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# The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders

Archie B. Carroll

For the better part of 30 years now, corporate executives have struggled with the issue of the firm's responsibility to its society. Early on it was argued by some that the corporation's sole responsibility was to provide a maximum financial return to shareholders. It became quickly apparent to everyone, however, that this pursuit of financial gain had to take place within the laws of the land. Though social activist groups and others throughout the 1960s advocated a broader notion of corporate responsibility, it was not until the significant social legislation of the early 1970s that this message became indelibly clear as a result of the creation of the Environmental Protection Agency (EPA), the Equal Employment Opportunity Commission (EEOC), the Occupational Safety and Health Administration (OSHA), and the Consumer Product Safety Commission (CPSC).

These new governmental bodies established that national public policy now officially recognized the environment, employees, and consumers to be significant and legitimate stakeholders of business. From that time on, corporate executives have had to wrestle with how they balance their commitments to the corporation's owners with their obligations to an ever-broadening group of stakeholders who claim both legal and ethical rights.

This article will explore the nature of corporate social responsibility (CSR) with an eye toward understanding its component parts. The intention will be to characterize the firm's CSR in ways that might be useful to executives who wish to reconcile their obligations to their share-

holders with those to other competing groups claiming legitimacy. This discussion will be framed by a pyramid of corporate social responsibility. Next, we plan to relate this concept to the idea of stakeholders. Finally, our goal will be to isolate the ethical or moral component of CSR and relate it to perspectives that reflect three major ethical approaches to management—immoral, amoral, and moral. The principal goal in this final section will be to flesh out what it means to manage stakeholders in an ethical or moral fashion.

*Social responsibility can only become reality if more managers become moral instead of amoral or immoral.*

## EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

What does it mean for a corporation to be socially responsible? Academics and practitioners have been striving to establish an agreed-upon definition of this concept for 30 years. In 1960, Keith Davis suggested that social responsibility refers to businesses' "decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." At about the same time, Eells and Walton (1961) argued that CSR refers to the "problems that arise when corporate enterprise casts its shadow on the social scene, and the

**Figure 1**  
**Economic and Legal Components of Corporate Social Responsibility**

| Economic Components<br>(Responsibilities)  | Legal Components<br>(Responsibilities)   |
|--|--|
| 1. It is important to perform in a manner consistent with maximizing earnings per share.     | 1. It is important to perform in a manner consistent with expectations of government and law.    |
| 2. It is important to be committed to being as profitable as possible.                       | 2. It is important to comply with various federal, state, and local regulations.                 |
| 3. It is important to maintain a strong competitive position.                                | 3. It is important to be a law-abiding corporate citizen.  |
| 4. It is important to maintain a high level of operating efficiency.                         | 4. It is important that a successful firm be defined as one that fulfills its legal obligations. |
| 5. It is important that a successful firm be defined as one that is consistently profitable. | 5. It is important to provide goods and services that at least meet minimal legal requirements.  |

ethical principles that ought to govern the relationship between the corporation and society.”

In 1971 the Committee for Economic Development used a “three concentric circles” approach to depicting CSR. The inner circle included basic economic functions—growth, products, jobs. The intermediate circle suggested that the economic functions must be exercised with a sensitive awareness of changing social values and priorities. The outer circle outlined newly emerging and still amorphous responsibilities that business should assume to become more actively involved in improving the social environment.

The attention was shifted from social responsibility to social responsiveness by several other writers. Their basic argument was that the emphasis on responsibility focused exclusively on the notion of business obligation and motivation and that action or performance were being overlooked. The social responsiveness movement, therefore, emphasized corporate action, pro-action, and implementation of a social role. This was indeed a necessary reorientation.

The question still remained, however, of reconciling the firm’s economic orientation with its social orientation. A step in this direction was taken when a comprehensive definition of CSR was set forth. In this view, a four-part conceptualization of CSR included the idea that the corporation has not only economic and legal obligations, but ethical and discretionary (philanthropic) responsibilities as well (Carroll 1979). The point here was that CSR, to be accepted as

legitimate, had to address the entire spectrum of obligations business has to society, including the most fundamental—economic. It is upon this four-part perspective that our pyramid is based.

