BUSINESS ETHICS AS A SINGLE DOMAIN

Although ethics has always been a concern of business, its formal incorporation as an academic field stems from the curriculum requirements of the American Assembly of Collegiate Schools of Business (AACSB). In these standards, Business Ethics (BE) holds a preeminent position as the first item specified under "Curriculum Content and Evaluation":

Both undergraduate and MBA curricula should provide an understanding of perspectives that from the context for business. Coverage should include:

· Ethical and global issues.

· The influence of political, social, legal and regulatory, environmental, and technological issues...

(American Assembly of Collegiate Schools of Business, 1991: 19)

The wording of these standards is significant. While not excluding "ethical... issues" at any level, both standards do emphasize a macro orientation. The Academy of Management reinforces this link by calling its ethics division is called Social Issues in Management. While both the AACSB and the Academy do not specifically limit BE to "Business & Society" (B&S) issues, this has been the primary emphasis of BE in articles (e.g. Jones, 1983), textbooks (e.g. DeGeorge, 1990), and courses offered (e.g. "Business & Society," "Business & Its Environments," "Social, Legal, Political Environments of Business").

FIGURE 1 graphically portrays this macro domain. The business ORGANIZATION is seen primarily in its relation to SOCIETY (although Industry relationships intertwine both as they affect individual organizations and as they represent a more generic representation of businesses.

The "I" at the top of the ORGANIZATION figure represents Parson's "Institutional" level manager, the one with responsibility for aligning the institution with its larger environment (Parsons, 1960). Such CEOs and senior executives are significant because they have primary responsibility for positioning the organization within both society and industry. As the title of FIGURE 1 indicates, within this view, BE deals with the domain of B&S.

The field of B&S is critical to BE. What definitional consensus and legitimacy has developed over these several decades centers on B&S (DeGeorge, 1990: 16-17; Wartick & Cochran, 1985; Wood & Cochran, 1992). Much has been done on the nature of corporate morality, corporate social responsibility, social contract theory, stakeholder analysis, pollution, government regulation, etc.

FIGURE 1 presents an oversimplified view of BE. Epstein (1989) raised the issue of epistemological differences between philosophers and social scientists. He maintained that the term BE should be reserved for philosophical approaches while Corporate Social Responsibility or Corporate Social Responsiveness (CSR1 and CSR2) more accurately described the work of social scientists in this area. Trevino & Weaver (1994) further developed this idea by differentiating Business ETHICS from BUSINESS ethics. They went on in their subsequent article (Weaver & Trevino, 1994) to discuss three levels of integration (parallelism,
symbiosis, or theoretical hybridization) between these two areas. FIGURE 2 shows these two views in a 1x2

FIGURE 1: Epistemological Premises for Business Ethics

EPISTEMOLOGICAL PREMISE Philosophy
Social Science ÚÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÄÀ Domain
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matrix. FIGURE 2 highlights how both Epstein and Trevino/Weaver dealt with BE primarily as the macro domain of B&S. While Quadrants I and II reflect different approaches (I = business ETHICS; II = BUSINESS ethics) their focus is still the same: issues of how business relates to society.

ORGANIZATIONAL ETHICS AS A SECOND DOMAIN OF BUSINESS ETHICS

For all of the academic emphasis on B&S issues within BE, there has been a recurring call for attention to the MICRO domain. This is the domain within the organization, the domain of the organization and the person. I propose the term Organizational Ethics (OE) be used to define this domain just as B&S defines the macro domain. OE is the domain described by Kahn (1990) in his call for new directions in BE research. FIGURE 3 highlights the position of this domain.

OE has been implied in several BE taxonomies. Andrews (1989) presented a three-tiered taxonomy. The executive as a moral person centers on the organizational member as subject and the corporation as a moral environment centers on the organizational member as object. Both of these realms are the concern of OE. His third realm, ethical corporate performance, addresses B&S concerns. Solomon & Hanson (1985) define three strata of ethical thinking: macro, molar, and micro. Their micro stratum is OE. Goodpaster (1992) has three levels: system, organization, and individual. Both organization and individual levels describe aspects of OE. In each of these taxonomies, OE is not the sole domain of BE. Rather, as highlighted in FIGURE 3, it is one of the domains of BE.

FIGURE 3 expands FIGURE 1 in three ways. First, it specifically addresses the Organization/Person relationship:

· What role obligations will I assume? What personal rights do I forfeit?
· How will my role obligations fit or conflict with my personal ethics?
· Does being a business person involve special "situational" moralities (cf. Carr, 1968)?

