And it sort of works and it erodes the moral character. It prevents you from looking at what you yourself are doing, or what your leaders are doing. And worry about somebody else. You see that all the time.

... So the people can be very moral. But they're acting within institutional structures, constructed systems in which only certain options are easy to pursue. Others are very hard to pursue.

Consumers Drive The System > Sir Mark Moody-Stuart, Former Chairman, Royal Dutch Shell

I don't think that the institution of the corporation is in any way, in any gross way flawed. It's a very effective, and was created through market forces, as a very effective way of operating. The question is, what are the goals of society which those corporations meet? Commerce survives by fulfilling the wants and desires of society. So the question is, what does society want? And corporations, and the products of corporations are the products of demands of our society.

We Are The Culprits > Michael Moore, Author, Filmmaker

I think that sometimes we are the culprits here and we need to take a look in the mirror in terms of our own behaviour, and because ultimately these companies

are responding to us and how they think they are going to make money off us. So if we choose to change our eating habits from eating a healthy meal at a dinner table with the family and just get in the car and drive through up to a window to get a bunch of chemically produced foods, then I guess that kind of sends the wrong message to them. And I've been part of that, you've been part of that, we've all been part of that and we have to accept some sort of individual responsibility.

But having said that, I also realize that these corporations, they aren't dummies. They know exactly what they're doing, and they know how easy it is to get us addicted to certain things, whether it's a way of living or whether it's a french fry. I mean McDonalds, if you read Fast Food Nation, they suck the actual natural potato flavour out of the fry and then put back in a chemical potato flavour. You know, and they're doing this because they are trying to addict our children to these fries so that that's where they'll eat every night. So, you know, I mean, I guess it's a bit of both.

Corporations Are Good And Bad > Chris Barrett & Luke McCabe, First "Corporately-Sponsored" University Students

Luke

Chris and I understand that there's both good aspects and bad aspects to corporations.

But these people such as the ones who are at the anti-corporation things just focus on maybe one or two bad things and they don't see the good things that the corporations are doing for society. Cause maybe, maybe a company is taking a lot of money and they're not putting into, you know, some, I don't know, some recycling fund or something but they are putting it into you know the children's baseball league or something so they're helping on one end but maybe not a little bit much over here. And then somebody would fight something else that really is not really a problem.

Chris

And people would get upset that they're like the baseball people would get upset if they switched the funds over to somewhere else and they'd be protesting. So people just have to understand that the corporations are trying to do their best I think. And they're all in there to help out the community and the country that they're in.

Role Of The CEO > Sam Gibara, Former CEO, Goodyear Tire

If the corporation is viewed as only being funded by shareholders, which is true, then the obligation of the CEO is only to deliver profits. And I would have little to say to that shareholder who came to see me and said, why are you spending this money on things that don't maximize value for me? The issue that I have with that is that the corporation is much broader than just its shareholders.

Shareholders are a major constituency of the corporation. They are essential to the survival of the corporation because they fund the corporation. They provide the necessary capital for the corporation to grow. However, the corporation produces products for its customers, the corporation employs people, the corporation has many more constituencies and needs to address all these needs and you are correct that, in essence, we may run into conflicts between these various needs. But if we view the role of the corporation and its CEO as one that is to satisfy different needs, conflictual needs, then the CEO must do that.

And that's how I view the corporation. I think the corporation has more than one type of obligation and as a CEO, I must say that it's nothing unusual for me to be managing conflict. Even within the company, when it comes to business decisions, it's always trade-offs, it's always managing conflicts, it's always trying to prioritize. As long as it is understood and it is clear in our mind what the objectives are, who the constituencies are, then I have absolutely no problem trying to serve all these constituencies and I'm here to serve all of them and not one of them exclusively. Does this create occasional problems? Sure, it does. But that's why I get paid what I'm paid.

Who Are The Shareholders? > Sam Gibara, Former CEO, Goodyear Tire

The shareholders are indeed a very amorphous group. There isn't one shareholder. But they could be qualified additionally to being very amorphous. They can also be qualified as being transient. We do not have permanent shareholders. Shareholders by definition come in and go out. So that is another definition of shareholders. The other dimension that needs to be taken into account when we deal with them is that very often we do not deal with shareholders, we deal with their representatives.

Their representatives tend to be the financial community, the financial analysts who represent the shareholders and so the relationship goes through different channels as well as it does directly to the shareholders. For example, I just finished a meeting today which was investors meeting with our investors but we deal with them - I do directly and sometimes with them indirectly through analysts or through other channels. So it does make the relationship a little bit difficult because it cannot be sustainable.

