



THE CORPORATION AND SOCIETY

By Ross Bishop

Regardless of how you feel about corporations, it is difficult to deny their contribution to our material well being. We are the best fed, dressed, equipped, housed and served people in human history. Legions of corporate employees look to our well being every day. There is virtually nothing in our lives that does not involve a corporate business. For all its failings, and there are many, the corporation has demonstrated itself to be the most efficient institution man has ever created for the application of resources to human endeavor.

Corporate efficiency however comes at a cost. We have freed corporations from societal constraints so that they might pursue material ends. Freed from the political, moral and ethical concerns that frustrate governmental and social organizations, corporations have benefited significantly from not having to be responsible for the long-term social consequences of their actions – for pollution, environmental degradation, product disposal, natural resource depletion, worker welfare, urban decay and the long-term health effects of their products and wastes. These concerns, although arguably important, would have had a seriously dampening effect upon the growth and development of modern industrial society.

Moving costs over to the public is not new. State and local government regularly foists the costs of its various efforts onto the greater populace. Just as with corporate society, the City of Los Angeles will not be held responsible for the health affects of its smog or the political theft of Colorado River water. New York & NJ will bear no responsibility for the millions of tons of toxic waste they have dumped into the ocean. Chicago, Cleveland and Detroit will not be asked to clean up the Great Lakes. Texas, Louisiana, Florida, Georgia and the Carolinas will not have to pay the cost of the environmental damage from the infill and development of thousands and thousands of acres of tidal marshlands. The U.S. Congress will not be held responsible for the zillions of dollars that deficit spending will hang over our children and grandchildren. And so it goes.

It is argued that given the miserable economic failure and ethical corruption of the former Soviet system, and the unconscionable civil repression and environmental abuses of Chinese Communism, that Western economics, for all its warts, has probably

been a better choice for us to make. As Sir Winston Churchill said about democracy “(It) is the worst system of government, until you consider the alternatives!” I prefer to see it as simply that our collective consciousness has some evolution left to do.

The hazy boundary between the corporation and society has always been a source of tension since the first corporation was formed in 12th century Germany. The hope was that a stable society would be in the organizations’ best interests and that the two could peacefully co-exist. And, up to the time of The American Revolution, there was some truth to that idea. The vast majority of goods were consumed close to the places of their production (usually within 20 miles). The producer was no more than a degree of separation from both his customers and his suppliers. He sold to or purchased from most of them directly and knew them by name. What we know about humans is that compassion comes naturally to most people in a proximate setting like that, and that it rapidly diminishes as the organization becomes institutionalized and the management is separated from its customers, suppliers, and employees.

In the period after the American Revolution, corporations grew dramatically both in reach and power. And as society began to feel the impacts of unregulated corporate self-interest, it swiftly put an end to the age of laissez-faire capitalism. Corporate charters could be revoked if the corporation violated its intended purpose. Charters had sunset dates and legislatures set rates that corporations could charge. Corporations were prohibited from owning other corporations and all corporate records and documents were open to the public (or public officials). Large and small investors were granted equal voting rights. Boards of directors and stockholders could be held personally liable for “harms and debts.” The phrase “for the common good” frequently appears in corporate regulations of the time.

Then in the latter half of the century most of these restrictions were eliminated. When society has sought to impose social values back on the corporation, they have been resisted at every turn. Beginning in the 19th century and continuing well into the 20th, corporations ran an often violent battle with labor. Companies strenuously fought the imposition of social concerns such as child labor, the minimum wage, the 40-hour workweek, workmen’s compensation, pollution regulation, severance taxes, worker’s health and safety regulations, product liability and truth in packaging. The business community has vigorously opposed all anti-collusion and monopoly laws. They made it clear that the only way for the public to protect its interests was through strong and firm governmental regulation, and then the corporations went out and bought favorable regulation.

In the 1970’s Milton Friedman and the Chicago economists developed ultra free-market concepts based on deregulation and privatization that revitalized the old concept of laissez-faire capitalism. In the 1980’s, conservatives led by Ronald Reagan, Margaret Thatcher and Helmut Kohl took leadership of the industrial West. Their mantra was simple: “Markets work; governments don’t. Privatize, deregulate, dismantle controls, free up trade, cut back social supports.” The neo-conservatives, made more secure by

the failure of the Soviet system and the disaster of China's Cultural Revolution, drove a stake into the heart of the social ideal of the common good.

