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## Corporate Legitimacy

In his famous book *Economics of Love and Fear*, Kenneth Boulding suggests that business is a peaceful alternative to war (Boulding, K. 1973). This might be true in principle, but today business seems to be at war with society and nature. Striving for profit and competitiveness, mainstream businesses produce monetary results at the expense of nature, society and future generations.

In his influential book *When Corporations Rule the World*, social critic David Korten argues that today's global economy has become like a malignant cancer, advancing the colonization of the planet's living spaces for the benefit of powerful corporations and financial institutions. It has turned these once useful institutions into instruments of a market tyranny that is destroying livelihoods, displacing people, and feeding on life in an insatiable quest for money. It forces us all to act in ways destructive of our selves, our families, our communities, and nature (Korten, D. 1995).

Conventional legitimizing arguments for business do not work anymore. Referring to efficiency or job creation is not enough for stakeholders who are angry with corporate bosses and their insensitive policies. New arguments and performances are needed for corporations to gain legitimacy in the 21st century.

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The paper was written as part of the research project of the Corvinus University of Budapest "Társadalmi Megújulás Operatív Program" TÁMOP-4-2.1.B-09/1/KMR-2010-0005

## 2 Just War Theory

I suggest that the Just War theory provides an excellent methodological device for determining the conditions of legitimacy of companies.

The Just War theory promotes the view that a specific war is just if satisfactory conditions are met. The Just War tradition addresses the morality of the use of force in two parts: when it is right to resort to armed force (the concern of “jus ad bellum”) and what is acceptable in using such force (the concern of “jus in bello”). In more recent years, a third category — “jus post bellum” — has been added, which governs the justice of war termination and peace agreements, as well as the trying of war criminals.

Just War Theory has different sets of criteria. The first establishes the right to go to war (“jus ad bellum”); the second establishes the right conduct within war (“jus in bello”), while the third establishes justice concerning the results of war (“jus post bellum”).

In business ethics we can make analogous distinctions. A company activity system can be considered *morally justifiable* if the company’s activities are substantively right, procedurally fair, and bring justice to the company's ecosystem.

## 3 Substantively Right

Being *substantively right* implies that the company activity system is ecological, future respecting and prosocial (Zsolnai, L. 2009).

This means that

- (i) the company activity system does not harm nature or allow others to come to harm;
- (ii) the company activity system does not violate the interests of future generations;
- (iii) the company activity system serves to enable people.

### 3.1 Not Harming Nature

From the perspective nature *integrity* is a central value. The notion of ecological integrity was introduced by American environmentalist Aldo Leopold in his classic *A Sand County Almanac*. He writes, “[A] thing is right when it tends to preserve the integrity, stability, and beauty of the biotic community. It is wrong when it tends otherwise” (Leopold, A. 1948).

Company activity systems might be evaluated against environmental indicators that operationalize the notion of ecological integrity.

Let **A** be the company activity system. Let **E1**,...,**Ej**,...,**En** be environmental indicators (**n** > 1).

**Ej**( ) is an ecological value function defined as follows:

$$(1) \quad \mathbf{E}_j(\mathbf{A}) = \begin{cases} 1 & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{environmental indicator } \mathbf{E}_j; \\ 0 & \text{if company activity system } \mathbf{A} \text{ is neutral regarding} \\ & \text{environmental indicator } \mathbf{E}_j; \\ -2 & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{environmental indicator } \mathbf{E}_j. \end{cases}$$

**Ej**(**A**) reflects the ecological value of company activity system **A** regarding environmental indicator **Ej**.

The following vector represents the ecological value of company activity system **A** regarding all environmental indicators **E1**,...,**Ej**,...,**En**.

$$(2) \quad \underline{\mathbf{E}}(\mathbf{A}) = [\mathbf{E}_1(\mathbf{A}), \dots, \mathbf{E}_j(\mathbf{A}), \dots, \mathbf{E}_n(\mathbf{A})]$$

To get an aggregate picture of the ecological value of the company activity system we should define weights that show the importance of environmental indicators. Let **a1**,...,**aj**,...,**an** be such importance weights.

