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"As a manager, it is important to be ethical or is it really just important to focus on making money for the firm? And if so why, or why not?"

Introduction

An increasing dilemma facing business today lies in ideas of corporate responsibility and managerial ethics. On one level, it is traditionally and generally understood and accepted that business exists, first and foremost, to make money. Consequently, managers, most able to influence operations, are obligated to work toward this goal. Arguments aside, it is actually irrational to consider business as non-commercial, or not wholly directed to creating profit. On another, however, there is the more modern insistence that corporate social responsibility (CSR) be in place, which inherently demands that managers take into consideration a wide array of ethical concerns. Today's manager then is placed in a situation difficult at best, it would seem; is the responsibility to serve the company and focus only on that which produces profit, or is it to behave in ways reflecting ethics, which inevitably shifts the manager's focus? Varying schools of thought address these issues, with the thinking of economist Milton Friedman and that of Archie B. Carroll usually viewed as representing contrasting extremes. Friedman's Theory is profit-centered, while Carroll's managerial approaches defy this. In between, it may be said, is Freeman's Stakeholder Theory, and herein lies the key to the dilemma. As the following will reveal, the only issue in regard to managerial ethics arises when ethics are perceived – incorrectly – as antithetical to business. Ultimately, the manager who acts ethically best serves the company's interests, as business success relies on the integrated relationships between the company, the society, and all stakeholders involved.

Oppositional Theories on Business and Ethics

Few theories of business are as well known as Milton Friedman's, which essentially stands as a model for traditional, corporate thinking and agendas. Friedman insists on a single obligation of business: to generate profit, and to do so to the greatest extent possible. It is capitalism in its most “bottom line” form, with the only ethical imperative attached of the business fulfilling its obligation to produce what it claims it will produce (Machan, Chesher 119). The Theory is also criticized widely, and primarily because it is fundamentally unconcerned with anything beyond profit. In today's world of emphasis on CSR, this is thinking then typically viewed as mercenary, and/or actively dismissive of ethics. While Friedman's Theory is very much “bottom line,” however, it is crucial to observe that this reinforcement of economic gain is not intrinsically removed from human interests, simply because people join forces to create businesses to make profit. In business, and no matter the critical view taken of corporations, there is always the underlying effort as voluntary and clearly expressing an individual or group desire: “The so-called special privileges of the corporate form can, and did, emerge from individuals pooling their resources and creating an artificial collective entity by contract” (Barry 102). In a sense, Friedman's thinking inevitably generates controversy because he distances business from ethics, apart from his expectation that the business comply with the general ethics of the society in which it operates. It is important to note as well, however, that Friedman's thinking is not inherently removed from ethics. He does not *presuppose* that a dominant focus on generating profit must in some way go to unethical conduct. On the contrary, he holds that the interests of the consumer are best served by the competition in place when businesses attend to only business; the “invisible hand” of the market, in terms of consumer response, will assure consumers of fair prices and quality products (Wagner-Tsukamoto 210). Put another way, and Friedman's blatant emphasis on profit notwithstanding, there is no direct refutation in his Theory of ethics.

R. Edward Freeman's thinking nonetheless challenges Friedman's by shifting the emphasis completely. Freeman's Stakeholder Theory is complex, but it essentially centers on the belief that recognizing the impact of each stakeholder group allows organizations to function more effectively, and consequently enjoy greater success (Freeman 27). The Theory very much reflects CSR but it has even broader implications, because the manager is obligated to identify and address all stakeholders, and this is a process today incorporating a virtually limitless number of participants. Consumers, employees, executives, suppliers, distributors, marketers, and investors are all relevant stakeholders, but so is the society itself, in that the business must to some degree be accountable to the belief systems of it. As managers today know only too well, for example, social concerns regarding pollution generated legal mandates on company operations. Even the manager of the small restaurant is strongly encouraged by the society to engage in sustainable practices and support local providers. In short, considering all stakeholders translates to a managerial imperative to consistently view actions in terms of ethics, from determining hiring policies that are fair to supporting the community through patronizing local suppliers and promoting sustainability.

This then indicates a clash between Friedman and Freeman. At the same time, the gulf between their theories is deceptive. As noted, Friedman does not defy ethics; he merely sets them aside. Then, Freeman's Theory of stakeholder responsibility very much goes to a similar duality, in that his idea of CSR and stakeholder obligations does not of itself contradict any ambition for profit. More exactly, Freeman's concern is that ethics and business responsibilities are perceived as mutually exclusive, when in fact he maintains that they are inseparable (Phillips 2). The manager who serves the interests outside of the business is ultimately benefiting the business, as ethical conduct and practices are likely to prove advantageous to the company. The business today engaging in sustainability measures, in place to reflect CSR, is also poised to enjoy greater success derived from them (Hult 2). Sustainability typically equates to reducing waste and maximizing resources, so the company saves money. Then, that waste is reduced goes to promoting the business image as responsible within the community, just as there are legal benefits often in place for such efforts. In terms of pragmatic results, a number of studies affirm that sustainability efforts alone provide businesses with differentiation and competitive advantage; the efforts go to innovation, which is commonly a significant asset in long-term growth (Calabrese *et al* 52).

