

# Corporate Transgressions through Moral Disengagement

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*Corporate transgression is a well-known phenomenon in today's business world. Some corporations are involved in violations of law and moral rules that produce organizational practices and products that take a toll on the public. Social cognitive theory of moral agency provides a conceptual framework for analyzing how otherwise pro-social managers adopt socially injurious corporate practices. This is achieved through selective disengagement of moral self-sanctions from transgressive conduct. This article documents moral disengagement practices in four famous cases of corporate transgressions and discusses some implications for business ethics on how to counteract organizational use of moral disengagement strategies.*

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In the past decades corporate transgressions have become a major socio-political problem both in developed and developing countries. The phenomenon of corporate deviance requires critical, cross-disciplinary studies that might illuminate the darker side of contemporary business practice. We have to acknowledge that one is dealing with institutional practices that are not easily examinable by conventional means. Study of corporate transgressions is highly reliant on scandals, the media, public inquiries, police investigations and whistle-blowers for glimpses of the concealed world of top management and its involvement in

dirty tricks. Much research relies therefore on published secondary sources.<sup>1</sup>

Corporate transgression is about the exercise and abuse of power that is closely linked to the legitimate conduct of business. The essence of business is pursuit of legitimate interests of the parties involved in transactions circumscribed by rules that protect both the parties and their relationship to the interests of the public, society, state and regulatory agencies.<sup>2</sup>

Although a great deal of corporate transgression is never classified as crime and the law plays a minor role in its regulation, the greatest

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discrepancy between common and white-collar violations is that corporations have the power to mobilize resources to influence the rules that cover their own conduct. In many cases corporations actively defend their interests in ways that would normally be unthinkable for common law breakers.<sup>3</sup>

The most striking aspect of corporate transgression is that it is committed not by dangerous criminally-oriented mavericks, but by eminent members of the business community who break rules ostensibly in the interests of their companies and their own.<sup>4</sup> The challenging question is why otherwise good managers engage in dirty business and why their conscience never bothers them.<sup>5</sup> In this article we draw on the theory and empirical findings of moral psychology to shed some light on this paradox.

### **Social Cognitive Theory of Moral Agency**

Social cognitive theory addresses the exercise of moral agency.<sup>6</sup> In this explanatory framework personal factors in the form of moral thought and self-evaluative reactions, moral conduct and environmental influences operate as interacting determinants of each other. Within this triadic reciprocal causation, moral agency is exercised through self-regulatory mechanisms. Transgressive conduct is regulated by two sets of sanctions, social and personal. Social sanctions are rooted in the fear of external punishment, while self-sanctions operate through self-condemning reactions to one's misconduct. After people adopt moral standards, self-sanctions serve as the main guides and deterrents that keep behaviour in line with moral standards.

The adoption of moral standards does not create a fixed control mechanism within the person. There are many psycho-social mechanisms by

which moral control can be selectively engaged or disengaged from detrimental conduct.<sup>7</sup> The mechanisms of moral disengagement enable otherwise considerate people to commit transgressive acts without experiencing personal distress.

### **Moral Justification**

People do not ordinarily engage in reprehensible conduct until they have justified to themselves the rightness of their actions. In this process of moral justification detrimental conduct is made personally and socially acceptable by portraying it in the service of valued social or moral purposes.

### **Euphemistic Labelling**

Activities can take on markedly different appearances depending on what they are called. Euphemistic labelling provides a convenient tool for masking reprehensible activities or even conferring a respectable status upon them. Through sanitized and convoluted verbiage destructive conduct is made benign and those who engage in it are relieved of a sense of personal agency.

### **Advantageous Comparison**

Behaviour can also assume very different qualities depending on what it is contrasted with. By exploiting advantageous comparison injurious conduct can be rendered benign or made to appear to be of little consequence. The more flagrant the contrasted activities, the more likely it is that one's own injurious conduct will appear trifling or even benevolent.

### **Displacement of Responsibility**

Under displacement of responsibility people view their actions as springing from social pressures

or dictates of others rather than as something for which they are personally responsible. Because they are not the actual agents of their actions, they are spared self-censuring reactions. Hence, they are willing to behave in ways they normally repudiate if a legitimate authority accepts responsibility for the effects of their actions.

### ***Diffusion of Responsibility***

The exercise of moral control is also weakened when personal agency is obscured by diffusion of responsibility for detrimental conduct. Any harm done by a group can always be attributed largely to the behaviour of others. People behave more cruelly under group responsibility than when they hold themselves personally accountable for their actions.