It is required that

$$(3) \quad \sum \mathbf{a}_j = 1$$

The aggregate ecological value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(4) \quad \mathbf{E}(\mathbf{A}) = \sum \mathbf{a}_j \mathbf{E}_j(\mathbf{A})$$

$\mathbf{E}(\mathbf{A})$  shows the aggregate ecological value of company activity system  $\mathbf{A}$  ( $1 \geq \mathbf{E}(\mathbf{A}) \geq -2$ ).

The company activity system is considered *ecological* if and only if its aggregate ecological value is positive. That is

$$(5) \quad \mathbf{E}(\mathbf{A}) > 0$$

### 3.2 Respecting Future Generations

How can we evaluate a company activity system from the perspective of *future generations*? We cannot know a great deal about the interests of future generations, but *freedom* is a central value here.

According to *Edith Brown Weiss* the freedom of future generations is insured by satisfying the following principles (Brown Weiss, E. 1989):

- (i) conservation of options;
- (ii) conservation of quality;
- (iii) conservation of access.

Considering principles (i), (ii), and (iii), future-generations indicators can be created. Let  $\mathbf{F}_1, \dots, \mathbf{F}_j, \dots, \mathbf{F}_n$  be such indicators against which company activity systems can be evaluated ( $n > 1$ ).

Future-generations value function  $\mathbf{F}_j(\ )$  is defined as follows:

$$(6) \quad \mathbf{F}_j(\mathbf{A}) = \begin{array}{ll} \mathbf{1} & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{future-generations indicator } \mathbf{F}_j; \\ \mathbf{0} & \text{if company activity system } \mathbf{A} \text{ is neutral regarding} \\ & \text{future-generations indicator } \mathbf{F}_j; \\ \mathbf{-2} & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{future-generations indicator } \mathbf{F}_j. \end{array}$$

$\mathbf{F}_j(\mathbf{A})$  reflects the future-generations value of company activity system  $\mathbf{A}$  regarding indicator  $\mathbf{F}_j$ .

The following vector represents the future-generations value of company activity system  $\mathbf{A}$  regarding future-generations indicators  $\mathbf{F}_1, \dots, \mathbf{F}_j, \dots, \mathbf{F}_n$ .

$$(7) \quad \underline{\mathbf{F}}(\mathbf{A}) = [\mathbf{F}_1(\mathbf{A}), \dots, \mathbf{F}_j(\mathbf{A}), \dots, \mathbf{F}_n(\mathbf{A})]$$

To get an aggregate picture of the future-generations value of company activity system  $\mathbf{A}$  we should introduce weights that show the importance of indicators  $\mathbf{F}_1, \dots, \mathbf{F}_j, \dots, \mathbf{F}_n$ . Let  $\mathbf{b}_1, \dots, \mathbf{b}_j, \dots, \mathbf{b}_n$  be such importance weights.

It is required that

$$(8) \quad \sum \mathbf{b}_j = \mathbf{1}$$

The aggregate future-generations value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(9) \quad \sum \mathbf{b}_j \mathbf{F}_j(\mathbf{A})$$

$\mathbf{F}(\mathbf{A})$  shows the aggregate future-generations value of company activity system  $\mathbf{A}$  ( $\mathbf{1} \geq \mathbf{F}(\mathbf{A}) \geq \mathbf{-2}$ ).

The company activity system can be considered *future respecting* if its aggregate future-generations value is positive. That is

$$(10) \quad \mathbf{F}(\mathbf{A}) > \mathbf{0}$$

### 3.3 Enabling People

*Amartya Sen* proposed to understand people's well-being in terms of *capabilities*. Capability is a reflection of the freedom of a person to achieve valuable functioning. Therefore capabilities can be interpreted as substantive freedom that people enjoy (Sen, A. 1992).