Second, it centers on the concerns of everyday managers: those who function at Parson's Managerial and Technical levels. These are not the senior executives aligning the company with society and industry. These are those who do the work of the company and integrate the work of others. They address questions such as:

· What right do I have as a manager to change subordinates?
· What constitutes a legal order from a superior?
· What can I do to help my subordinates grow when the work they do is mindless?
· How do I address conflicting loyalties within the organization?

· What are the ethical constraints on "impression management"? (When does it become lying?)

Third, by linking the person to society directly, it affirms the second basic role which all organizational members hold: the role of social member (or citizen). What organizations do affects society and many organizational members are caught in the middle.

· How does my organization affect my community?

· How do I reconcile organizational obligations with my obligations to family, church, etc.?

· What do I do when the company makes a profit by hurting the environment?

We should note here that these questions are significantly different for lower level managers than for senior executives. These M and T level managers have neither the power nor authority to make company policy. In asking these questions, they do so more as victims than as victimizers. These are the questions and concerns of "everyday ethics." They are not new: Barnard (1938/1968) posed many of them as he discussed the de-personalization of individuals as they assumed organizational roles. (He also assumed benign organizations in which these questions were not too critical as the organization was itself moral. An assumption we find somewhat naive today.) These are the questions of Argyris (1957) and Niebuhr (1960) as they challenged the celebration of industrial "good" in its heyday of the 50's. And more recently, these are the questions Bird & Waters (1989a, 1989b; Waters & Bird, 1989; Waters, Bird, & Chant, 1986). The phrase "everyday ethics" is theirs.

In looking at the questions just posed for OE, we find the same two epistemological emphases which existed for B&S: philosophy and social science. FIGURE 4 expands FIGURE 2 into a 2x2 matrix. The epistemological premises remain the same for both B&S and OE. Now we have Quadrants III and IV to reflect these concerns as they apply to the OE domain. This 2x2 matrix also addresses Kahn's call for an agenda for BE research:

The first step is for business ethics researchers to articulate and pursue research questions that aim to create social systems that embody the images underlying their work. These questions should have both theoretical and practical components. The questions should also explicitly reflect combinations of three perspectives on ethical behavior in business: the person's internal awareness of ethical principles (philosophy, theology); the organizational contexts of thought and action (management, organizational behavior and development); and the realities of combining ideals and work demands (practitioners). (1990: 319)

FIGURE 1: Epistemological Premises for Business Ethics

Kahn's call for theoretical/practical issues fits the horizontal axis while his call for both macro and micro foci fits the vertical axis. Business ethics can-- and should-- accommodate all four quadrants of FIGURE 4.

A BRIEF HISTORY OF ORGANIZATIONAL ETHICS

Although FIGURE 4 presents OE as its own domain and this article argues for an explicit recognition of such a domain, OE has been an implicit field for decades. The early OB theorists (cf. Argyris, 1957; Barnard, 1938/1968) did not distinguish between OB and OE. For them, the two topics were interwoven. It was only with the rise OB as a social science that this discipline ceased to address ethical concerns. While OB has had significant impact on both academicians and clients alike, OE withered and practically disappeared for a while. But not completely.

First, as OB studied what was in organizations, it could not completely avoid OE topics. The early work of England (1967) and others addressed OE topics at least from a descriptive angle. This work typified the
descriptive (and value-free) approach of OB in studying ethical concepts. Other OB topics such as participative management (Sashkin, 1984) straddled the boundary between OB and OE without acknowledging the latter field explicitly. The February 1995 issue of the AMJ deals with intra-organizational cooperation. Cooperation itself is an ethical issue, as are trust and individualism-collectivism (both of which are discussed in this issue). Recognition that OB cannot be "value-free" (Bella & King, 1989; Bellah, 1985; Frederick, 1992b) may enable a combining of the two fields.

Second, while BE developed within academia in response to the AACSB demands for a courses in B&S, OE still topics received attention. Many of these have been mentioned in the preceding section. Some of these articles are more within the OB realm, others specifically in the BE realm. Since OE stands in close relationship to both OB and BE, this should not be surprising. Other natural OE topics include organizational citizenship, whistle blowing, and procedural justice.

Third, both in some of these texts and in separate articles, OE has begun to emerge as part of proposed BE taxonomies. This emergence has been somewhat confused however, with "Organizational Ethics" meaning different things to different people.

