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ETHICAL CHALLENGES FOR BUSINESS IN THE NEW MILLENNIUM: CORPORATE SOCIAL RESPONSIBILITY AND MODELS OF MANAGEMENT MORALITY

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Abstract: As we transition to the 21st century, it is useful to think about some of the most important challenges business and other organizations will face as the new millennium begins. What will constitute "business as usual" in the business ethics arena as we start and move into the new century? My overall thought is that we will pulsate into the future on our current trajectory and that the new century will not cause cataclysmic changes, at least not immediately. Rather, the problems and challenges we face now we will face then. Undoubtedly, new issues will arise but they will more likely be extensions of the present than discontinuities with the past.

As we transition to the 21st century, it is useful to think about some of the most important challenges business and other organizations will face as the new millennium begins. As I write this essay, the public seems to be more concerned with the Y2K problem and whether their computers will keep working, their power will stay on, their investments will be secure, there will be food in the pantry, airplanes will still fly, and that life as we know it will continue as usual. Optimistically, by the time this is published we will all look back and conclude that technology is amazing, humans are survivors, and we will wonder why we got all worked up about the Y2K bug in the first place. This is my hope and expectation, so I approach this writing with the optimism that the world will not end in a technological Armageddon but that the transition will be relatively smooth, though perhaps jerky, and that we will return to business as usual soon thereafter.

This raises the question in my mind as to what will constitute "business as usual" in the business ethics arena as we start and move into the new century. My overall thought is that we will pulsate into the future on our current trajectory and that the new century will not cause cataclysmic changes, at least not immediately. Rather, the problems and challenges we face now we will face then. Undoubtedly, new issues will arise but they will more likely be extensions of the present than discontinuities with the past.

Questions have been raised in the past about ethics in business and they will continue to be raised in the future. The public's perception of business ethics has not wavered much over the past 30 years or so and there is no reason to think this will dramatically change. When the Gallup Poll first asked the public to rate

the honesty and ethical standards of business executives in 1977, only 19 per-
cent of those surveyed ranked them as "very high" or "high." When the same
question was asked again in October, 1998, the figure was 21 percent. This is
slightly better but statistically insignificant over this period of two decades
(*American Enterprise,* March/April 1999). To be sure, some groups of
businesspeople rank lower, such as stockbrokers, contractors, real estate agents,
insurance and car salesmen, and advertising practitioners, but their numbers are
pretty stable over this 30-year period as well. There is not much happening to
cause us to think this will change.

There are a number of different ways we could approach this task of thinking
about ethical challenges in the new millennium. We could think of them in terms
of what new issues will arise or what specific industries will be affected. Such
an approach would likely cause us to speculate about the impact of technol-
ogy—computers, the Internet and World Wide Web, electronic commerce, or
genetic engineering and human cloning. *Time* magazine has already hailed the
21st century as the "biotech century" (*Time,* January 11, 1999), so we could eas-
ily speculate about the business and ethical implications of this new reality we
will face. Alternatively, but related, we could think of specific industries that are
likely to pose ethical challenges. This approach, of course, would likely take us
into medicine and health care (we do have an aging population), insurance, fi-
nancial services, and telemarketing, just to mention a few.

Another important point is that all issues and topics will become more global
in concern. What were once regional and national concerns have quickly be-
come global concerns. George Soros has outlined the "crisis of global capitalism"
(Soros 1999) and this doubtless will carry further ethical implications than we
have initially thought.

Another approach to this task would be to look at some enduring or generic man-
agement challenges that touch the business sector, business organizations, and
managers, for that is an arena which will be vital to business ethics regardless of
topic, issue, industry, level of global analysis, and so on. In this connection, I have
written about two topics over the past twenty years that touch upon managers and
organizations, and I would like to spend the balance of this essay reviewing them
and thinking about changes, if any, we are likely to see with respect to them: corpo-
rate social responsibility (CSR) and models of management morality.