In recent years, the term corporate social performance (CSP) has emerged as an inclusive and global concept to embrace corporate social responsibility, responsiveness, and the entire spectrum of socially beneficial activities of businesses. The focus on social performance emphasizes the concern for corporate action and accomplishment in the social sphere. With a performance perspective, it is clear that firms must formulate and implement social goals and programs as well as integrate ethical sensitivity into all decision making, policies, and actions. With a results focus, CSP suggests an all-encompassing orientation towards normal criteria by which we assess business performance to include quantity, quality, effectiveness, and efficiency. While we recognize the vitality of the performance concept, we have chosen to adhere to the CSR terminology for our

present discussion. With just a slight change of focus, however, we could easily be discussing a CSP rather than a CSR pyramid. In any event, our long-term concern is what managers do with these ideas in terms of implementation.

**THE PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY**

For CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire range of business responsibilities are embraced. It is suggested here that four kinds of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic. Furthermore, these four categories or components of CSR might be depicted as a pyramid. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place. Each of these four categories deserves closer consideration.

**Economic Responsibilities**

Historically, business organizations were created as economic entities designed to provide goods and services to societal members. The profit motive was established as the primary incentive for entrepreneurship. Before it was anything else, the business organization was the basic economic unit in our society. As such, its principal role was

to produce goods and services that consumers needed and wanted and to make an acceptable profit in the process. At some point the idea of the profit motive got transformed into a notion of maximum profits, and this has been an enduring value ever since. All other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations. **Figure 1** summarizes some important statements characterizing economic responsibilities. Legal responsibilities are also depicted in Figure 1, and we will consider them next.

### Legal Responsibilities

Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate. As a partial fulfillment of the “social contract” between business and society, firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect a view of “codified ethics” in the sense that they embody basic notions of fair operations as established by our lawmakers. They are depicted as the next layer on the pyramid to portray their historical development, but they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system.

### Ethical Responsibilities

Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.

In one sense, changing ethics or values precede the establishment of law because they become the driving force behind the very creation of laws or regulations. For example, the environmental, civil rights, and consumer movements reflected basic alterations in societal values and thus may be seen as ethical bellwethers foreshadowing and resulting in the later legislation. In another sense, ethical responsibilities may be