Let  $G_1, \dots, G_j, \dots, G_n$  be capability indicators against which the company activity system can be evaluated ( $j > 1$ ).

Let  $G_j ( )$  social-value function be defined as follows:

$$(11) \quad G_j(A) = \begin{cases} 1 & \text{if company activity system } A \text{ is good regarding} \\ & \text{capability indicator } G_j; \\ 0 & \text{if company activity system } A \text{ is neutral regarding} \\ & \text{capability indicator } G_j; \\ -2 & \text{if company activity system } A \text{ is bad regarding} \\ & \text{capability indicator } G_j. \end{cases}$$

$G_j(A)$  shows the social value of company activity system  $A$  regarding capability indicator  $G_j$ .

The following vector represents the social value of company activity system  $A$  regarding all the capability indicators  $G_1, \dots, G_j, \dots, G_n$ .

$$(12) \quad \underline{G}(A) = [G_1(A), \dots, G_j(A), \dots, G_n(A)]$$

To get an aggregate picture of the social value of company activity system  $A$  we should introduce weights that show the importance of the capability indicators. Let  $c_1, \dots, c_j, \dots, c_n$  be such importance weights.

It is required that

$$(13) \quad \sum c_j = 1$$

The aggregate social value of company activity system **A** can be calculated as follows:

$$(14) \quad G(\mathbf{A}) = \sum c_j G_j(\mathbf{A})$$

**G(A)** shows the aggregate social value of the company activity system **A** ( $1 \geq G(\mathbf{A}) \geq -2$ ).

The company activity system is considered *prosocial* if its aggregate social value is positive. That is

$$(15) \quad G(\mathbf{A}) > 0$$

#### 4 Procedurally Fair

Being *procedurally fair* implies that the company should treat all the important stakeholders in a fair way.

This includes that

- (i) the company provides the owners with a fair return of investment;
- (ii) the company ensures a decent livelihood for its employees;
- (iii) the company deals with its customers properly;
- (iv) the company adheres to fair trade with suppliers;
- (v) the company establishes collaboration with local communities.

##### 4.1 Fair Return on Investment

Let **P1, ..., Pj, ..., Pn** be indicators of return on investment against which the company activity system can be evaluated ( $n > 1$ ).

Let  $P_j ( )$  value function be defined as follows:

$$(16) \quad P_j(A) = \begin{cases} 1 & \text{if company activity system } A \text{ is good regarding} \\ & \text{return-on-investment indicator } P_j; \\ 0 & \text{if company activity system } A \text{ is neutral regarding} \\ & \text{return-on-investment indicator } P_j; \\ -2 & \text{if company activity system } A \text{ is bad regarding} \\ & \text{return-on-investment indicator } P_j. \end{cases}$$

$P_j(A)$  shows the value of company activity system  $A$  regarding quality-of-working-life indicator  $P_j$ .

The following vector represents the value of company activity system  $A$  regarding all the return-on-investment indicators  $P_1, \dots, P_j, \dots, P_n$ .

$$(17) \quad \underline{P}(A) = [P_1(A), \dots, P_j(A), \dots, P_n(A)]$$

To get an aggregate picture of the value of company activity system  $A$  we should introduce weights that show the importance of the return-on-investment indicators. Let  $d_1, \dots, d_j, \dots, d_n$  be such importance weights.

It is required that

$$(18) \quad \sum d_j = 1$$

The aggregate value of company activity system  $A$  regarding the owners can be calculated as follows:

$$(19) \quad P(A) = \sum d_j P_j(A)$$

$P(A)$  shows the aggregate value of the company activity system  $A$  regarding the owners ( $1 \geq P(A) \geq -2$ ).

The company provides fair return of investment if its aggregate value regarding the owners is positive. That is

$$(20) \quad P(\mathbf{A}) > 0$$

#### 4.2 Quality of Working Life

Let  $Q_1, \dots, Q_j, \dots, Q_n$  be quality-of-working-life indicators against which the company activity system can be evaluated ( $n > 1$ ).