Once Reagan made the world safe for corporations, Wall Street traders and raiders opened the gates to hell and had a field day. Mergers and acquisitions were like a shark-feeding frenzy, especially for the emerging dot-coms. The looting of employee retirement funds would finance many other deals. Wall Street, once a source of capital funding, became a hotbed for the creation of wealth and a cesspool of corruption.

And, I wish to be clear that, as with all human endeavors, the vast majority of corporate executives are honest, capable people who sincerely care about the world they live in. They may see things differently than say, Greenpeace or the Bioneers, but they are not motivated by malice. But unfortunately when greed and social concerns mix, greed and its resulting hubris all too often win out. And it only takes one ENRON, Exxon, Microsoft, Halliburton, Monsanto or Wal*Mart to do a great deal of damage to a society.

The Reagan legacy has been that CFO's (Chief Financial Officers) now dominate the corporate landscape. Financial people have never been known for their compassion, and it was during this period that the global "Me First" corporation came into prominence. It fit the emerging, "Look at me" narcissism of the times.

Corporations like Wal*Mart, Provident Insurance, Monsanto, Shell Oil, Microsoft, ENRON and Halliburton and organizations like the NYSE, became obsessed with stock prices and short-term profit. And they demonstrated a willingness to sacrifice almost anything (including ethics) to get it. Operating often within the letter of the law, but well outside the bounds of ethicality, these firms demonstrated little regard for who or what they pillaged in their quest for profitability and influence. And, by financial standards, they have been successful.

So much wealth has rarely been available to such a comparatively small group of people. Of the 100 largest economies in the world, 51 are corporations. The combined annual sales of 200 global corporations equal one-fourth of the world's gross domestic product.[i] Although declining, annual gross sales at General Motors still exceed Thailand's gross national product. General Electric is larger than Poland. Wal*Mart sells more in a year than all of Malaysia produces. Monsanto is trying to gain control over the seed grains that billions of starving and impoverished people around the world need to feed themselves. And a world in which the three richest Microsoft monopoly-billionaires have greater assets than the combined GNP of the forty-three least developed countries with their 600 million starving people, mocks any sense of human decency.

The Me First organizations leave a wake of social problems and environmental destruction that simply boggles the imagination. Whether it is sweatshops in Indonesia, outsourcing layoffs in the U.S., bankrupted suppliers, political payoffs, misappropriated pension funds, environmental destruction, the deforestation of the rain forests or impoverished employees who must live on welfare to survive, these companies want

what they want, and they want it now! One cannot help but hearken to what seems like a return to the heartless days of greed and social irresponsibility that Charles Dickens despaired so in his England of the 1850's.

And at the moment, the future looks rather gloomy. The public, having absorbed the cost of environmental degradation, air and water pollution, the loss of forests and mineral deposits, the depletion of fisheries and wildlife habitat, nuclear waste storage, urban decay, asbestos health problems, the S&L failure, tobacco cancer costs and the job losses from outsourcing, will soon be also be asked to assume the obligations of billions of dollars of misappropriated pension funds and the simply incomprehensible damage of global warming.

Wal*Mart refuses full-time employment so that it does not have to pay its employees benefits, mostly to young single mothers. This forces many of them to supplement their income through public welfare. You and I, through our tax dollars, pay Wal*Mart's payroll. The Me First companies have learned to mitigate the sting of public criticism with PR programs, lawyers, lobbyists, pseudo-scientific reports, and lots of cash. What has been lost in the Me First organizations is a sense of empathy for the world in which they live. And psychologists tell us that it is empathy that raises the sense of altruism in people. If the Me First leaders are cut off from society, alienated through organizational insulation, unwilling or unable to feel compassion for their employees, customers, or the public, the corporation's self-interest will necessarily become narrowly focused and narcissistic (if it was not already so).

Abraham Lincoln was one of the most compassionate and kind-hearted men to ever occupy the White House. There is a story that when Lincoln was an attorney, he was discussing his philosophy of self-interest with a fellow passenger on a stagecoach. Lincoln professed that there was no act that was not prompted by at least some self-interest. At that very moment, they passed a squealing young pig that had become mired in the mud by the side of the road. Lincoln had the coach stopped and waded out into the mud to free the pig. Upon Lincoln's muddy return, his seatmate decried, "Now look here, you cannot say that was a selfish act!" "Extremely selfish," Lincoln replied. "If I had left that little fellow in the mud, the memory of his squealing would have made me uncomfortable all day." It is that sort of compassion that has been squeezed out of the money-driven, stock-price worshipping, Me First executives, if any was ever there in the first place. They do not hear the squeal of the pig or the pain of the millions of people they impoverish by their greed and lust for power.