**Figure 2**  
**Ethical and Philanthropic Components of Corporate Social Responsibility**

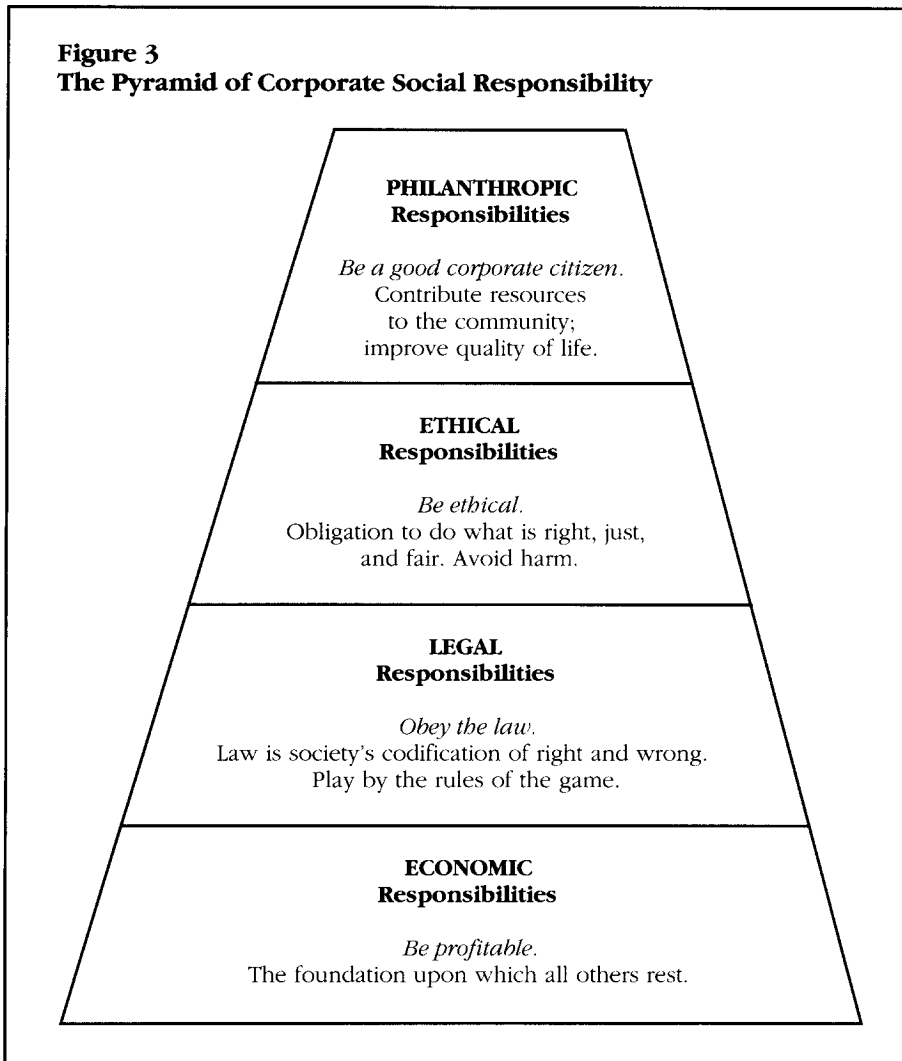
| Ethical Components (Responsibilities)  | Philanthropic Components (Responsibilities)   |
|--|---|
| 1. It is important to perform in a manner consistent with expectations of societal mores and ethical norms.                        | 1. It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.               |
| 2. It is important to recognize and respect new or evolving ethical/moral norms adopted by society.                                | 2. It is important to assist the fine and performing arts.  |
| 3. It is important to prevent ethical norms from being compromised in order to achieve corporate goals.                            | 3. It is important that managers and employees participate in voluntary and charitable activities within their local communities. |
| 4. It is important that good corporate citizenship be defined as doing what is expected morally or ethically.                      | 4. It is important to provide assistance to private and public educational institutions.  |
| 5. It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations. | 5. It is important to assist voluntarily those projects that enhance a community’s “quality of life.”                             |

seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law. Ethical responsibilities in this sense are often ill-defined or continually under public debate as to their legitimacy, and thus are frequently difficult for business to deal with.

Superimposed on these ethical expectations emanating from societal groups are the implied levels of ethical performance suggested by a consideration of the great ethical principles of moral philosophy. This would include such principles as justice, rights, and utilitarianism.

The business ethics movement of the past decade has firmly established an ethical responsibility as a legitimate CSR component. Though it is depicted as the next layer of the CSR pyramid, it must be constantly recognized that it is in dynamic interplay with the legal responsibility category. That is, it is constantly pushing the legal responsibility category to broaden or expand while at the same time placing ever higher expectations on businesspersons to operate at levels above that required by law. **Figure 2** depicts statements that help characterize ethical responsibilities. The figure also summarizes philanthropic responsibilities, discussed next.

**Figure 3**  
**The Pyramid of Corporate Social Responsibility**



### Philanthropic Responsibilities

Philanthropy encompasses those corporate actions that are in response to society's expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. Examples of philanthropy include business contributions of financial resources or executive time, such as contributions to the arts, education, or the community. A loaned-executive program that provides leadership for a community's United Way campaign is one illustration of philanthropy.

The distinguishing feature between philanthropic and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level. Therefore, philanthropy is more discretionary or voluntary on the

part of businesses even though there is always the societal expectation that businesses provide it.

One notable reason for making the distinction between philanthropic and ethical responsibilities is that some firms feel they are being socially responsible if they are just good citizens in the community. This distinction brings home the vital point that CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility. In a sense, philanthropy is icing on the cake—or on the pyramid, using our metaphor.