Finally, OE is surfacing in a new wave of BE textbooks. Cavanagh's American Business Values (1990) first came out in 1974. Several other texts with an OE emphasis have followed: Robin & Reidenbach (1989), Ferrell & Fraedrich (1991), Hosmer (1991), and Trevino & Nelson (1995). These reinforce the contention of this article that OE is the next evolutionary development in BE.

Kahn (1990: 314) notes that research agendas will emerge as a result of "conversation, history, vision, and community." Maclntyre (1977; contra Kuhn, 1970) explains that paradigms evolve because new views answer old questions better than preceding views. The definition of OE used in this article may be modified, yet it captures the essence of the field. As OE answers the old questions of management rights and responsibilities, its very relevance will contribute to its acceptance.

ORGANIZATIONAL ETHICS AS A SUBSET OF BUSINESS ETHICS

A formal recognition of OE as a field in its own right will enhance both B&S as its own field and BE as a whole. Figure 3 highlights how B&S and OE bracket the organization, analyzing it from the macro and micro perspectives. Insofar as B&S issues (cf. Social Contract Theory in the April 95 issue of BEQ) provide justification for the existence of organizations, they also provide rationales for the ethicality of key intra-organizational practices. The need for accomplishing socially mandated goals justifies intra-organizational contracts. While differentiating OE from B&S raises new issues, it also provides new ways of perceiving existing issues.

Another area in which OE can complement B&S involves the consideration of intra-organizational issues related to the implementation of B&S goals. Looking at the Exxon Valdez as an example, organizational ethicists can explore the organizational dynamics within Exxon which led to the overlooking of the captain's drinking problem. They can also explore the first mate's responsibilities given this situation. Perhaps more significantly, they can suggest ways in which such ethical dilemmas can be avoided in the future by improving corporate structure and climate.

OE also stands as a challenge to B&S. Making grand pronouncements about what "business" should do is irrelevant when organizational cultures punish ethical behavior (Kerr, 1975). Bird & Waters (1989a) note that most managers do not even use ethical language in their daily practice, and Stone (1975) notes how organizations are structured to diffuse responsibility and make individual managers safe from any legal repercussions of all but the most blatant cases of malfeasance. (His work is an excellent example of combining B&S and OE to view an organization from both sides.) All of the socially relevant environments addressed by B&S cannot simply be academic exercises in logic. Looking for explicit ways to achieve such B&S goals brings OE issues to the fore.

DEFINING BUSINESS ETHICS AS B&S AND OE

If OE is a domain which parallels B&S, we might consider a set of integrated definitions for BE, B&S, and OE. Such a set of definitions is given in TABLE 1. While we will consider the advantages of these definitions in the following paragraphs, two caveats need be given first. These definitions are proposals.
Just as Epstein (1989) documented the evolution of CSR, so these definitions might be but one step in the evolution of BE. Definitions are important: they are a key element in the construction of our priorities and topics of study. In proposing these definitions, I do so to promote Kahn's call for conversation. The second caveat is this: the definitions here can support the integration of OE into BE, but are not critical to what has been said so far about the merit of OE as its own domain. One might object to this section yet accept the rest of the article as relevant to the growth of BE (however it is defined).

TABLE 1 presents an integrated set of definitions for BE, B&S, and OE. Each of these definitions allows for work from philosophical and social science perspectives. These definitions offer concise (workable) definitions of our field and its two domains.

TABLE 1: Basic Definitions

**Business Ethics (BE):** the application of ethics to describe and evaluate business activities and the study of those social & organizational dynamics which promote or discourage ethical behavior.

**Business & Society (B&S):** the study of ethical issues relevant to the ways in which business entities interact with society and those environments (e.g. physical, industrial, governmental) which society deems significant.

**Organizational Ethics (OE):** the study of ethical issues relevant to the ways in which organizations influence their members and to the ways in which these members influence each other and the organization.

Workable definitions are needed. Business ethicists themselves (e.g. DeGeorge, 1990: 14-18; Kahn, 1990: 311-319; Trevino & Weaver, 1994: 111-125) have not provided concise definitions of the field. There are also continuing calls for a clear paradigm for the field (Frederick, 1992a; Kahn, 1991). Other business ethicists (Fleming, 1987; Mulligan, 1987; Stark, 1993) question the field's relevance to various clients. In a related vein, business ethicists differ in their views of the legitimacy of the discipline within academia (pro: Wood & Cochran, 1992; con: Bowie, 1991; Freeman & Gilbert, 1992).