### ***Disregarding or Distorting the Consequences***

Additional ways of weakening self-detering reactions operate by disregarding or distorting the consequences of action. When people pursue activities harmful to others for personal gain or because of social inducements they avoid facing the harm they cause or they minimize it. In addition to selective inattention and cognitive distortion of effects, the misrepresentation may involve active efforts to discredit evidence of the harm that is caused.

### ***Dehumanization***

Self-censure for injurious conduct can be disengaged or blunted by dehumanization that divests people of human qualities or attributes bestial qualities to them. Once dehumanized, they are no longer viewed as persons with feelings, hopes, and concerns, but as subhuman objects.

### ***Attribution of Blame***

Blaming one's adversaries or compelling circumstances is still another expedient that can serve self-exonerating purposes. In moral disengagement by attribution of blame, people view themselves as faultless victims driven to injurious conduct by forcible provocation. By fixing the blame on others or on circumstances, not only are one's own injurious actions excusable, but one can even feel self-righteous in the process.

Moral disengagement can affect detrimental behaviour both directly and indirectly. People have little reason to be troubled by guilt or to feel any need to make amends for harmful conduct if they construe it as serving worthy purposes or if they disown personal agency for it. High moral disengagement is accompanied by low guilt, thus weakening anticipatory self-restraints against engagement in detrimental behaviour. Self-exoneration for harmful conduct and self-protective dehumanization of others and treating them as blameworthy spawn a low pro-social orientation. Low pro-socialness in turn contributes to detrimental conduct in two ways: having little sympathy for others both removes the restraining influence of empathetic consideration of others and activates little anticipatory guilt over injurious conduct; and under some circumstances effective moral disengagement creates a sense of social rectitude and self-righteousness that breeds ruminative hostility and retaliatory thoughts for perceived grievances.

### ***Moral Disengagement Strategies of Corporations***

A corporation is similar to a person in some important respects. First, the reciprocal causation

operates among corporate modes of thinking, corporate behaviour and the environment. Second, a corporation can be viewed both as a social construction and as an agentic system with the power to realize its intentions. Third, corporate identity is crucial for the development and functioning of a corporation. Moreover, the practices of a corporation operate through self-regulatory mechanisms. These mechanisms regulate the allocation of resources in the pursuit of the goals and objectives of the corporation in accordance with its values and standards. When corporations engage in reprehensible conduct they are likely to do so through selective disengagement of moral self-sanctions. The following brief analyses of famous business ethics cases illustrate the disengagement practices.

### ***The Bhopal Case<sup>8</sup>***

On 3 December 1984 the world's worst industrial disaster happened in Bhopal, India. Some 40 tonnes of methyl isocyanate (MIC) gas escaped from the Union Carbide India Limited (UCIL) pesticide production plant. At least 2,500 people were killed, 10,000 seriously injured, 20,000 partially disabled and 180,000 others affected in one way or another.

Very early in the morning of that day a violent chemical reaction occurred in a large storage tank at the Union Carbide factory. A huge amount of MIC—a chemical so highly reactive that a trace contaminant can set off a chain reaction—escaped from the tank into the cool winter's night air. A yellow-white fog, an aerosol of uncertain chemical composition, speared over the sleeping city of some 800,000. The mist, which hung close to the ground, blanketed the slums of Bhopal. Hundreds of thousand of residents were roused from their sleep, coughing, vomiting and wheezing.

The Bhopal plant was operated by UCIL, a subsidiary of the Union Carbide Corporation

headquartered in Danbury, Connecticut. Despite Indian law limiting foreign ownership of corporations to 40 per cent, the US parent company was allowed to retain majority ownership (50.9 per cent) of UCIL because it was considered a 'high-technology' enterprise.

Union Carbide officials claimed that they did not apply a 'double standard' in safety regulation. Warren Anderson, chairman of Union Carbide Corporation, insisted that there were no differences between the Bhopal plant and Union Carbide's West Virginia plant. This argument was erroneous but served as an advantageous comparison for Union Carbide. In reality, the Bhopal plant had violated the company's safety standards and operated in a way that would not have been tolerated in the United States.

Two years before the disaster a three-member safety team from Union Carbide headquarters had visited the Bhopal plant and submitted a revealing report on the dangers of the MIC section. The report had recommended various changes to reduce the risks at the plant, but the recommendations were never implemented. Union Carbide's main strategy was to displace responsibility by blaming the Indian government for its failure to effectively regulate the plant and for allowing people to live nearby.