Trends in Corporate Social Responsibility

Twenty years ago I proposed a definition of corporate social responsibility
that has been found useful in thinking about businesses' responsibilities to soci-
ety and has served as a workable base point in theoretical development and
research on this topic (Carroll 1979). The four-part definition held that corpora-
tions had four responsibilities to fulfill to society: economic, legal, ethical, and
discretionary (later referred to as philanthropic). This definition sought to em-
brace businesses' legitimate economic or profit-making function with

responsibilities that extended beyond the basic economic role of the firm. It sought to reconcile the idea that business could focus either on profits or social concerns, but not both. It sought to argue that businesses can not only be profitable and ethical, but that they should fulfill these obligations simultaneously. Though I have described previously each of these four responsibilities that comprise CSR (1991, 1995), it is useful to briefly recap each as we think about the future.

The *economic responsibility* refers to businesses' fundamental call to be a profit-making enterprise. Though profit making is not the purpose of business (from a societal perspective), it is essential as a motivation and reward for those individuals who take on commercial risk. Though it may seem odd to think of this as a "social" responsibility, this is, in effect what it is. The socio-capitalistic system calls for business to be an economic institution, and profit making is an essential ingredient in a free enterprise economy. While we may think of economics as one distinct element of the CSR definition, it is clearly infused or embedded with ethical assumptions, implications, and overtones.

As we transition to the new millennium, the economic responsibility of business remains very important and will become an ever more significant challenge due to global competitiveness. The new century poses an environment of global trade that is complex, fast-paced, and exponentially expanding into capital, enterprise, information, and technology markets (Kehoe 1998). Hamel and Prahalad (1994) have told us that "competing for the future" will be different. They pose the economic challenges of business as tantamount to a revolution in which existing industries—health care, transportation, banking, publishing, telecommunications, pharmaceuticals, retailing, and others—will be profoundly transformed (p. 30). In addition, these challenges will be global.

In addition to economic responsibilities, businesses have *legal responsibilities* as well, as part of their total corporate social responsibility. Just as our society has sanctioned our economic system by permitting business to assume the economic role of producing goods and services and selling them at a profit, it has also laid down certain ground rules—laws—under which business is expected to pursue its economic role. Law reflects a kind of "codified ethics" in society in the sense that it embodies basic notions of fairness or business righteousness, at least as agreed upon by our legislators. As Boatright has concurred, business activity takes place within an extensive framework of law, and all business decisions need to embrace both the legal and the economic though he agrees that the law is not enough (1993, p. 13). In the 21st century, as we usher in the millennium, we will likely see the continuing expansion of the legal system. There will be no relief in sight as the growing number of lawyers being produced annually in our nation's law schools will ensure that the supply will drive the demand. There is no diminishment in Congress of legislators with law degrees. As long as these individuals continue to be instrumental in controlling our legal system, things may well get more litigious rather than less so. Factors in the social environment such as affluence, education, and awareness will continue to produce rising expectations, an entitlement mentality, the rights movement, and a victimization way of

thinking. All of these feed into and drive a litigious society (Carroll 1996, pp. 10–16). Many laws are good and valid and reflect appropriate ethical standards, however, and we will continue to see the legal responsibility of business as a robust sphere of activity.

In addition to fulfilling their economic and legal responsibilities, businesses are expected to fulfill ethical responsibilities as well (Carroll 1979). Ethical responsibilities embrace those activities, practices, policies, or behaviors that are expected (in a positive sense) or prohibited (in a negative sense) by societal members though they are not codified into laws. Ethical responsibilities embrace a range of norms, standards, or expectations of behavior that reflect a concern for what consumers, employees, shareholders, the community, and other stakeholders regard as fair, right, just, or in keeping with stakeholders' moral rights or legitimate expectations.

As we transition to the new millennium, this category of CSR will be more important than ever. Business has embraced the notion of business ethics with some conscious degree of enthusiasm over the past decade, and this trend is expected to continue. Organizations such as the Ethics Officers Association and Business for Social Responsibility provide testimony to the institutionalization of this quest. Another statistic is relevant and impressive: corporations now spend over $1 billion per year on ethics consultants (Morgan and Reynolds 1997). A major research firm, Walker Information of Indianapolis, Indiana, markets new and innovative products: business integrity assessments and stakeholder management assessments, side-by-side with more traditional products such as customer satisfaction studies. What was once relegated to writings in obscure academic journals has now made the transition into practitioner books by the dozens. One such example is *The Ethical Imperative* (1998) by consultant John Dalla Costa, wherein he argues that ethics is becoming the defining business issue of our time, affecting corporate profits and credibility, as well as personal security and the sustainability of a global economy. He argues that by conservative estimates yearly losses to corporations due to unethical behavior equal more than the profits of the top forty corporations in North America and that such economic waste and moral loss requires more than a PR Band-Aid.