Let  $Q_j(\cdot)$  value function be defined as follows:

$$(21) \quad Q_j(\mathbf{A}) = \begin{cases} 1 & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{quality-of-working-life indicator } Q_j; \\ 0 & \text{if company activity system } \mathbf{A} \text{ is neutral regarding} \\ & \text{quality-of-working-life indicator } Q_j; \\ -2 & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{quality-of-working-life indicator } Q_j. \end{cases}$$

$Q_j(\mathbf{A})$  shows the value of company activity system  $\mathbf{A}$  regarding quality-of-working-life indicator  $Q_j$ .

The following vector represents the value of company activity system  $\mathbf{A}$  regarding all the quality-of-working-life indicators  $Q_1, \dots, Q_j, \dots, Q_n$ .

$$(22) \quad \mathbf{Q}(\mathbf{A}) = [Q_1(\mathbf{A}), \dots, Q_j(\mathbf{A}), \dots, Q_n(\mathbf{A})]$$

To get an aggregate picture of the value of company activity system  $\mathbf{A}$  we should introduce weights that show the importance of the quality-of-working-life indicators. Let  $e_1, \dots, e_j, \dots, e_n$  be such importance weights.

It is required that

$$(23) \quad \sum e_j = 1$$

The aggregate social value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(24) \quad Q(A) = \sum e_j Q_j(A)$$

$Q(A)$  shows the aggregate value of company activity system  $A$  ( $1 \geq Q(A) \geq -2$ ).

The company ensures decent livelihood for its employees if its aggregate quality-of-working-life value is positive. That is

$$(25) \quad Q(A) > 0$$

### 4.3 Dealing with Customers Properly

Let  $R_1, \dots, R_j, \dots, R_n$  be customer-relationships indicators against which the company activity system can be evaluated ( $j > 1$ ).

Let  $R_j ( )$  customer-relationships value function be defined as follows:

$$(26) \quad R_j(A) = \begin{cases} 1 & \text{if company activity system } A \text{ is good regarding} \\ & \text{customer-relationships indicator } R_j; \\ 0 & \text{if company activity system } A \text{ is neutral regarding} \\ & \text{customer-relationships indicator } R_j; \\ -2 & \text{if company activity system } A \text{ is bad regarding} \\ & \text{customer-relationships indicator } R_j. \end{cases}$$

$R_j(A)$  shows the value of company activity system  $A$  regarding customer-relationships indicator  $R_j$ .

The following vector represents the value of the company activity system  $A$  regarding all the customer-relationships indicators  $R_1, \dots, R_j, \dots, R_n$ .

$$(27) \quad \underline{R}(A) = [R_1(A), \dots, R_j(A), \dots, R_n(A)]$$

To get an aggregate picture of the customer-relationships value of company activity system **A** we should introduce weights that show the importance of the quality-of-working-life indicators. Let **f<sub>1</sub>,...,f<sub>j</sub>,...,f<sub>n</sub>** be such importance weights.

It is required that

$$(28) \quad \sum f_j = 1$$

The aggregate customer-relationships value of company activity system **A** can be calculated as follows:

$$(29) \quad R(A) = \sum f_j R_j(A)$$

**R(A)** shows the aggregate customer-relationships value of company activity system **A** ( $1 \geq R(A) \geq -2$ ).

The company appropriately deals with its customers if its aggregate customer-relationships value is positive. That is

$$(30) \quad P(A) > 0$$

#### 4.4 Making Fair Trade with Suppliers

Let **S<sub>1</sub>,...,S<sub>j</sub>,...,S<sub>n</sub>** be supplier-relationships indicators against which the company activity system can be evaluated ( $j > 1$ ).