Fortunately, a contrary wind is blowing. A number of organizations, either from concern for the planet, recognition of what is better for their employees, or just because it makes them feel better, are taking a markedly different approach to doing business. Theirs is a "Compassion First" ethicality that puts them in polar conflict with the "Me Firsters." Fundamental to many of these organizations is the belief that the company has many stakeholders and that employees, customers, the environment, vendors and the

community, along with shareholders, can all gain meaning from the organization's existence.

Most notable are firms like: Procter & Gamble, Hewlett-Packard, John Deere, Intel, Avon, Herman Miller, Timberland, Cisco Systems, Southwest Airlines, AT&T, Starbucks, The St. Paul Companies, Pixar, AFLAC, Weight Watchers, Pepsi, Motorola, Agilent, Apple Computer, Fannie Mae, Green Mountain Coffee, Whole Foods and Eastman Kodak. Some of their hands aren't totally clean; after all, these are large organizations with histories. But, each of them is working today to create a sense of ethics with its various publics. Contrary to commonly held accounting values, they are also demonstrating that socially conscious policies can create a definite and measurable positive impact on profit.

Compassionate management is not a new philosophy. Over the years many firms, usually smaller organizations with a dedicated individual owner, have done business this way. But, these organizations have generally been overshadowed by the raw market power of their corporate competitors. John Mackey of Whole Foods calls this more compassionate philosophy "stakeholder capitalism." He says:

"Maximizing shareholder value doesn't get employees, customers or the community excited. Stakeholder capitalism does. I've never felt comfortable with people who think the purpose of business is to make a profit. It's like saying that the purpose of life is to eat. Well, you can't live if you don't eat, but you don't live to eat. And neither does business exist primarily to make a profit. It exists to fulfill its purpose, whatever that purpose might be."

The Compassionate Companies make the process of doing business more fulfilling, not just more profitable, for everyone. That, more than anything, may eventually spell the difference between them and the Me First organizations. This will be helped a great deal when consumers recognize the difference and respond accordingly. That may give the Compassionate Companies an edge with at least some consumers who are willing to pay for socially conscious products and services. It is more difficult to see them affecting the price conscious souls who support the big box stores who thrive by providing cheap prices by impoverishing suppliers (mostly third and fourth world workers), repressing their own employees and marginalizing product quality.

With the multitude of corporate ethical scandals of late, there have been calls for greater corporate transparency, but there has not been sufficient public outrage to force politicians to make significant changes, to either the law or to Wall Street practices. It does seem strange that America, so upset over the war in Viet Nam in the 1970's, seems to have simply gone to sleep about corporate and governmental corruption.

Given the present situation, it is likely that the pressure for change will come from European governments who refuse to accept genetically engineered crops and have taken Microsoft to task for its anti-competitive practices. (A similar effort to control Microsoft in the U.S. died when the Republicans took over the White House.) Wal*Mart continues to stumble badly in Europe as Europeans thumb their collective noses at its practices. Elsewhere, the conflict with Islam over Western business practices and governmental policies will continue to pose a difficult problem. (I will write more about the Islamic conflict next month).

In the West it is more likely that Compassionate Companies will succeed simply because they are simply just more enjoyable to work for and do business with. Robert Lane, Chairman and CEO of John Deere says, "[It's the stuff that makes you want to get up in the morning.](#)" People are proud to be associated with these organizations. As John Mackey of Whole Foods puts it, "[What the world wants business to do is to care about more than just making money. And that's what business must evolve to do.](#)"

So what can you do? It's pretty simple, really. As long as we are motivated simply by prices, we are going to get what we ask for. The economic system, like the government, depends upon our support. Most people do not realize the power contained in their economic choices. Start thinking a little bit more about where you shop and what you buy. I feel better when I buy free trade coffee or chocolate, refuse genetically altered produce or chemically laden meat because I know I'm making a difference. Yeah, it sometimes costs more, but, remember, "Peace begins with you." It really does make a difference!

[i] John Cavanaugh and Sarah Anderson, Field Guide to the Global Economy (New York: New Press, 1999): 68.