POSTMODERN BUSINESS ETHICS: IS IT TIME TO CHANGE OUR MENTAL MODEL?

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INTRODUCTION

The reason for existence of business is to increase ownership wealth. Hence, managers' primary responsibility is to ensure that activities and decisions are aimed at increasing ownership wealth. This responsibility is actualized by continuously working to: (1) increase revenues, (2) reduce costs, and (3) reduce or remove competition.

The principles that lead to the preceding statements are derived from laissez-faire capitalism and neoliberal economics (Landauer & Rowlands, 2001; Martinex & Garcia, 1996). In essence, the world is in a more desirable state if: (1) businesses are completely unregulated, (2) trade is completely unregulated, (3) as much of the world's resources are privately owned as possible, and (4) each economic actor is incentivized to pursue its self-interests. While some professors will argue that the preceding statements represent extreme positions, it would be difficult for them to argue that the core principles embedded in business curricula differ markedly from the principles listed above.

As a consequence, business school curricula place its emphasis on educating managers rather than citizens. Functional specialization is emphasized with a focus on working towards maximizing profits as previously discussed. Representing the business's interests is the manager's highest priority. A socially responsible manager, in this model, is one who considers the business's impact on society when making decisions. An enlighten manager is one who takes society's interests into account. However, the interests of the business are given the greater weight in decisions and almost always prevail.

The typical business ethics course, when offered to students, hopes that students will become managers who take society's interests into account when making decisions. However, it is generally assumed that the economic interests of the business are the highest priority of managers. Ethics is viewed as partially situational, culturally determined, and, therefore, flexible.

The proposition of this paper is that the way in which public institutions educate business students is not producing ethical managers.

SELF-INTERESTED AND ANTI-SOCIAL

The documentary, *The Corporation*, makes the point that although corporations are legal persons, they are highly anti-social actors in society (Archbar & Abbott, 2005). The documentary concludes its analysis by finding that the typical corporation is self-interested, inherently amoral, callous and deceitful; it breaches social and legal standards to get its way; and it does not suffer from guilt. These anti-social qualities of corporations result in harm to workers, human health, animals, and the environment.

While some business professors accept the virtue of corporate activity as self-evident and would immediately search for counterarguments in the preceding description, few would dispute the following objectives taught to business students.

First, continual growth is good. This refers to general economic growth, including growth in sales, markets, consumption, and production. This view is also reflected in most public policy. The typical government official proclaims that continual growth in the economy will produce continual increases in the living conditions of citizens. Most government officials believe society can grow its way out of most of its economic problems.

Second, managers are supposed to help their businesses maximize profits. This goal is accomplished by three objectives: (1) minimize internalized costs to the organization, (2) maximize the proportion of total costs that are externalized to society, and (3) reduce or remove competition.

Third, managers are supposed to protect the interests of their corporations. The means used to achieve this objective are multifaceted, but include attempting to shape public opinion and public policy on issues of concern. Corporations work to advance the political careers of candidates supporting their interests and work to thwart the success of candidates not supporting their interests.

Can the typical corporation and its managers be viewed as ethical members of society? What does it mean to be ethical? In order to be ethical, is one required to advance the interests of others? Is the modern corporation only required to look after its interests? Can a corporation be ethical if it harms people and the earth's life systems?

SUSTAINABILITY

Current corporate practices are unsustainable and harmful to humans in the long-term. Environmental degradation in some areas has reached tipping points. For example, most climate scientists calculate that the atmospheric carbon dioxide (CO_2) concentration should not exceed 350 parts per million (ppm) if widespread, negative climate changes are to be prevented (McKibben, 2007). Currently CO_2 levels are about 390 ppm. This level can be decreased if governments are willing to collaborate and make substantial changes (Daily Green, 2009). Although scientists have been warning government officials of global warming for decades, governments have largely continued with their existing emphasis on economic growth and the protection of industries that benefitted from the extraction and combustion of fossil fuels without making significant investments in green energy technologies. Many countries around the world continue to build coal fired power plants. Areas that would be ideal locations for solar, wind, or geothermal power generation remain undeveloped.

While global warming continues to receive the most media attention, our natural resources continued to be depleted. This includes forests, wildlife, wetlands, fresh water, soil, minerals, and oil (Anonymous, 2009). While industry continues to search for ways to increase profits in the short-term without regard for the impact on society, earth's life systems will experience greater stresses. For example, one-third of humans get their fresh water from the Himalayan glaciers, which are retreating (de Nazareth, 2009). The sea life in the world's ocean, upon which 1 billion people depend for their protein, continues to be threatened by pollution from human activity and by advanced fishing technologies (Marine Life Decline, 2009).

ETHICS OF UNSUSTAINABILITY

Apologists for laissez-faire capitalism only have one argument to support its ethicality: the ends justify the means or the benefits outweigh the costs. The benefits to humans from unregulated corporate production and marketing activities outweigh the costs to society. The major flaw in this argument is that industrialists take a binary, all or nothing, position to justify their quest for market power and profits.

For example, the oil industry claims that by allowing it to operate freely around the world, it supplies humanity with fossil fuels that provide many benefits to improve the quality of life for all. Obviously, fossil fuels have provided many benefits. However, is the choice really dichotomous? Can humanity only receive the benefits of industry by allowing it to do as it wishes? Obviously, society can chose to regulate industry in order to attenuate the costs while receiving an acceptable level of benefits. However, such regulation will have the effect on industry of lowering its profits, and will, therefore, be vigorously opposed by industry.

As discussed previously, to maximize profits, industry needs to: (1) minimize internalized costs to the organization, (2) maximize the proportion of total costs that are externalized to society, and (3) eliminate competition. When industry is allowed to achieve these three objectives, people are harmed or put at risk of harm. This is why the modern corporation can be viewed at anti-social and inherently unethical.