Some readers might object that OE need not be defined as a separate field. Several works on OE have already been cited, so what to the definitions of TABLE 1 have to add? The following section on the evolution of OE shows how the term has been used in many different fashions, very few of which address the OE topics just presented. A clear definition of OE can reduce much of the present ambiguity. Secondly, OE both depends upon B&S and enhances work done in that field as well. Separating OE from B&S will foster both a sharper focus on both fields and make the relevance of OE more apparent to BE’s clients.

**COSTS & BENEFITS**

Any change entails costs and benefits. Granting OE a formal academic recognition may be necessary for its full development, but there will be costs to consider. Larger schools with several business ethicists may have the "luxury" of adding courses in this field, but many business schools still offer only one B&S course taught either by their lone resident ethicist or someone in the philosophy department. One can understand both the theoretical and organizational rationales for such moves. If OE topics become formally recognized and required, this will create significant costs and benefits.

Perhaps the first cost is that highlighted by Kahn (1990) in his call about interdisciplinary research. OE challenges OB professors to become ethicists. OE challenges ethics professors to become organizational psychologists. How many DBAs have minors in philosophy and how many philosophy Ph.D.’s minor in business?

The B&S emphasis within BE is both theoretically and organizationally convenient. But to the extent that B&S is a theoretical niche which other business professors can marginalize, it poses no serious challenge to their subjects either. As an integrative field, OE will challenge such neat compartmentalization. Practicing managers (the true applied ethicists) don't have the luxury of academic departments and neatly defined disciplines. Do we academicians honor our professional obligation to serve humanity by avoiding this problem?

OE also poses a theoretical challenge at a deeper level. Donaldson's (1994) asserts that "the two worlds of normative and empirical inquiry" possess stark differences and their inhabitants harbor "mutual suspicions." This reinforces Kahn's (1990) contention that BE faces a difficult challenge in general (and OE in particular). Perhaps a symbiotic relationship between ethics and management will suffice. But helping students (including practicing managers) evaluate and refine their own beliefs about the morality of their
status as objects and subjects suggests that Weaver & Trevino's (1994) hybridization model may be the wave of the future.

OE integrates both philosophy and the social sciences, or, to use different terminology, the normative and contextual domains (Bellah, 1983, 1985; Mulligan, 1987; Werhane, 1994). As Kahn noted, business ethicists live in both realms and must find ways to merge the two. This merging of the humanities and sciences (or, to use the terminology of Trevino & Weaver, 1994, integration) may well be a growing edge for all areas of organizational studies, not just BE (Bowie, 1991; Daft & Lewin, 1993; Mitroff, 1972; Zald, 1993).

This poses a challenge for organizational ethicists to look at how the humanities can be re-introduced into business education. There is a particular challenge when one must help students to understand various options yet leave those students free to make their own choices once those options are explained. It also poses the need for educators with an integrated background themselves. But the world of the practicing manager may be less "scientific" than pure OB theorists might describe. Helping managers (and future managers) to wrestle with both personal and organizational beliefs may be one of the most relevant aspects of their education concerning organizational realities.

OE can provide BE with both a sharper focus and an increased relevance to its clients, provided we recognize those clients as our students and practicing managers. As Hambrick (1994) noted in his lament about the entire Academy of Management, all too often academics write for themselves. There are times when this is necessary, particularly when they need to establish the parameters of a discipline or continue the dialogue about its growing edges. Yet professionals have a primary calling to serve the public. Business ethicists serve via theory building, research, and education. In this third category are the basic responsibilities to educate students, inform managers, and help scholars in related fields understand the ethical facets of their own situations. While business ethicists cannot force acceptance of specific ethical positions, they can articulate what these positions are and help others appreciate the relative worth of such positions. They need to consider their roles as advocates of BE not just as a discipline, but as a foundation for all other business practices (Bowie, 1991; Paine, 1994).