The pyramid of corporate social responsibility is depicted in **Figure 3**. It portrays the four components of CSR, beginning with the basic building block notion that economic performance undergirds all else. At the same time, business is expected to obey the law because the law is society's codification of acceptable and unacceptable behavior. Next is business's responsibility to be ethical. At its most fundamental level, this is the obligation to do what is right, just, and fair, and to avoid or minimize harm to stakeholders (employees, consumers, the environment, and others). Finally, business is expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life.

No metaphor is perfect, and the CSR pyramid is no exception. It is intended to portray that the total CSR of business comprises distinct components that, taken together, constitute the whole. Though the components have been treated as separate concepts for discussion purposes, they are not mutually exclusive and are not intended to juxtapose a firm's economic responsibilities with its other responsibilities. At the same time, a consideration of the separate components helps the manager see that the different types of obligations are in a constant but dynamic tension with one another. The most critical tensions, of course, would be between economic and legal, economic and ethical, and economic and philanthropic. The traditionalist might see this as a conflict between a firm's "concern for profits" versus its "concern for society," but it is suggested here that this is an oversimplification. A CSR or stakeholder perspective would recognize these tensions as organizational realities, but focus on the total pyramid as a unified whole and how the firm might engage in decisions,



actions, and programs that simultaneously fulfill all its component parts.

In summary, the total corporate social responsibility of business entails the simultaneous fulfillment of the firm's economic, legal, ethical, and philanthropic responsibilities. Stated in more pragmatic and managerial terms, the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen.

Upon first glance, this array of responsibilities may seem broad. They seem to be in striking contrast to the classical economic argument that management has one responsibility: to maximize the profits of its owners or shareholders. Economist Milton Friedman, the most outspoken proponent of this view, has argued that social matters are not the concern of business people and that these problems should be resolved by the unfettered workings of the free market system. Friedman's argument loses some of its punch, however, when you consider his assertion in its totality. Friedman posited that management is "to make as much money as possible while conforming to the basic rules of society, both those embodied in the law and those embodied in ethical custom" (Friedman 1970). Most people focus on the first part of Friedman's quote but not the second part. It seems clear from this statement that profits, conformity to the law, and ethical custom embrace three components of the CSR pyramid—economic, legal, and ethical. That only leaves the philanthropic component for Friedman to reject. Although it may be appropriate for an economist to take this view, one would not encounter many business executives today who exclude philanthropic programs from their firms' range of activities. It seems the role of corporate citizenship is one that business has no significant problem embracing. Undoubtedly this perspective is rationalized under the rubric of enlightened self interest.

We next propose a conceptual framework to assist the manager in integrating the four CSR components with organizational stakeholders.

## **CSR AND ORGANIZATIONAL STAKEHOLDERS**

There is a natural fit between the idea of corporate social responsibility and an organization's stakeholders. The word "social" in CSR has always been vague and lacking in specific direction as to whom the corporation is responsible. The concept of stakeholder personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation. Thus, the stakeholder nomenclature puts "names and faces" on the societal members who are most urgent to business, and to whom it must be responsive.

By now most executives understand that the term "stakeholder" constitutes a play on the word stockholder and is intended to more appropriately describe those groups or persons who have a stake, a claim, or an interest in the operations and decisions of the firm. Sometimes the stake might represent a legal claim, such as that which might be held by an owner, an employee, or a customer who has an explicit or implicit contract. Other times it might be represented by a moral claim, such as when these groups assert a right to be treated fairly or with due process, or to have their opinions taken into consideration in an important business decision.

Management's challenge is to decide which stakeholders merit and receive consideration in the decision-making process. In any given instance, there may be numerous stakeholder groups (shareholders, consumers, employees, suppliers, community, social activist groups) clamoring for management's attention. How do managers sort out the urgency or importance of the various stakeholder claims? Two vital criteria include the stakeholders' legitimacy and their power. From a CSR perspective their legitimacy may be most important. From a management efficiency perspective, their power might be of central influence. Legitimacy refers to the extent to which a group has a justifiable right to be making its claim. For example, a group of 300 employees about to be laid off by a plant-closing decision has a more legitimate claim on management's attention than the local chamber of commerce, which is worried about losing the firm as one of its dues-paying members. The stakeholder's power is another factor. Here we may witness significant differences. Thousands of small, individual investors, for example, wield very little power unless they can find a way to get organized. By contrast, institutional investors and large mutual fund groups have significant power over management because of the sheer magnitude of their investments and the fact that they are organized.