Union Carbide was allowed to locate its factory in the middle of Bhopal, just 2 miles from the Bhopal railway station. It was convenient for shipping, but proved to be disastrous for the people living nearby. For years the plant had been ringed with shantytowns, mostly populated by squatters. All three of the worst-affected communities in the disaster apparently existed before the Union Carbide plant opened. In court trials Union Carbide refused to pay anything to the Indian victims and their families, whose impoverished status made them easy to be dehumanized and disregarded.

### **The Ford Pinto Case<sup>9</sup>**

On 10 August 1978 a tragic automobile accident occurred on US Highway 33 near Goshen, Indiana. Sisters Judy and Lynn Ulrich and their cousin Donna Ulrich were struck from the rear in their 1973 Ford Pinto by a van. The gas tank of the Pinto ruptured, the car burst into flames and the three teenagers were burnt to death.

This was not the only case when the Ford Pinto caused a serious accident by explosion. By conservative estimates Pinto crashes had caused at least 500 burn deaths. There were lawsuits against Ford because it had been proven that the top managers of the company were informed about the serious design problem of the model. Despite the warnings of their engineers, the Ford management decided to manufacture and sell the car with the dangerously defective design.

Ford used different moral disengagement strategies to defend its highly controversial decision. First, Ford continuously claimed that the 'Pinto is safe', thus denying the risk of injurious consequences. Ford managers justified their claim by referring to the US safety regulation standards in effect till 1977. In doing so they displaced their responsibility for a car that caused hundreds of deaths to the driving practices of people who would not have been seriously injured if their Ford Pinto had not been designed in a way that made it easily inflammable in a collision.

Ford engineers concluded that the safety problem of the Pinto could be solved by a minor technological adjustment. It would have cost only \$11 per car to prevent the gas tank from rupturing so easily. Ford produced an intriguing and controversial cost-benefit analysis study to prove that this modification was not cost effective to society. The study provided social justification for not making that option available to customers.

Ford convinced itself that it was better to pay millions of dollars in Pinto jury trials and out-of-

court settlements than to improve the safety of the model. By placing dollar values on human life and suffering, Ford simply disregarded the consequences of its practice relating to the safety of millions of customers.

### **The Nestle Case<sup>10</sup>**

Nestle has been the largest producer and seller of infant formula products in Third World countries. Its marketing practices received worldwide criticism during the seventies and eighties. Infant formula is not harmful to the consumer when used properly under appropriate conditions. However, it is a demanding product that can be harmful to users when risk conditions are present. Nestle sold its infant formula to mothers in Africa, Latin America and South Asia, many of whom lived under circumstances that made the use of such products a highly risky practice.

First, infant formula must be sold in powdered form in tropical environments, requiring that mothers mix the powder with locally available water. When water supplies are of poor quality, as they are in many developing countries, infants are exposed to disease. Second, since the product must be mixed, preparation instructions are important and mothers must be able to read them. However, the rate of female illiteracy is very high in many developing nations. Third, since infant formulas are relatively expensive to purchase there is a temptation to overdilute the powder with water. Unfortunately, overdiluted formula preparations provide very poor nutrition for infants. Having decided to bottle-feed their babies in order to increase their chances for a healthy life many mothers discovered to their horror that they had actually been infecting and starving their infants.

During the late seventies the infant formula controversy became increasingly politicized in

Europe and the United States. A Swiss public action group labelled Nestle as the 'baby killer'. Others claimed that Nestle causes 'commerciogenic malnutrition' in Third World countries—malnutrition brought about because of its commercial practices. In 1978 a powerful consumer boycott of Nestle and its products was begun in the United States.

The company's representatives charged that the boycott was a conspiracy of religious organizations and an indirect attack on the free enterprise system. Nestle tried to defend and morally justify its questionable marketing practice by referring to the freedom of production and marketing. The Nestle statement was a political disaster. The company was denounced for its foolishness in the US media.

Companies may not close their eyes once their product is sold. They have a continuing responsibility to monitor the product's use, resale and consumption to determine who are actually using the product and how they are using it. Post-marketing reviews are a necessary step in this process. In 1978 Nestle confessed that like other companies in the industry it did no such research and did not know who actually used its products and the manner in which they did so. In this negligent attitude towards learning about the effects of its product, Nestle was acting on the strategy of disregarding the harmful consequences of its practice in developing countries.