Business schools are preparing students to become managers in this corporate climate, in effect, preparing students to be unethical, a de facto requirement established by the culture of the modern corporation. Many business professors will disagree with this conclusion, stating that their students are in fact being trained to take potentially negative outcomes on people into consideration when making business decisions. Somehow, they argue, managers will balance the potential harm on society with the profit goals of the corporation. Given the enormous conflict of interest of the manager in this framework, is it realistic to expect a manager to sacrifice profits in order to do less damage to human welfare or the environment? There are powerful incentives acting on the manager to increase share value and powerful disincentives to avoid failing to meet financial analysts' expectations. Should not the role of balancing the benefits and the costs, then, be that of a representative government, looking out for the best interest of society, rather than industry looking out for its interests?

Some business professors argue that the free market rewards socially responsible companies. Therefore, the free market will help society arrive at a balance in which the benefits and costs of industry are automatically regulated by market forces. Is this the natural law that we witness in the corporate world? Let's say, for example, that a corporate chief executive chooses to use a costly technology to reduce industrial pollution. Thus, the executive chooses to forgo some profits in order to reduce harm to society. Does the marketplace provide an incentive for this behavior or a disincentive? Will sufficient numbers of consumers buy the product from the green producer even if the price is higher? Will shareholders encourage more similar decisions by the chief executive? Or, will consumers and shareholders act in their narrow self-interests, buying the less expensive product or preferring a higher stock value?

It is more reasonable to predict that stockholders will replace an executive who makes decisions that fail to meet financial analysts' expectations with an executive who will meet their expectations.

The U.S. health care industry is an example of the operational ethics of modern corporations. The private sector's emphasis in not on providing health care, but on finding ways to increase profits each year. About 46 million Americans have no health insurance. About 45,000 Americans die each year due to a lack of health insurance (Heavey, 2009). These trends are increasing because health industry executives have powerful incentives to meeting financial analysts' expectations. If executives meet their expectations, they earn millions of dollars in bonuses and other incentives. If they fail to meet their expectations, they are replaced by executives who promise to make the necessary decisions to meet analysts' expectations. In order to continually increase annual profits, the industry regularly raises prices beyond the rate of inflation, it removes unprofitable consumers from its roles, and it continually finds ways to avoid paying for coverage of health care (Moyers, 2009; Potter, 2010). The decisions of managers are clearly tilted towards: (1) minimizing internalized costs to the organization, (2) maximizing the proportion of total costs that are externalized to society, and (3) eliminating competition--even when their decisions result in people's deaths (Loren, 2009).

POST-MODERN BUSINESS ETHICS

The central premise of this paper is that the modern corporation tends to be anti-social and, therefore, inherently unethical. Business schools are educating students to be managers that further the anti-social activities of the modern corporation. The planet, its life systems, and humanity cannot continue to absorb the accumulated costs of modern corporate practices. If the water, air, and soil upon which life depends are poisoned, what is the real value of a growing economy? (It is acknowledged that there are also major human rights issues that are not being included in this discussion due to space constraints and argument parsimony.)

Modern corporate practices are, therefore, unsustainable. They must be replaced with practices that are more sustainable—even if it requires less profits and more government regulation. The tenets of a typical business education, laissez-faire capitalism and neoliberal economics, can no longer be the embedded framework of a business curriculum. To prepare for the future, business students need to be educated with a different ethical framework. A post-modern ethical perspective is required by managers to succeed in a post-modern society in which corporate exploitation of people and resources is no longer acceptable.

A new post-modern business ethical paradigm is required. This is the central argument of this paper. This paper does not claim to have the definitive framework for the much needed post-modern ethical paradigm. It does make the claim, however, that the results of the current ethical system does not work for society's long-term benefit and can no longer be accepted.

The following ideas are intended to begin a discussion to help develop the new ethical paradigm needed in business curricula.

First, professors need to accept the reality that expecting exemplars to rise in industries and lead by example is unrealistic. The incentives work against this. This paper has argued that a prosocial orientation is at odds with a corporate profit maximization objective. Industries need government to create a context in which competing corporations have the same rules and boundaries restricting their negative impact on society.

Second, government should provide an incentive structure that moves production operations toward sustainability. In an unregulated industry, internalizing costs decreases profits and reduces competitiveness. Government, however, can provide a regulatory system that places the same requirements on all competitors. If a foreign company which doesn't operate under the same system becomes an unfair competitor, then government can install the appropriate import disincentives to create a proxy system for the foreign competitor.

Third, accept that the self-regulating characteristics of the market only really work in a free market, one characterized by atomistic competition. Atomistic competition, and therefore, truly free markets, are rare. Since instead of a free enterprise system, the modern economy is more like a corporate enterprise system, regulatory policy should be based on market structures that actually exist.

Forth, understand that neoliberal trade policies have produced political corruption, human privation, rising wealth inequality, and power for a relatively small number of very large multinational corporations. Governments should look after the interests of their societies. Trade decisions should be based on what is best for the society. Poorer countries should not be coerced into accepting trade agreements that diminish the well-being of their societies.

Fifth, governments should use the Precautionary Principle when allowing new products into the marketplace. The burden would be on companies to ensure their products are safe for humans before being marketed (Precautionary Principle, 2009).

Sixth, corporations should not have the same rights as citizens. Corporations have demonstrated repeatedly the capacity to harm people to increase profits. Some corporate interests are oppositional to those of a democratic society. Citizens' rights must be given a higher priority. A barrier needs to separate corporations from their ability to influence public policy.

Finally, accept that corporations exist to serve humanity first and foremost. Earning profits should be a reward for prosocial activities. Incentives for anti-social activities should be removed.

REFERENCES

References are available upon request.