With these perspectives in mind, let us think of stakeholder management as a process by which managers reconcile their own objectives with the claims and expectations being made on them by various stakeholder groups. The challenge of stakeholder management is to ensure that the firm's primary stakeholders achieve their objectives while other stakeholders are also satisfied. Even though this "win-win" outcome is not always possible, it does represent a legitimate and desirable goal for management to pursue to protect its long-term interests.

The important functions of stakeholder management are to describe, understand, analyze, and finally, manage. Thus, five major questions might be posed to capture the essential ingredi-

**Figure 4**  
**Stakeholder/Responsibility Matrix**

| Stakeholders           | Types of CSR |       |         |               |
|------------------------|--------------|-------|---------|---------------|
|                        | Economic     | Legal | Ethical | Philanthropic |
| Owners                 |              |       |         |               |
| Customers              |              |       |         |               |
| Employees              |              |       |         |               |
| Community              |              |       |         |               |
| Competitors            |              |       |         |               |
| Suppliers              |              |       |         |               |
| Social Activist Groups |              |       |         |               |
| Public at Large        |              |       |         |               |
| Others                 |              |       |         |               |

To be sure, thinking in stakeholder-responsibility terms increases the complexity of decision making and may be extremely time consuming and taxing, especially at first. Despite its complexity, however, this approach is one methodology management can use to integrate values—what it stands for—with the traditional economic mission of the organization. In the final analysis, such an integration could be of significant usefulness to management. This is because the stakeholder/responsibility perspective is most consistent with the pluralistic environment faced by business today. As such, it provides the opportunity for an in-depth corporate appraisal of financial as well as social and economic concerns. Thus, the stakeholder/responsibility perspective would be an invaluable foundation for responding to the fifth stakeholder management question about strategies, actions, or decisions that should be pursued to effectively respond to the environment business faces.

ents we need for stakeholder management:

1. Who are our stakeholders?
2. What are their stakes?
3. What opportunities and challenges are presented by our stakeholders?
4. What corporate social responsibilities (economic, legal, ethical, and philanthropic) do we have to our stakeholders?
5. What strategies, actions, or decisions should we take to best deal with these responsibilities?

Whereas much could be discussed about each of these questions, let us direct our attention here to question four—what kinds of social responsibilities do we have to our stakeholders? Our objective here is to present a conceptual approach for examining these issues. This conceptual approach or framework is presented as the stakeholder/responsibility matrix in **Figure 4**.

This matrix is intended to be used as an analytical tool or template to organize a manager's thoughts and ideas about what the firm ought to be doing in an economic, legal, ethical, and philanthropic sense with respect to its identified stakeholder groups. By carefully and deliberately moving through the various cells of the matrix, the manager may develop a significant descriptive and analytical data base that can then be used for purposes of stakeholder management. The information resulting from this stakeholder/responsibility analysis should be useful when developing priorities and making both long-term and short-term decisions involving multiple stakeholder's interests.

## MORAL MANAGEMENT AND STAKEHOLDERS

At this juncture we would like to expound upon the link between the firm's ethical responsibilities or perspectives and its major stakeholder groups. Here we are isolating the ethical component of our CSR pyramid and discussing it more thoroughly in the context of stakeholders. One way to do this would be to use major ethical principles such as those of justice, rights, and utilitarianism to identify and describe our ethical responsibilities. We will take another alternative, however, and discuss stakeholders within the context of three major ethical approaches—immoral management, amoral management, and moral management. These three ethical approaches were defined and discussed in an earlier *Business Horizons* article (Carroll 1987). We will briefly describe and review these three ethical types and then suggest how they might be oriented toward the major stakeholder groups. Our goal is to profile the likely orientation of the three ethical types with a special emphasis upon moral management, our preferred ethical approach.