But there is a possible down side to this obsession that we should be sensitive to as the ethics industry grows and matures and we move into the new century. Morgan and Reynolds (1997) have argued that for two decades now we have engaged in "a vast campaign to clean up our ethical act" in the workplace, politics, and communities. We have crafted mountains of regulations, created vast networks of consultants and committees, and have made terms such as "conflicts of interest" and "the appearance of impropriety" part of our everyday language. However, they argue, the public's confidence in business people and politicians to "do the right thing" has plummeted to an all-time low. They claim we have made legitimate ethical concerns into absurd standards and have wielded our moral whims like dangerous weapons. We have obscured core truths. Now, inflated misdemeanors are the stuff by which careers and reputations are ruined.

In this climate, real integrity has been lost to this obsession with wrongdoing. In summary, they have argued that the ethics wars have "undermined American government, business, and society." As we move into the early 2000s, their concerns pose some serious problems for thought and reflection.

The fourth part of the CSR definition is the discretionary, or philanthropic, responsibility. Whereas the economic and legal accountabilities are required of business and ethical behaviors, policies, and practices are expected of business, philanthropy is both expected and desired. In this category we include the public's expectation that business will engage in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense, though some ethical underpinnings or justifications may serve as the rationale for business being expected to be philanthropic. The subtle distinction between ethical and philanthropic responsibilities is that the latter are not expected with the same degree of moral force. In other words, if a firm did not engage in business giving to the extent that certain stakeholder groups expected, these stakeholders would not likely label the firm as unethical or immoral. Thus, the philanthropic expectation does not carry with it the same magnitude of moral mandate as does the ethical category. Examples of philanthropy might include business giving, community programs, executive loan programs, and employee voluntarism. I have depicted the normative prescription of philanthropy to "be a good corporate citizen." This, however, is a narrow view of corporate citizenship. On another occasion, I proposed a wider view by portraying all four of the CSR categories to constitute the "four faces of corporate citizenship" (Carroll 1998). Upon deeper reflection, I came to think that a wider view which included being profitable, obeying the law, being ethical, and "giving back" to the community, was more fully reflective of what corporate citizenship was all about.

As we transition to the 21st century, I expect the current trend toward "strategic philanthropy" to remain the guiding philosophy. Businesses will continue to strive to align their philanthropic interests with their economic mandates so that both of these objectives may be achieved at the same time. One of business's most significant ethical challenges will be to walk the fine line between conservative and liberal critics of its philanthropic giving. It is becoming increasingly difficult to direct corporate philanthropy without being offensive to some individual or group. Jennings and Cantoni (1998) provided several vivid illustrations of how this might happen. Apparently, retailer Dayton-Hudson made a contribution to Planned Parenthood only to find right-to-lifers outside its stores cutting their credit cards. They did an about-face and made contributions to right-to-life groups only to subject themselves to pro-choice protestors. In other illustrations, U. S. West gave money to the Boy Scouts of America and was flogged by gay-rights activists. Levi Strauss withdrew support from the Boy Scouts, and drew a backlash from religious leaders. This type of dilemma will pose significant and continuing problems for businesses in the future as our special-interest society flourishes.

In summary, as businesses, in their quest to be socially responsible, seek to concurrently (1) be profitable, (2) obey the law, (3) engage in ethical behavior, and (4)

give back through philanthropy, they will face new and continuing ethical challenges in the new millennium. I have only touched on some of the relevant issues, but they will doubtless extend beyond what I have chosen to discuss here.