Let **S<sub>j</sub>( )** supplier-relationships value function be defined as follows:

$$(31) \quad S_j(A) = \begin{array}{ll} 1 & \text{if company activity system } A \text{ is good regarding} \\ & \text{supplier-relationships indicator } P_j; \\ 0 & \text{if company activity system } A \text{ is neutral regarding} \\ & \text{supplier-relationships indicator } P_j; \\ -2 & \text{if company activity system } A \text{ is bad regarding} \\ & \text{supplier-relationships indicator } P_j. \end{array}$$

$S_j(\mathbf{A})$  shows the value of company activity system  $\mathbf{A}$  regarding supplier-relationships indicator  $S_j$ .

The following vector represents the value of company activity system  $\mathbf{A}$  regarding all the supplier-relationships indicators  $S_1, \dots, S_j, \dots, S_n$ .

$$(32) \quad \underline{S}(\mathbf{A}) = [S_1(\mathbf{A}), \dots, S_j(\mathbf{A}), \dots, S_n(\mathbf{A})]$$

To get an aggregate picture of the supplier-relationships value of company activity system  $\mathbf{A}$  we should introduce weights that show the importance of the supplier-relationships indicators. Let  $g_1, \dots, g_j, \dots, g_n$  be such importance weights.

It is required that

$$(33) \quad \sum g_j = 1$$

The aggregate supplier-relationships value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(34) \quad S(\mathbf{A}) = \sum g_j S_j(\mathbf{A})$$

$S(\mathbf{A})$  shows the aggregate supplier-relationships value of company activity system  $\mathbf{A}$  ( $1 \geq S(\mathbf{A}) \geq -2$ ).

The company adheres to fair trade with its suppliers if its aggregate supplier-relationships value is positive. That is

$$(35) \quad S(\mathbf{A}) > 0$$

#### 4.5 Collaborating with Local Communities

Let  $T_1, \dots, T_j, \dots, T_n$  be community-relationships indicators against which the company activity system can be evaluated ( $j > 1$ ).

Let  $T_j(\cdot)$  community-relationships value function be defined as follows:

$$(36) \quad \mathbf{T}_j(\mathbf{A}) = \begin{array}{ll} \mathbf{1} & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{community-relationships indicator } \mathbf{T}_j; \\ \mathbf{0} & \text{if company activity system } \mathbf{A} \text{ is neutral regarding} \\ & \text{community-relationships indicator } \mathbf{T}_j; \\ -\mathbf{2} & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{community-relationships indicator } \mathbf{T}_j. \end{array}$$

$\mathbf{T}_j(\mathbf{A})$  shows the value of company activity system  $\mathbf{A}$  regarding community-relationships indicator  $\mathbf{T}_j$ .

The following vector represents the value of company activity system  $\mathbf{A}$  regarding all the community-relationships indicators  $\mathbf{T}_1, \dots, \mathbf{T}_j, \dots, \mathbf{T}_n$ .

$$(37) \quad \underline{\mathbf{T}}(\mathbf{A}) = [\mathbf{T}_1(\mathbf{A}), \dots, \mathbf{T}_j(\mathbf{A}), \dots, \mathbf{T}_n(\mathbf{A})]$$

To get an aggregate picture of the community-relationships value of company activity system  $\mathbf{A}$  we should introduce weights that show the importance of the local-community-relationships indicators. Let  $\mathbf{h}_1, \dots, \mathbf{h}_j, \dots, \mathbf{h}_n$  be such importance weights.

It is required that

$$(38) \quad \sum \mathbf{h}_j = \mathbf{1}$$

The aggregate community-relationships value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(39) \quad \mathbf{T}(\mathbf{A}) = \sum \mathbf{h}_j \mathbf{T}_j(\mathbf{A})$$

$\mathbf{T}(\mathbf{A})$  shows the aggregate community-relationships value of company activity system  $\mathbf{A}$  ( $\mathbf{1} \geq \mathbf{T}(\mathbf{A}) \geq -\mathbf{2}$ ).