And it really comes down to rewarding their investment, which is absolutely necessary, but the type of the relationship is very different, for example, from the relationship you have with customers. With a customer there is a more perennial relationship with customers than there are with shareholders. Goodyear has

customers around the world that it's had for 100 years. Shareholders have not been around for 100 years, they've changed. Same customers have been around for a long time. Our original equipment customers - GM, Ford, Chrysler, have been around for 100 years. So there is a different type of relationship with customers.

When it comes to really our own associates, our own employees, that's where the relationship is the strongest because that - we live together. It's not just a relationship that we have occasionally with them. It's how we spend our lives together. And that's why when you are the CEO you need to treat these various stakeholders differently and you need to satisfy their needs differently. Because they have different needs and because the nature of the relationship differs from stakeholder to stakeholder.

Not Democratic Not Fascist > Sam Gibara, Former CEO, Goodyear Tire

The structure of the corporation is very undemocratic. That is true. CEOs are not elected, boards of directors are chosen and picked out by the CEO. There is not question that the structure of the corporation is undemocratic.

It is also true that because governments have relinquished some of their responsibility because the corporations have become more global, that there may be a risk here. But that is precisely where, in a reality, that's not how things work. Because for the corporation to be successful, it has become impossible for a CEO to be totalitarian. Any CEO who really tries to run the corporation alone and to impose his views or her views on the corporation is bound to fail. Bound to fail because the corporation has grown so complex, operates in so many different environments, that by necessity decisions have to be made in a more democratic way than the structure suggests.

Decisions that are made by one person at the top will lead corporations in the future to fail because there is - we're living in a knowledge society. Knowledge travels very fast. Information travels very fast. There is no way that anyone at the top of the corporation can alone run the company. The reality of how corporations are managed is that decision making is distributed throughout the corporation, throughout the world, and to be very practical, at Goodyear, for example, many decisions are made in many places around the world that I know nothing about and cannot know anything about or it would paralyze the company if I were to make these decisions.

And The Corporation Went Forth And Multiplied > Richard Grossman, Founder POCLAD, Program On Corporations, Law & Democracy

Corporations create corporations, which create corporations, which create corporations. That is the reality. Also, the creating corporation has no responsibility for what its subsidiary corporations do. One of the other purposes of the corporation is to prevent anyone from being held accountable or responsible for anything. Why is it so hard to find somebody in a corporation who's responsible? Because that's one of the primary purposes of a corporation. That's why some of the best minds in the world have designed these entities in order that no humans are responsible for anything. That's what they do. That's what they're for, and they work... Beautifully.

The Complete Diagnosis > Dr. Robert D. Hare, U. of British Columbia Psychology Professor and FBI's Top Consulting Psychologist on Psychopaths

We can go through the characteristics that define this particular disorder one by one and see how they might apply to corporations.

For example the first one would be from the screening version, the short version of the PCLR, psychopathy checklist, would be superficial relations. The psychopath's relations with others are superficial, surface, very, very little depth, mostly style over substance. And the idea is to impress other individuals to somehow put them in a position where you can manipulate them and so forth.

And a corporation I would imagine would be not unlike that in many respects. They would have public relations firms. They would be spending half their time and a lot of their budget in trying to present a particular image to other people. And this image is a very superficial, you never really get to know the real corporation. You're going to see what they want you to see.

A psychopath is also a grandiose individual, has a very powerful sense of self, believes that he or she is the centre of the universe, better, smarter than everybody else. Corporations I suppose almost by their very nature would have to adopt this particular attitude. If they took the stance that they were in fact inferior to every other company they'd probably not going to get very far. So I imagine that they would spend an awful lot of time explaining to others and to themselves that we're number one, we're the best.

The psychopath is also very manipulative. Tends to manipulate, con and deceive other people, to try and mold them into something that they can use. Remember the psychopath is really a predator and as a predator you're trying to groom and put your prey in the right position for where you can make some use of the, of this particular object is the way they would see them.

Would a corporation be the same? To a very large extent I would imagine so because what you're trying to do is manipulate everything including public opinion, for one thing. And imagine in a sales meeting where you're trying to get everybody pumped up, you've got to have to, you know rah, rah. You've got to

manipulate and get them into a position where they actually believe in something that they may not have believed in before.

A psychopath lacks empathy. And this simply means that it's very difficult or impossible for a psychopath to put himself inside the emotional skin of somebody else. They may understand at some sort of superficial level that this person is going through what could be construed as an emotion by other people but I don't understand what it is. This is a psychopath's position.

Would a company, or a corporation actually lack empathy? Well maybe by definition they would have to. If you're concerned about the fate of your competitors and also the general public you may not have profits that are so respectable. So I suppose a corporation could lack empathy in the sense that the psychopath does.