### Three Moral Types

If we accept that the terms ethics and morality are essentially synonymous in the organizational context, we may speak of immoral, amoral, and moral management as descriptive categories of three different kinds of managers. Immoral man-

agement is characterized by those managers whose decisions, actions, and behavior suggest an active opposition to what is deemed right or ethical. Decisions by immoral managers are discordant with accepted ethical principles and, indeed, imply an active negation of what is moral. These managers care only about their or their organization's profitability and success. They see legal standards as barriers or impediments management must overcome to accomplish what it wants. Their strategy is to exploit opportunities for personal or corporate gain.

An example might be helpful. Many observers would argue that Charles Keating could be described as an immoral manager. According to the federal government, Keating recklessly and fraudulently ran California's Lincoln Savings into the ground, reaping \$34 million for himself and his family. A major accounting firm said about Keating: "Seldom in our experience as accountants have we experienced a more egregious example of the misapplication of generally accepted accounting principles" ("Good Timing, Charlie" 1989).

The second major type of management ethics is amoral management. Amoral managers are neither immoral nor moral but are not sensitive to the fact that their everyday business decisions may have deleterious effects on others. These managers lack ethical perception or awareness. That is, they go through their organizational lives not thinking that their actions have an ethical dimension. Or they may just be careless or inattentive to the implications of their actions on stakeholders. These managers may be well intentioned, but do not see that their business decisions and actions may be hurting those with whom they transact business or interact. Typically their orientation is towards the letter of the law as their ethical guide. We have been describing a sub-category of amorality known as unintentional amoral managers. There is also another group we may call intentional amoral managers. These managers simply think that ethical considerations are for our private lives, not for business. They believe that business activity resides outside the sphere to which moral judgments apply. Though most amoral managers today are unintentional, there may still exist a few who just do not see a role for ethics in business.

Examples of unintentional amorality abound. When police departments stipulated that applicants must be 5'10" and weigh 180 pounds to qualify for positions, they just did not think about the adverse impact their policy would have on women and some ethnic groups who, on average, do not attain that height and weight. The liquor, beer, and cigarette industries provide other examples. They did not anticipate that their products would create serious moral issues: alco-

holism, drunk driving deaths, lung cancer, deteriorating health, and offensive secondary smoke. Finally, when McDonald's initially decided to use polystyrene containers for food packaging it just did not adequately consider the environmental impact that would be caused. McDonald's surely does not intentionally create a solid waste disposal problem, but one major consequence of its business is just that. Fortunately, the company has responded to complaints by replacing the polystyrene packaging with paper products.

Moral management is our third ethical approach, one that should provide a striking contrast. In moral management, ethical norms that adhere to a high standard of right behavior are employed. Moral managers not only conform to accepted and high levels of professional conduct, they also commonly exemplify leadership on ethical issues. Moral managers want to be profitable, but only within the confines of sound legal and ethical precepts, such as fairness, justice, and due process. Under this approach, the orientation is toward both the letter and the spirit of the law. Law is seen as minimal ethical behavior and the preference and goal is to operate well above what the law mandates. Moral managers seek out and use sound ethical principles such as justice, rights, utilitarianism, and the Golden Rule to guide their decisions. When ethical dilemmas arise, moral managers assume a leadership position for their companies and industries.

There are numerous examples of moral management. When IBM took the lead and developed its Open Door policy to provide a mechanism through which employees might pursue their due process rights, this could be considered moral management. Similarly, when IBM initiated its Four Principles of Privacy to protect privacy rights of employees, this was moral management. When McCullough Corporation withdrew from the Chain Saw Manufacturers Association because the association fought mandatory safety standards for the industry, this was moral management. McCullough knew its product was potentially dangerous and had used chain brakes on its own saws for years, even though it was not required by law to do so. Another example of moral management was when Maguire Thomas Partners, a Los Angeles commercial developer, helped solve urban problems by saving and refurbishing historic sites, putting up structures that matched old ones, limiting building heights to less than the law allowed, and using only two-thirds of the allowable building density so that open spaces could be provided.