The company collaborates with the local community if its aggregate community-relationships value is positive. That is

$$(40) \quad \mathbf{L}(\mathbf{A}) > \mathbf{0}$$

## 5 Bringing Justice to the Company's Ecosystem

*Bringing justice* to the company's ecosystem means that

- (i) the company pays its necessary contribution to the public good;
- (ii) the company activities provide transparency;
- (iii) the fruits of the company activities are distributed equitably.

The crux of the literature about corporate citizenship can be reduced to this.

### 5.1 Contributing to the Public Good

Let  $U_1, \dots, U_j, \dots, U_n$  be public-good-contribution indicators against which the company activity system can be evaluated ( $j > 1$ ).

Let  $U_j ( )$  public-good-contribution value function be defined as follows:

$$(41) \quad U_j(\mathbf{A}) = \begin{cases} 1 & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{public-good-contribution indicator } U_j; \\ 0 & \text{if company activity system } \mathbf{A} \text{ is neutral} \\ & \text{regarding public-good-contribution indicator } U_j; \\ -2 & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{public-good-contribution indicator } U_j. \end{cases}$$

$U_j(\mathbf{A})$  shows the value of company activity system  $\mathbf{A}$  regarding public-good-contribution indicator  $U_j$ .

The following vector represents the value of company activity system  $\mathbf{A}$  regarding all the public-good-contribution indicators  $U_1, \dots, U_j, \dots, U_n$ .

$$(42) \quad \underline{\mathbf{U}}(\mathbf{A}) = [U_1(\mathbf{A}), \dots, U_j(\mathbf{A}), \dots, U_n(\mathbf{A})]$$

To get an aggregate picture of the public-good contribution of company activity system  $\mathbf{A}$  we should introduce weights that show the importance of the public-good-contribution indicators. Let  $\mathbf{i}_1, \dots, \mathbf{i}_j, \dots, \mathbf{i}_n$  be such importance weights.

It is required that

$$(43) \quad \sum \mathbf{i}_j = 1$$

The aggregate public-good-contribution value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(44) \quad \mathbf{U}(\mathbf{A}) = \sum \mathbf{i}_j \mathbf{U}_j(\mathbf{A})$$

$\mathbf{U}(\mathbf{A})$  shows the aggregate public-good-contribution value of the company activity system  $\mathbf{A}$  ( $\mathbf{1} \geq \mathbf{U}(\mathbf{A}) \geq -\mathbf{2}$ ).

The company pays its necessary contribution to the public good if its aggregate public-good contribution is positive. That is

$$(45) \quad \mathbf{U}(\mathbf{A}) > \mathbf{0}$$

## 5.2 Providing Transparency

Let  $\mathbf{V}_1, \dots, \mathbf{V}_j, \dots, \mathbf{V}_n$  be transparency indicators against which the company activity system can be evaluated ( $\mathbf{j} > \mathbf{1}$ ).

Let  $\mathbf{V}_j ( )$  transparency value function be defined as follows:

$$(46) \quad \mathbf{V}_j(\mathbf{A}) = \begin{array}{ll} \mathbf{1} & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{transparency indicator } \mathbf{V}_j; \\ \mathbf{0} & \text{if company activity system } \mathbf{A} \text{ is neutral} \\ & \text{regarding transparency indicator } \mathbf{V}_j; \\ -\mathbf{2} & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{transparency indicator } \mathbf{V}_j. \end{array}$$

$V_j(A)$  shows the value of company activity system  $A$  regarding transparency indicator  $V_j$ .

The following vector represents the value of company activity system  $A$  regarding all the transparency indicators  $V_1, \dots, V_j, \dots, V_n$ .

$$(47) \quad \underline{V}(A) = [V_1(A), \dots, V_j(A), \dots, V_n(A)]$$

To get an aggregate picture of the transparency of company activity system  $A$  we should introduce weights that show the importance of the transparency indicators. Let  $k_1, \dots, k_j, \dots, k_n$  be such importance weights.