In 1984 Nestle's self-discrediting experience with the controversy over its infant formula finally came to an end by adopting the policy recommendations of the WHO international marketing code. However, the company and the morale of its employees suffered a major blow. It is difficult to say how long it will take for Nestle to regain its good name and for the public to regard the company once again as a good corporate citizen.

### **The Three Mile Island Case<sup>11</sup>**

The most severe accident in US commercial nuclear power plant history occurred at the Three Mile Island Unit 2 in Harrisburg on 28 March 1979. People were told to stay indoors and pregnant mothers and small children were advised to leave the area. There were widespread rumours of a general evacuation. Indeed, some 100,000 people simply voted with their feet and got up and left the area. Although there were no direct deaths or injuries, there was talk of a possible explosion equivalent to a 1-megaton bomb. There were 4 million litres of contaminated water blown out of the system. Figures for the clean-up were initially set at somewhere between \$200 and 500 million. Ten years later the cleaning was still continuing.

Babcock and Wilcox built the reactor, General Public Utilities ran Three Mile Island and Metropolitan Edison owned it. During and after the event Metropolitan Edison simply refused to face up to the seriousness of the situation. The company tried to distort consequences by continually issuing denials and minimizing the accident. In effect, the public was told there was no problem, no danger and everything was routine. They also used euphemisms and displacement of responsibility to 'operator error' in providing a public explanation that tended to play down the seriousness of the accident.<sup>12</sup>

Later on Metropolitan Edison made strong efforts to diffuse responsibility among the other main actors involved, namely, Babcock and Wilcox, General Public Utilities and the Nuclear Regulatory Commission. All endeavoured to avoid blame for the accident in which the United States had just narrowly escaped its Chernobyl.

Table 1 shows the moral disengagement mechanisms used in the analyzed cases. The listed ones probably underestimate the scope of the mechanisms

Table 1  
*Disengagement Mechanisms Used in Different Business Ethics Cases*

<i>Disengagement Mechanisms</i>	<i>Bhopal Case</i>	<i>Ford Pinto Case</i>	<i>Nestle Case</i>	<i>Three Mile Island Case</i>
Moral justification		✓	✓	
Euphemistic labelling				✓
Advantageous comparison	✓			
Displacement of responsibility		✓		
Diffusion of responsibility				✓
Disregarding or distorting the consequences		✓	✓	✓
Dehumanization	✓			
Attribution of blame	✓			

employed because they are confined to publicly observable manifestations of moral disengagement. The enlistment of exonerate practices is often buried in corporate memos and surreptitious sanctioning practices rather than being publicly expressed.

What is informative in these cases is that the moral collusion can end in justifying actions whose outcomes continue to be disapproved. The belief system of the corporation may remain unaffected for a long time by practices that are detrimental to it as well as to the general public. Selective disengagement mechanisms are deployed to mask such a contradiction and to perpetuate harmful corporate practices.

Scientific advances in a field are accelerated by the development of sensitive instruments for measuring the psycho-social phenomena of interest. Research using scales representing each of the eight disengagement mechanisms are adding greatly to the understanding of how disengagement of moral self-sanctions fosters involvement in transgressive and antisocial conduct.<sup>13</sup> The development of scales for assessing proneness to moral disengagement in corporate activities holds promise for achieving new knowledge in the area of business ethics.

### Implications for Business Ethics

When the mechanisms of moral disengagement are at work in corporations, business ethics is difficult to manage, especially when the sanctioning practices are surreptitious and the responsibility for policies is diffused. Numerous exonerative strategies can be enlisted to disengage social and moral sanctions from detrimental practices with a low sense of personal accountability. A central issue is how to counteract moral disengagement strategies of corporations.

From the perspective of business ethics, there are several strategies for counteracting resort to moral disengagement. One approach is to monitor and publicize corporate practices that have detrimental human effects. The more visible the consequences are on the affected parties for the decision makers, the less likely it is that they can be disregarded, distorted or minimized for long. Another approach is to increase transparency of the discourse by which the deliberation of corporate policies and practices are born. The more public the discourse about corporate decisions and policies, the less likely are corporate managers to justify the reprehensible conduct of their organizations.

Diffused and ambiguous responsibility structures make it easy to discount personal contribution to harmful effects. Instituting clear lines of accountability curtail moral disengagement. Exposing sanitizing language that masks reprehensible

practices is still another corrective. The affected parties often lack social influence and status that make it easy to dehumanize and disregard them. They need to be personalized and their concerns publicized and addressed.

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