### **Orientation Toward Stakeholders**

Now that we have a basic understanding of the three ethical types or approaches, we will pro-



pose profiles of what the likely stakeholder orientation might be toward the major stakeholder groups using each of the three ethical approaches. Our goal is to accentuate the moral management approach by contrasting it with the other two types.

Basically, there are five major stakeholder groups that are recognized as priorities by most firms, across industry lines and in spite of size or location: owners (shareholders), employees, customers, local communities, and the society-at-large. Although the general ethical obligation to

each of these groups is essentially identical (protect their rights, treat them with respect and fairness), specific behaviors and orientations arise because of the differing nature of the groups. In an attempt to flesh out the character and salient features of the three ethical types and their stakeholder orientations, **Figures 5** and **6** summarize the orientations these three types might assume with respect to four of the major stakeholder groups. Because of space constraints and the general nature of the society-at-large category, it has been omitted.

**Figure 5**  
**Three Moral Types and Orientation Toward**  
**Stakeholder Groups: Owners and Employees**

| <i>Type of Management</i> | <i>Orientation Toward Owner/Shareholder Stakeholders</i>   |
|---------------------------|--|
| Immoral Management        | Shareholders are minimally treated and given short shrift. Focus is on maximizing positions of executive groups—maximizing executive compensation, perks, benefits. Golden parachutes are more important than returns to shareholders. Managers maximize their positions without shareholders being made aware. Concealment from shareholders is the operating procedure. Self-interest of management group is the order of the day. |
| Amoral Management         | No special thought is given to shareholders; they are there and must be minimally accommodated. Profit focus of the business is their reward. No thought is given to ethical consequences of decisions for any stakeholder group, including owners. Communication is limited to that required by law.  |
| Moral Management          | Shareholders' interest (short- and long-term) is a central factor. The best way to be ethical to shareholders is to treat all stakeholder claimants in a fair and ethical manner. To protect shareholders, an ethics committee of the board is created. Code of ethics is established, promulgated, and made a living document to protect shareholders' and others' interests.   |
| <i>Type of Management</i> | <i>Orientation Toward Employee Stakeholders</i>  |
| Immoral Management        | Employees are viewed as factors of production to be used, exploited, manipulated for gain of individual manager or company. No concern is shown for employees' needs/rights/expectations. Short-term focus. Coercive, controlling, alienating.   |
| Amoral Management         | Employees are treated as law requires. Attempts to motivate focus on increasing productivity rather than satisfying employees' growing maturity needs. Employees still seen as factors of production but remunerative approach used. Organization sees self-interest in treating employees with minimal respect. Organization structure, pay incentives, rewards all geared toward short- and medium-term productivity.              |
| Moral Management          | Employees are a human resource that must be treated with dignity and respect. Goal is to use a leadership style such as consultative/participative that will result in mutual confidence and trust. Commitment is a recurring theme. Employees' rights to due process, privacy, freedom of speech, and safety are maximally considered in all decisions. Management seeks out fair dealings with employees.                          |

By carefully considering the described stakeholder orientations under each of the three ethical types, a richer appreciation of the moral management approach should be possible. Our goal here is to gain a fuller understanding of what it means to engage in moral management and what this implies for interacting with stakeholders. To be sure, there are other stakeholder groups to which moral management should be directed, but again, space precludes their discussion here. This might include thinking of managers and non-managers as distinct categories of employees and would also embrace such groups as suppliers, competitors, special interest groups, government, and the media.