BE's function to describe and evaluate reflects the normative nature of the discipline. Description involves an active "shaping" of the reality which we perceive (Berger & Luckmann, 1966). One of the challenges facing business ethicists involves helping clients perceive ethical issues when they arise (Bird & Waters, 1989; Gellerman, 1986). Evaluation, in turn, involves the ascription of value or worth to various concepts. Given a particular ethical position, how right or wrong is a business activity? Evaluative issues cannot be avoided in business education. Bowie (1991) shows how such evaluations are fundamental to higher education even as he states that BE should be at the center of organizational studies. Scholars in any field influence students and practicing managers by what they teach and what they avoid. As an example, profit maximization is often presented as a normative concept (Friedman, 1982). While Friedman presents an ethical rationale, many business educators-- whether in finance, marketing, business strategy-- present this concept as a fact of capitalism so that its normative nature is not even recognized as such. Business ethicists can help students and managers evaluate the validity and utility of this concept as an ethical assertion (cf. Hosmer, 1994; Sen, 1993). OE can be a system response to Victor & Stephens' concern that without integration we risk "unreal philosophy... [or] amoral science (1994: 145)."

RECOMMENDATIONS

This article has shown how BE is evolving from a traditional B&S emphasis to a fuller consideration of B&S and OE. It has defined and "defended" OE, then considered some of the costs & benefits of formally recognizing this field. OE can provide BE with a focus and relevance which is missing when only B&S issues are addressed. Because it meets the immediate concerns of business students and managers at the Technical and Managerial stages, it can become a meaningful element in their business education. Learning to talk about the ethical issues they face in their daily routines will ameliorate the moral muteness which Bird & Waters (1989) found so troublesome. It also provides direct emphasis on the intra-organizational issues most relevant to implementing B&S concerns. Teaching OE will pose challenges to academics, most notably in the area of integrating the humanities with the social sciences. But here, too, relevance increases. The real world forces such combinations all the time. By bringing such ambiguities into the classroom, we offer students the chance to experience life without the neat "assumptions" which can make teaching easy, but irrelevant.
What can we do next? MacIntyre (1977, 1984) stresses the concept of a developing narrative and Kahn (1990) talks of both conversation and history. By making explicit the evolution of OE, this article promotes that process. But the conversation needs to continue within various organizational venues as well. Development of both OE topics themselves and further exploration of the relationship of OE to B&S and OB needs to continue. Here the successful evolution of B&S offers a model.

Beyond the theoretical development via journals such as this one, two other organizational venues are critical. The professional associations might address the issues raised here. The Academy's SIM division and the Society for BE are two such associations. They offer forums for debate and their collective endorsement of OE will be a significant step in legitimating OE not only within BE, but for other business educators as well. The final venue is that of the AACSB and its member schools. Amending the AACSB recommendation concerning BE is a possible step. At the school level, OE could be integrated in a number of ways. It could be:

- integrated as half of the basic BE courses now offered.
- made an elective course in its own right.
- offered as an equivalent alternative to present B&S courses.
- made a required course in its own right.

Few colleges can be expected to implement such changes on their own. But if OE is indeed the next evolutionary step in the development of BE, those who do will see a significant response among their students. Perhaps Hambrick's concern for the relevance of the Academy-- and business education?-- may be addressed as well.

FOOTNOTES

This article was first presented as a paper given to the Society for Business Ethics in August, 1995. Based on reactions to this presentation, the concept was expanded and clarified; it was then used as the basis for an SBE panel discussion (Ad Viam Vedeamus, SBE) the following year. This expanded model was presented by the author. Respondents were Dr. Dennis Moberg, Dr. Daryl Koehn, and Dr. Manny Velasquez.

When Wood (1991) presents here three levels of analysis-- institutional, organizational, and individual-- it fits well within this B&S approach. The individual level is the "I" level of FIGURE 1, the individual who must effect the ethical concerns of B&S. In a similar way, DeGeorge (1990: 16-17) has three levels, seeing BE "at its broadest" dealing with economic systems, with a second level being "the study of business within the American free-enterprise system." A third level involves "the moral evaluation of individuals and of their actions in economic and business transactions." This third level corresponds less to OE than one might think. DeGeorge's chapters concerning this level (e.g. chapter 16 on "Workers' Rights and Duties Within a Firm") deal more with legal concepts than ethical ones. Further, much of his attention to individuals centers not on their managerial and supervisory roles per se, but their roles as corporate representatives dealing with macro issues. From such a perspective, workers are one more set of stakeholders whose demands are not intrinsically different from those of other stakeholder groups. This perspective is not that of OE.

This figure elaborates a society-organization-person model first presented in Horvath, 1995.

The choice of "Business & Society" was done to reflect a popular category which describes the macro sphere. As noted at the start of this article, alternatives might be "Business & Its Environments" or some other term.

REFERENCES


