

MORAL STATUS OF CORPORATIONS

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ABSTRACT	KEYWORDS
In the article Today's widely developed Corporation and its ethical situation, The history of the corporation, analysis of views on the moral state of corporations, information on corporate culture and its importance in business development.	Corporation, ethics, spirituality, business, management, social, responsibility, reform, charity, state.

Introduction

A corporation is a special kind of entity. In 1819, Chief Justice Marshall ruled in Dartmouth College Woodward: “A corporation is an artificial entity, invisible, intangible, and existing only in a legal sense. Being nothing more than a creation of the law, it has only those properties with which the founding charter endowed it - properties either clearly defined or implied by its very existence. These are those properties which are believed to best serve the purposes for which it was created.” A corporation can operate, own property, and be the subject of a lawsuit. The most important feature of a corporation, which serves as the main motive for its formation, is that it has only limited liability. This relieves the corporation's shareholders or its owners from personal liability. Those who invest their funds in a corporation can only lose as much money as they invested. Their personal assets are inviolable.

Yet very serious views on the moral status of corporations have been advanced by such specialists as Milton Friedman and such organizational theorists as Herbert Simon. In their opinion, corporations and other official organizations are not moral subjects; at best, they are legal entities. Such organizations may be subject to legal obligations and their activities are regulated by law. Only human beings are subjects of morality, only human beings bear moral responsibility. Some may believe that corporations or businesses have moral obligations, but they are simply mistaken. In their opinion, the general conclusion is that enterprises are not moral subjects, do not bear moral responsibility and should not be assessed from a moral perspective. Organizational View of Corporations

This view, which we will call the “organization view,” is a variant of the myth of the immorality of business. It arose in part as a response to a number of demands made by consumer and environmental groups for the introduction of socially responsible business practices. Milton Friedman responded by arguing that the function of business is to create profits and that social reform, charity, and the like are the business of the state, not business.

The "concept of organization" has already come under vigorous attack, but it cannot be dismissed out of hand. It rightly establishes that organizations, corporations, and states are not moral agents in the same sense that individuals are. That is why, when we have to consider them as moral subjects, we must be very careful in the use of terms and clearly define what we mean by them. Corporation concept: shareholders vs.

other interested groups and individuals The classic concept of a corporation defines it as an organization that exists primarily to serve the interests of shareholders. The corporation provides jobs to employees and produces goods or services. But these are only means to an end, which is to increase shareholder wealth. A corporation has no obligation to maximize the wealth of its shareholders. She cannot take on such an obligation because she is unable to fulfill it. However, some shareholders see the responsibility of corporate managers as striving to provide, within the limits of the law, the greatest possible benefits for shareholders. They therefore argue that the board of directors of a corporation hires and manages them so that the latter increase the wealth of the shareholders; they believe that managers have an unwritten duty to shareholders to use their best abilities to achieve this goal. From this point of view, the interests of shareholders are of paramount importance and stand above all other interests. Moral responsibility within a corporation

The general duties of corporations arise from the very nature of both the corporation and society and the implied agreement between them. The first duty is: "do no harm." This is a general responsibility imposed on both individuals and corporations. Sometimes it is called the "moral minimum", mandatory for any corporation. The harm that should be avoided is primarily harm caused to people, who should be respected and treated as valuable in themselves.

Their second common responsibility stems from the nature of the free enterprise system in which the corporation operates. The corporation depends on the integrity, on the harmony of the system, and therefore has a moral obligation not to undermine the freedom and values of the system. It also covers many aspects of a corporation's activities, from the duty not to engage in bribery to the duty not to engage in monopolistic practices, both of which undermine free competition.

The third general duty of a corporation is to honor the contracts it enters into. Integrity in enforcing contracts is essential to maintaining the viability of the system. Without integrity, contracts simply will not be concluded or renewed. Unfair contracts entail inefficient and unproductive transaction costs, with the help of which each party will try to protect itself from the consequences of the expected injustice.

The fourth general duty is to honor freely entered into contracts. Contracts are the blood vessels of the free enterprise system. To function effectively and efficiently, parties to a contract must be able to rely on the reliability of their counterparties, they must be confident that the obligations stipulated in the contract will be met by the counterparties. These four general responsibilities flow from the free enterprise system itself.

In a large corporation, responsibility for what the corporation does, as well as for its failures, ultimately falls on its board of directors. Members of the board of directors are the legal controllers of the corporation's management apparatus. Board members are responsible to shareholders for selecting honest, energetic managers and especially for selecting the president of the corporation. They may also be responsible for selecting the first vice president (manager) and other vice presidents.

Management is responsible to the board of directors. He must inform the board about his actions, decisions made and upcoming decisions, the financial position of the company, its successes and

failures, etc. Management, through the board, is also responsible to shareholders. He is responsible to shareholders for the fair and efficient management of the company.

Management is also responsible to workers. He hires them and provides them with proper working conditions. When hiring workers, management must adhere to principles called “fair employment practices.” These principles include conditions of fairness and non-discrimination in hiring based on race, gender, religion, and other grounds not related to the content of the work itself.

Workers, in turn, are also responsible for faithfully performing the work for which they were hired. This responsibility is expressed in the formula “for conscientious work, fair pay.” Failure to fulfill this obligation is sufficient grounds for dismissal.

Codes of ethical conduct have become widespread in recent years. Many such codes have the purpose of helping a corporation's employees behave ethically by clarifying or explaining how general principles of morality apply to the firm's activities or products.

The codes set out specific requirements to ensure that abuses such as bribery and illegal political contributions are not tolerated. Some firms have developed codes that serve as guidelines for the application of the organization's business practices. Some companies consider it unacceptable to accept gifts from suppliers, others allow gifts worth up to \$25 or \$50. Some companies prohibit giving gifts to suppliers or clients. Others limit contributions to political parties, the purchase of shares in companies with which they have business ties, and other practices that may create or appear to create a conflict of interest.

In this way, codes can serve important functions and help solve specific problems. However, corporate codes are somewhat insufficient to serve both as a guide for moral behavior and as a guarantee of the service of a profession or firm to the public good, and they cannot prevent members of the profession and employees of the firm from acting to the detriment of the interests of the public. They are often better than nothing, and there are several aspects to their benefits. First, the experience of developing them is in itself useful, especially when it forces large numbers of people in the firm to think differently about their purpose and their important responsibilities. Secondly, once adopted, the code can be used for wide discussion of its advantages and disadvantages, and possibly for its improvement. Thirdly, it can instill in new employees at all levels the idea of their responsibility, the need to comprehend their actions in a moral sense, and the importance of developing qualities appropriate to their position. Fourth, the code can be used as a document to which employees have the right to refer when they are told to do something contrary to the provisions of the code. Fifthly, the code can be used to confirm to clients and the general public that the company adheres to moral principles, it can serve as a criterion against which the actual performance of the company can be judged. At its best, a corporate code can serve not only as a guide in addressing legal issues and resolving conflicts of interest, it can also help employees and managers evaluate morally the goals, practices and actions of the company itself, and ensure that the company acts in accordance with code.

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