Though the concept of corporate social responsibility may from time to time be supplanted by various other focuses such as social responsiveness, social performance, public policy, ethics, or stakeholder management, an underlying challenge for all is to define the kinds of responsibilities management and businesses have to the constituency groups with which they transact and interact most frequently. The pyramid of corporate social responsibility gives us a framework for understanding the evolving nature of the firm's economic, legal, ethical, and philanthropic performance. The implementation of these responsibilities may vary depending upon the firm's size, management's

**Figure 6**  
**Three Moral Types and Orientation Toward**  
**Stakeholder Groups: Customers and Local Community**

| <i>Type of Management</i> | <i>Orientation Toward Customer Stakeholders</i>  |
|---------------------------|--|
| Immoral Management        | Customers are viewed as opportunities to be exploited for personal or organizational gain. Ethical standards in dealings do not prevail; indeed, an active intent to cheat, deceive, and/or mislead is present. In all marketing decisions—advertising, pricing, packaging, distribution—customer is taken advantage of to the fullest extent.   |
| Amoral Management         | Management does not think through the ethical consequences of its decisions and actions. It simply makes decisions with profitability within the letter of the law as a guide. Management is not focused on what is fair from perspective of customer. Focus is on management's rights. No consideration is given to ethical implications of interactions with customers.  |
| Moral Management          | Customer is viewed as equal partner in transaction. Customer brings needs/expectations to the exchange transaction and is treated fairly. Managerial focus is on giving customer fair value, full information, fair guarantee, and satisfaction. Consumer rights are liberally interpreted and honored.  |
| <i>Type of Management</i> | <i>Orientation Toward Local Community Stakeholders</i>   |
| Immoral Management        | Exploits community to fullest extent; pollutes the environment. Plant or business closings take fullest advantage of community. Actively disregards community needs. Takes fullest advantage of community resources without giving anything in return. Violates zoning and other ordinances whenever it can for its own advantage.   |
| Amoral Management         | Does not take community or its resources into account in management decision making. Community factors are assumed to be irrelevant to business decisions. Community, like employees, is a factor of production. Legal considerations are followed, but nothing more. Deals minimally with community, its people, community activity, local government.  |
| Moral Management          | Sees vital community as a goal to be actively pursued. Seeks to be a leading citizen and to motivate others to do likewise. Gets actively involved and helps institutions that need help—schools, recreational groups, philanthropic groups. Leadership position in environment, education, culture/arts, volunteerism, and general community affairs. Firm engages in strategic philanthropy. Management sees community goals and company goals as mutually interdependent. |

philosophy, corporate strategy, industry characteristics, the state of the economy, and other such mitigating conditions, but the four component parts provide management with a skeletal outline of the nature and kinds of their CSR. In frank, action-oriented terms, business is called upon to: be profitable, obey the law, be ethical, and be a good corporate citizen.

The stakeholder management perspective provides not only a language and way to personalize relationships with names and faces, but also some useful conceptual and analytical concepts for diagnosing, analyzing, and prioritizing an organization's relationships and strategies. Effective organizations will progress beyond stakeholder identification and question what opportunities and threats are posed by stakeholders; what economic, legal, ethical, and philanthropic responsibilities they have; and what strategies, actions or decisions should be pursued to most effectively address these responsibilities. The stakeholder/responsibility matrix provides a template management might use to organize its analysis and decision making.

Throughout the article we have been building toward the notion of an improved ethical organizational climate as manifested by moral management. Moral management was defined and described through a contrast with immoral and amoral management. Because the business landscape is replete with immoral and amoral managers, moral managers may sometimes be hard to find. Regardless, their characteristics have been identified and, most important, their perspective or orientation towards the major stakeholder groups has been profiled. These stakeholder orientation profiles give managers a conceptual but practical touchstone for sorting out the different categories or types of ethical (or not-so-ethical) behavior that may be found in business and other organizations.

It has often been said that leadership by example is the most effective way to improve business ethics. If that is true, moral management provides a model leadership perspective or orientation that managers may wish to emulate. One great fear is that managers may think they are providing ethical leadership just by rejecting immoral management. However, amoral management, particularly the unintentional variety, may unconsciously prevail if managers are not aware of what it is and of its dangers. At best, amorality represents ethical neutrality, and this notion is not tenable in the society of the 1990s. The standard must be set high, and moral management provides the best exemplar of what that lofty

standard might embrace. Further, moral management, to be fully appreciated, needs to be seen within the context of organization-stakeholder relationships. It is toward this singular goal that our entire discussion has focused. If the "good society" is to become a realization, such a high expectation only naturally becomes the aspiration and preoccupation of management. □

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