It is required that

$$(48) \quad \sum k_j = 1$$

The aggregate transparency value of company activity system  $A$  can be calculated as follows:

$$(49) \quad V(A) = \sum k_j V_j(A)$$

$V(A)$  shows the aggregate transparency value of company activity system  $A$  ( $1 \geq V(A) \geq -2$ ).

The company provides transparency about its activity if its aggregate transparency value is positive. That is

$$(50) \quad T(A) > 0$$

### 5.3 Distributing the Fruits of Activities Equitably

Let  $W_1, \dots, W_j, \dots, W_n$  be distribution indicators against which the company activity system can be evaluated ( $j > 1$ ).

Let  $W_j ( )$  distribution value function be defined as follows:

$$(51) \quad \mathbf{W}_j(\mathbf{A}) = \begin{cases} 1 & \text{if company activity system } \mathbf{A} \text{ is good regarding} \\ & \text{distribution indicator } \mathbf{W}_j; \\ 0 & \text{if company activity system } \mathbf{A} \text{ is neutral} \\ & \text{regarding distribution indicator } \mathbf{W}_j; \\ -2 & \text{if company activity system } \mathbf{A} \text{ is bad regarding} \\ & \text{distribution indicator } \mathbf{W}_j. \end{cases}$$

$\mathbf{W}_j(\mathbf{A})$  shows the value of company activity system  $\mathbf{A}$  regarding distribution indicator  $\mathbf{W}_j$ .

The following vector represents the value of company activity system  $\mathbf{A}$  regarding all the distribution indicators  $\mathbf{W}_1, \dots, \mathbf{W}_j, \dots, \mathbf{W}_n$ .

$$(52) \quad \underline{\mathbf{W}}(\mathbf{A}) = [\mathbf{W}_1(\mathbf{A}), \dots, \mathbf{W}_j(\mathbf{A}), \dots, \mathbf{W}_n(\mathbf{A})]$$

To get an aggregate picture of the distribution value of company activity system  $\mathbf{A}$  we should introduce weights that show the importance of the distribution indicators. Let  $\mathbf{l}_1, \dots, \mathbf{l}_j, \dots, \mathbf{l}_n$  be such importance weights.

It is required that

$$(53) \quad \sum \mathbf{l}_j = 1$$

The aggregate distribution value of company activity system  $\mathbf{A}$  can be calculated as follows:

$$(54) \quad \mathbf{W}(\mathbf{A}) = \sum \mathbf{l}_j \mathbf{W}_j(\mathbf{A})$$

$\mathbf{W}(\mathbf{A})$  shows the aggregate distribution value of company activity system  $\mathbf{A}$  ( $\mathbf{1} \geq \mathbf{T}(\mathbf{A}) \geq -2$ ).

The fruits of the company's activities are distributed equitably if its aggregate distribution value is positive. That is

$$(55) \quad \mathbf{W}(\mathbf{A}) > 0$$

## 6 Gaining Legitimacy

The company activity system is *substantively right* if

$$(56) \quad \mathbf{E(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{F(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{G(A)} > \mathbf{0}$$

This means that the company activity system is sustainable, future respecting and prosocial.

The company activity system is *procedurally fair* if

$$(57) \quad \mathbf{P(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{Q(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{R(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{S(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{T(A)} > \mathbf{0}$$

This means that the company creates fair return on investment, ensures decent livelihood for its employees, deals with its customers properly, adheres to fair trade with its suppliers, and collaborates with the local community.

The company activity system *brings justice to the company's ecosystem* if

$$(58) \quad \mathbf{U(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{V(A)} > \mathbf{0} \quad \text{and} \quad \mathbf{W(A)} > \mathbf{0}$$

This means that the company pays its necessary contribution to the public good, provides transparency about its functioning, and distributes the fruits of the company's activities equitably.

If the company activity system is substantively right, procedurally fair and brings justice to the company's ecosystem then the company can achieve *full legitimacy*. This means that the company's *raison d'être*, the company's functioning as well as the company's end results are *morally justifiable*.

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