Models of Management Morality

In 1987, I embarked on a "search for the moral manager." Pertinent questions then and now included "are there any?" "where are they?" and "why are they so hard to find?" (Carroll 1987). The thesis of my discussion was that moral managers were so hard to find because the business landscape was so cluttered with immoral and amoral managers. At that time I articulated three models of management morality: Immoral Management, Moral Management, and Amoral Management. The purpose of describing these three moral types was to delineate, define, and emphasize the amoral category and to provide models of management morality that I thought would better convey to businesspeople the range of moral types in which managerial ethics might be classified. I believed that through description and example managers would be able to better assess their own ethical behaviors and motivations and that of other organizational members as well—their supervisors, subordinates, and colleagues. I was moved to emphasize the Amoral Management category by virtue of my observations of policies, behaviors, practices, attitudes, and incidents in the organizational world that did not seem to fit under the category of Immoral Management. As I recap each of these moral types, I will comment on their relevance as we transition into the 2000s. Immoral and Moral Management are easier to describe and are more traditional, so I will start with them.

Immoral Management (or Managers) is a good place to start, for without them we would have no field known as business ethics. Positing that unethical and immoral are synonymous in the organizational context, I defined Immoral Management as that which is not only devoid of ethical principles or precepts but also positively and actively opposed to what is right or just. In this model, management decisions, actions, and behavior imply a positive and active opposition to what is ethical or moral. Decisions here are discordant with ethical principles and the model implies an active negation of what is moral. Management motives are selfish. They are driven by self-interest wherein management cares only about itself or about the organization's gains. The goal is profitability and success at any price, and legal standards are seen as barriers that must be overcome. The Immoral Management strategy is to exploit opportunities and cut corners wherever it is helpful (Carroll 1987, 1991). In short, the Immoral Managers are the bad guys. It is doubtful that ethics education or more ethical organizational climates will change them.

As we enter a new millennium, I have no strong reason to argue that this group will change significantly. There are still immoral managers and they will likely always be with us. If the initiatives of business ethics scholars, teachers, and consultants have had any impact, combined with initiatives from the business community itself, it is logical to argue that they will be a diminishing if not a vanishing breed.

By contrast, *Moral Management (or Managers)* represents the exemplar toward which I could well argue our teaching and research is directed. That is, as educators and business leaders, we are striving to create Moral Managers. John Boatright, in his 1998 presidential address to the Society for Business Ethics, spoke of a Moral Manager Model, wherein the manager both acted and thought morally, and Boatright concurred that the goal of business ethics is to turn out moral managers. In Moral Management, business decisions, attitudes, actions, policies, and behavior conform to a high standard of ethical, or right, behavior. The goal is conformity to lofty professional standards of conduct. Ethical leadership is commonplace and represents a defining quality. The motives of Moral Managers are virtuous. The motives are directed toward success within the confines of the law and sound ethical precepts (e.g., fairness, justice, due process). The goal of Moral Management is success within the letter and spirit of the law. The law is regarded as a minimum and the Moral Manager prefers to operate well above what the law mandates. The strategy is to live by sound ethical standards and to assume ethical leadership. If Immoral Managers were the bad guys, Moral Managers are the good guys.

There seems to be an inclination toward emphasizing Moral Management as we move into the new century and millennium. Obviously, it is the underlying premise or implicit goal of the business ethics field and much of its literature. For example, Moral Management is similar to Paine's "integrity strategy" in which she argues that ethics should be the driving force of the organization (Paine 1994). The model fits well with Ciulla's and Gini's discussions of ethics as the heart of leadership (Ciulla 1998, Gini 1998), and it is consistent with Aguilar's recommendations for leadership in ethics programs that can contribute substantially to corporate excellence (Aguilar 1994). The Moral Management model follows logically with Wilson's "moral sense" (1993), and is the underlying model for ethical leadership in Hood's "heroic enterprise" (1996). Moral Management is harmonious with Badaracco's belief that executives can use defining moments as an opportunity to redefine their company's role in society (1998). Finally, it must be argued that the Moral Manager is the prototype for "understanding stakeholder thinking" (Nasi 1995) and for managing "the stakeholder organization" (Wheeler and Sillanpaa 1997). Like the other models, the trends here are global (Carroll and Meeks 1999). All of these writings, and many others, suggest a bright future for the Moral Management Model and its associated characteristics.

