

## **Responsibility of the corporation: Avoiding the pitfalls while fostering the potential in organizations and societies**

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### **Abstract**

Much confusion, emotions and debate in organization and management studies is caused by the still ambiguous notion of corporate responsibility and its consequences on organisations, societies and the natural environments. This paper attempts, firstly, to conceptually tackle some of these fundamental challenges related to the responsibility phenomenon by posing a rather stripped-down research problem of what is corporate responsibility. Secondly, the inquiry proceeds to examine related potentials and pitfalls of responsible business.

An answer to the question of what corporate responsibility is can be given from three different perspectives or archetypical cases, which are in the paper labelled as (a) business case, (b) critical case, and (c) beyond the business case. Each of these cases holds an altering set of assumptions related to the moral agency of the firm, and consequently varying normative arguments about how economic activities should be organised and managed.

By acknowledging the underlying assumptions and ideological bases behind the cases arguably leads to more reflective research and business practices. Moreover, a more

inclusive understanding of the phenomenon can be reached if the perspectives are triangulated and made explicit. With this rationale, I suggest the following definition for corporate responsibility: corporate responsibility is consideration for others (both the salient and fringe stakeholders, including the natural environment and other non-human actors) that is manifested in corporate discourses and/or actions beyond the contextual legal compliance. Furthermore, responsibility in a business organisation can be a means and/or an end for the firm.

Based again on this definition, in which responsibility of the corporation depends on the organisation at issue and its context, I argue that responsibility of private actors in organizing economic activity holds both potentials and pitfalls for the firm, society and the natural environments. Due to the considerable power of global corporations and their broad supplier- and customer-base, a huge potential lies in corporate responsibility from the point of view of healthier societies and ecosystems. For instance, if the one-hundred largest companies in the world decided to switch to renewable energy in their business and demand this also from their suppliers, climate emissions would drastically drop. Whether this is realistic, is then again another question. Other, rather real potentials in corporate responsibility are for the firm itself through a more stable identity, better reputation and increased legitimacy. However, there are pitfalls related to these potentials. While the firm may enjoy its responsible character, the societies and the natural environments may lose over time if this responsabilization of the market actors leads to diminishing the role of the state and the power of the non-corporate actors. This stands out as a pitfall, because structural market failures (such as information asymmetries and externalities) and the problems of economic growth (such as social exclusiveness and environmental damage) underline the need for democratic decision-making and legal restrictions for harmful business practices.

As a conclusion, it thus becomes quite evident that claims such as “more corporate responsibility is always good” may have to be impugned. In developing normative arguments about how economic activities should be organised and managed, it might be worthwhile to analyse the role of the corporation in relation to other actors in the field. In this task, being aware of the competing values behind the discourses and actions of that specific time and place is arguably useful for any purpose.

**Keywords:** corporate responsibility, corporate social responsibility, corporate environmental responsibility, corporate economic responsibility, business case, critical case, beyond business case