It seems that Freeman is aware of this potential "coming together" of ethics and strictly commercial concerns. He refutes Friedman, in fact, because he perceives Friedman as unnecessarily restricted in focus, as the latter does overtly ignore ethical considerations as separate to business agendas: "The separation thesis begins by assuming that ethics and economics can be neatly and sharply separated" (Freeman, Wicks, & Parmar 364). There is, simply, no need for such a view because the ethical manager may be equally the efficient, profit-focused manager, a reality never disputed by Friedman himself. Freeman further supports his Theory by citing its relationship with Libertarian principles, which in fact reflect a stakeholder mentality. Libertarianism is based, first and foremost, on individuals' need to control themselves to do no harm to others, which also goes to the Libertarian mandate to make reparations when harm is inflicted (Freeman, Phillips 336). When these issues are examined, then, it becomes clear that a manager is by no means obligated to ignore ethics in order to serve the business, just as maintaining of ethics, which involves active CSR and attending to stakeholder interests, will encourage the business as a business.

Carroll and Normative Theory

Between Friedman and Freeman exists the analysis of Carroll, who carefully delineates a model of management as inherently subject to variations in ethics. Circumstances, in a word, dictate, and Carroll's thinking relies on the logical premise that individual ethics in managers are not fixed, even when managers are most committed to acting ethically. For example, there is the remarkable reality, supported by research, that lower-level managers are more inclined to engage in unethical behavior. Carroll attributes this at least in part to pressures perceived by such managers to fully adhere to the expectations of their superiors (Carroll, Buchholtz 234). It is rarely a matter of choice or a distinctly immoral character, when managers behave unethically; rather, it is a consequence of perceived expectations and the factor of uncertainty. Interestingly, then, Carroll reflects what may be seen as a lack of confidence in human ethics bringing him in line with how Friedman is perceived. This is misleading, however. In a very real sense, Carroll is completely antithetical to Friedman, who perceives CSR – and virtually any corporate involvement with ethics as a defining quality – as “subversive” (Carroll 497). Of course, this “subversive” risk as seen by Friedman is meant only in terms of undermining the responsibility to profit, but Carroll nonetheless relies on ethics as essentially dictating correct managerial behavior. This is assumed by Carroll; his real inquiry lies in how and why the crucial component is sometimes absent: “The average manager may be amoral most of the time, but may slip into a moral or immoral mode on occasion” (Carroll, 2001 370). Aligned with Freeman, then, Carroll's model is based on ethics – which goes to stakeholder concerns – as integral to management.

All of the above viewpoints beg the question, then: is a manager's adherence to ethics essential, and may this be in place with no danger to the business? The answer is not easy, but it is attainable. To begin with, there must be a wider appreciation of the responsibility of business in social terms. There is acknowledged debate regarding what precisely CSR translates to, which then goes to the ethical behavior of managers. Some argue, for example, that CSR is a political instrument in place to stress the business' social rights and duties; others claim that, more in keeping with Friedman, its primary role is that of meeting the responsibility to its stakeholders of generating profits. More rational, however, is the integrative view, which holds that organizations must address social concerns because organizations and societies are inextricably connected (Maon, Lindgreen, & Swaen 6). It is in fact remarkable that Friedman is so unwilling to entertain this pragmatic reality, given his commitment to company gain. In plain terms, there is no discounting the fact that all businesses are dependent upon their external environments, and this is as true of the online concern as it is of the mega-corporation. Commerce is, first and foremost, an *interaction* between supply and demand, and between provider and consumer. It is demand that creates the need initially, and consumer demand, no matter the product or service, is to some degree reflective of the society's value and belief systems influencing the consumer. The formula is basic and inescapable, and this in turn translates to a managerial need to appreciate the embedded values and concerns of the public.

Then, and importantly, a variety of normative theories support ethics in management, both in terms of practicality and morality. For example, it may seem that virtue ethics is as removed from managerial concerns as Friedman's Theory is from ethics, but this is illusory. Virtue ethics are based on character as innately moral, and committed to act ethically because it must. This is of course unlike deontology, which presupposes moral rules to be followed by all, or consequentialism, which defines ethical value in terms of resulting good or ill (Weiss 113). If it is in fact held that virtue is a defined type of character, it follows that the manager acting ethically is affirming virtue in their conduct, and this goes beyond the obvious meaning. That is, virtue itself is known to the society as a good thing and, the credibility of virtue ethics aside, it is inherently valuable to the society when anyone acts to consistently serve the interests of good. Put another way, if virtue ethics is a viable theory, management is enhanced because the manager is behaving as most esteemed by the society, which in turn must elevate the perceptions of the business. When a business is so esteemed, it is more attractive to consumers, just as stakeholders enjoy grater confidence in their various relationships with it.

The same reasoning applies to deontology because, as noted, there is no strict dichotomy between the society and the business. If a set of rules are in place dictating correct behavior, the manager adhering to them conforms by acting ethically, and the result is the same as when virtue ethics are applied; there is "harmony" between the external culture and the business, which must go to greater potentials of success for that business. Then, consequentialism most emphatically supports ethics as integrated with managerial efforts. This is evident in the modern stress, if not demand, on CSR; the society virtually requires that companies express social responsibility, so a "reverse" evidence is in play. That is, the manager or company failing to act ethically invites criticism – or worse – from the community or wider social arena. No matter the normative theory explored, then, it very much seems irrefutable that acting ethically is in the manager's best interests, and apart from the intrinsic good of doing so.

Conclusion

If there has long been debate regarding the need for managers to act ethically, the elements within the debate actually go to providing a rational – and ethical – answer. As Friedman's Theory focuses on profit as the sole concern of business, Freeman and Carroll take far more expansive views and present the varied urgencies of stakeholder and morality factors as equally critical. When these views are merged, however, it is seen that they are not mutually exclusive, and that in fact ethics serves the commercial interests of a business simply by reflecting the cultural needs of the environment. Normative theories as well work to reinforce how ethical behavior in managers is greatly likely to promote business. Ultimately, then, the manager who acts ethically best serves the company's interests, and essentially because business success depends on the integrated relationships between the company, the society, and all stakeholders involved.

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