The third conceptual model is *Amoral Management (or Managers)*. I distinguish between two types of amoral managers—those that are intentional and those that are unintentional. *Intentional Amoral Management* is characterized by a belief that moral considerations have no relevance or applicability in business or other spheres or organizational life. Amoral management holds that management or business activity is outside of or beyond the sphere in which moral judgments apply. These managers think that the business world and the moral world are two separate spheres and never the twain should meet. Intentional Amoral Managers are a vanishing breed as we enter the new millennium.

We seldom find anymore managers who think compartmentally in this way. There are a few left, but those who are left seem reluctant to admit that they believe in this way. I do not anticipate that they will be as much of a problem in the next century. Richard DeGeorge (1999) also has been concerned with this group in his discussions of the myth of amoral business in several editions of his *Business Ethics* textbook. As he points out, most people in business do not act unethically or maliciously; they think of themselves, in both their private and their business lives, as ethical people. They simply feel that business is not expected to be concerned with ethics. He describes them as amoral insofar as they feel that ethical considerations are inappropriate in business—after all, business is business (p. 5).

On the other hand, there is *Unintentional Amoral Management,* and it deserves closer scrutiny. These managers do not factor ethical considerations into their decision making, but for a different reason. These managers are well-intentioned but are self-centered in the sense that they do not possess the ethical perception, awareness, or discernment to realize that many of their decisions, actions, policies, and behaviors have an ethical facet or dimension that is being overlooked. These managers are ethically unconscious or insensitive; they are ethically ignorant. To the extent that their reasoning processes possess a moral dimension, it is disengaged. Unintentional Amoral Managers pursue profitability within the confines of the letter of the law, as they do not think about the spirit of the law. They do not perceive who might be hurt by their actions.

The field of managers to whom the Unintentional Amoral Management characteristics apply is large and perhaps growing as the new decade arrives. These managers are not hostile to morality, they just do not understand it. They have potential, but have not developed the key elements or capacities that Powers and Vogel (1980) argue are essential for developing moral judgment. Key among these capacities are a sense of moral obligation, moral imagination, moral identification and ordering, moral evaluation, and the integration of managerial and moral competence. The good news is that this is the group that should be most susceptible to learning, changing, and becoming Moral Managers. Of the three moral management models presented, I would maintain that the Unintentional Amoral Managers probably dominate the managerial landscape. An alternative view is that within each manager, each of the three models may be found at different points in time or in different circumstances, but that the Amoral Management model's characteristics are found most frequently. If these are correct assessments, this represents a huge challenge for business ethics educators, consultants, and organizations seeking to bring out the Moral Management model in the new millennium.

Conclusion

There will be many challenges facing the business community and organizational managers as we transition into the new millennium. Many industries and business sectors will be affected. Products and services as well as channels of distribution may be revolutionized and with these changes will come the usual

kinds of ethical issues that commercial activity inevitably generates. Though it is impossible to predict all the arenas that will be affected, the safest conclusion is that many of the issues we have faced in the latter half of the twentieth century will endure for some time to come. Corporate social responsibility will continue to be a meaningful issue as it embraces core concerns that are necessary to the citizenry and business alike. Companies will be expected to be profitable, abide by the law, engage in ethical behavior, and give back to their communities through philanthropy, though the tensions between and among these responsibilities will become more challenging as information technology continues to push all enterprises toward a global-level frame of reference and functioning.

With respect to the three models of management morality, it is expected that Immoral Management will diminish somewhat as values and moral themes permeate and grow in the culture and the commercial sphere. Immoral Management will become an endangered species but will not disappear. Greed and human nature will ensure that Immoral Managers will always be with us. Our goal will be to minimize their number and the severity of their impact. The Moral Management model will grow in importance as an exemplar toward which business and organizational activity will be focused. The great opportunity will be in the vast realms of Unintentionally Amoral Managers. As the public and many private schools and educational systems continue to eliminate a concern for virtue and morals from classroom teaching, or alternatively, promote values clarification or ethical relativism, a ready supply of amoral young people entering business and organizational life will be guaranteed. In recent years, however, there have been the beginnings of a moral awakening in society, and I would like to believe that this optimistic paradigm will succeed, grow, and survive, but it will be facing major obstacles. At best, unintentional amorality will continue to be with us, and thus we ethics professors and consultants will continue to be employed and to have a challenging task ahead of us as the new millennium arrives.

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