Lacks remorse is another characteristic that defines psychopathy. That is, having done something you don't feel badly about it. A corporation I would imagine would be much the same. Unless one is caught, now a psychopath who is caught for committing a crime the first thing he'll say is yeah I'm really sorry, I did it. I feel remorse. But only when caught and I imagine at most corporations it would be much the same. If some sort of regulatory body finds out what you're doing and if it's considered to be illegal, I would imagine that they would say well yes I am, we're really sorry. But otherwise you're not likely to do that.

Psychopath doesn't accept responsibility for his or her own behaviour. Usually diffusion of responsibility is the name of the game for the psychopath. Somebody else made me do it, it wasn't my fault, it was fate. And I'm not really responsible.

Corporations would do this almost routinely I would imagine. In fact, they would have public relations personnel whose only job is to make sure that this, this image is portrayed to the general public. As yes somebody else, it was fate, it was a political decision, or it wasn't our, the market suddenly crashed, and there was a war in some other place and this accounted for everything.

Psychopaths tend to be impulsive but in a fairly controlled sense. That is most psychopaths are not going to do things if there's an external control present. Psychopaths stand on the street corner is not going to commit a crime with the policeman standing right next to him. On the other hand if the policeman is not there, if the external control is not there, then it's possible that he or she will do whatever he feels like doing if he has a chance of getting away with it.

Are corporations impulsive? It's difficult to actually evaluate this but I would imagine so in some cases, particularly if the corporation is not well structured. If the rules and the, of behaviour and the hierarchal structure is not firmly in place then it would very possible for a corporation to be, to act impulsively. Of course if you do this then, then you run the risk of actually experiencing fairly serious losses.

Psychopaths don't have long term goals most of their, the things that they're striving for are short term. You could refer to it as a short term form of hedonism. And corporations I imagine are much the same way. In fact, one could argue that

sacrificing short term profits for the long term potential of making profits would not be in the company's best interest. So almost by their very nature they would have to lack long term goals.

Now some corporations of course would have a long term strategy. But at the same time it would have the short term goals that are firmly in place. They've got to go to the next stockholders' meeting for example and show that there's a profit.

Poor behavioural controls, is another characteristic that defines a psychopath. These are individuals who are likely to lose their temper very easily, to strike out and do things that are fairly irrational in the short term. But they do it in a very controlled manner. They know what they're doing. It could be a reaction to frustration and so forth.

Corporations, this is very difficult for me to evaluate this, to translate it directly in to corporate field. I suppose it could be possible but I'd have to think about that for some, you know for another four or five years I think.

Psychopaths tend to be irresponsible. And that means that their behaviour doesn't take into account what's likely to happen to somebody else. They will put others at risk, their own behaviour puts other people at risk all the time. This could be in driving, it could be in their personal relations, or anything they do in their general life.

And corporations I imagine could be irresponsible in exactly the same way. That is in an attempt to satisfy the corporate goal, everybody else is put at risk. This could be other companies. As a matter of fact, I suppose one could argue that this is good in the business sense. I mean if your competitors fall by the wayside because you are acting irresponsibly with respect to them, that's good as long as you get some sort of goal out of that, some sort of benefit.

Psychopaths also tend to engage in behaviour that is anti-social, or at least asocial from a very early age, and this continues on throughout most of the lifespan. And by this I mean their behaviour is not necessarily criminal in the strict sense of the term. But in fact it's harmful to other people, other individuals. It may not take into account the fact that your behaviour is going to have negative consequences for somebody else.

Corporations could be much the same. And this ties in with irresponsibility to a certain extent. What they're doing with respect to the general public and to other companies would clearly be looked at, viewed as, or construed as asocial, or anti-social. We just don't really care.

... There are some corporations that clearly are operating at a level that are disastrous for the general public. Some of them for example would be the tobacco industry or some industries where the disposal of nuclear waste is unregulated. Or puts everybody's lives at risk. Now it would be pretty hard for us not to look at the corporate structure itself as not being psychopathic. They would have all the characteristics. And in fact I suppose one could argue that in many

respects a corporation of that sort is of the prototypical psychopath, at the corporate level instead of the individual level.

Corp-Utopia > Clay Timon, CEO Landor & Associates

I think in many cases corporations can stand for a not a new form of society, but an example of what society set out to do and maybe hasn't been able to accomplish completely. And corporations operate for the most part with tremendous integrity on a worldwide basis.

And as they, and they do that without internal police forces, without a lot of internal laws restrictions and whatever. And people participate voluntarily in those organizations. Wouldn't it be great if society was like that? And that you could walk down the street and we didn't need the police, and we didn't need all of the laws about don't walk on the grass, and don't do this and don't do that. And people voluntarily responded and led their lives the way they do voluntarily in corporations.