## Senior Thesis

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In the midst of the “Great Recession” and the subprime mortgage crisis, one of the prevailing issues that has arisen is corporate social responsibility (CSR). In particular, the divisive struggle between corporate America and citizens of the middle class has focused on whether a lack of CSR has contributed to this crisis. Adversity proliferates both nonpareil and appalling examples of integrity. From Ponzi schemes to embezzlement to fraud, the United States has recently endured countless ethical infractions. As a result, many believe corporations must engage in activities beyond what boost their revenues and market share. Every profession and business must cope with ethical dilemmas. The recent wave of business scandals over inaccurate reporting of sales and profits and excessive pay and benefits for top executives has brought questions of business ethics to the fore. The public stands behind those companies who care not only about their employees, but also the advancement of the greater community. Americans admire companies who take the initiative to sacrifice short-term financial interests to benefit society, thus creating a highly moral and ethical environment in which every employee is allowed and encouraged to realize their God-given potential. Nonetheless, the fundamental goal of every business is to maximize profits. As economist Milton Friedman stated, “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” Friedman did not explicitly condone unethical behavior, but he also discredited the notion of corporate social responsibility. Corporate social responsibility plays a pivotal role in the success of some companies, but ultimately contradicts the sole purpose of business—at least according to free market economists.
The title of Friedman’s 1970 piece in the *New York Times* magazine epitomizes his stance on CSR: “The Social Responsibility of Business is to Increase its Profits.”

Friedman argues social responsibility is not only a deviation from the foundation of business, but he believes it is “pure and unadulterated socialism.”

Attempting to thwart discrimination, promote equality of pay, or reduce pollution merely impede the focus of the company. Furthermore, the very idea of social responsibility of business is an anomaly to Friedman. He affirms, “What does it mean to say that ‘business’ has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but ‘business’ as a whole cannot be said to have responsibilities.”

He then shifts his attention to corporate executives who are, what he presumes, the aim of corporate social responsibility. These managers have a responsibility to the stakeholders of the company to act in their best interest. The primary manner in which executives achieve this objective is by maximizing profit for shareholders who own the corporation, while avoiding agency problems along the way.

In conjunction with this notion is the realization that using corporate funds generated from stock issuances for unnecessary or excessive personal or business expenditures is widely considered irresponsible. Friedman provides exemplary situations of such, including keeping prices stagnant to prevent inflation; hiring unemployed, less qualified individuals in order to reduce poverty; and taking preventative actions against pollution beyond what is required.

Friedman explains, “In each of these cases, the corporate executive would be spending someone else’s money for a general social interest. Insofar as his actions in accord with his ‘social responsibility’ reduce returns to stockholders, he is spending their money.” This trend of thought stems from free market economists who favor the allocation of resources with minimal regulation. Ultimately, this could adversely affect the profitability of the corporation. This
mode of thinking assumes each individual is responsible for his/her own action. If an investor wants to contribute to a certain cause, he/she can do so directly. The individual does not need to siphon the funds through the corporation in order to achieve one of these objectives.

Consequently, a corporate officer should use the money in the most advantageous, profit-seeking fashion. Otherwise, “he is in effect imposing taxes, on the one hand, and deciding how the tax proceeds shall be spent, on the other.”7 “Taxing” investors and apportioning the proceeds for secondary objectives is neither capitalistic nor socially responsible.

Free market economists agree with Friedman’s idea, which substantiates that profit maximization supersedes every other goal a corporation may strive to attain. Still, there are boundaries that should not be crossed on the path to achieving this objective. Reliance on free market ideology has created an environment that seems to have allowed corporate greed to infiltrate the American way of life. People do not simply want to “get rich quick;” they want to “get rich quicker” and “get richer.” It seems that innovators, investors, corporate officers, and everyday Americans alike have voracious appetites for wealth. However, greed is nothing new to humanity. In fact, greed is one of the seven cardinal sins (synonymous with avarice), characterized by a wanton pursuit of wealth. One such example of greed is found in the book of Jeremiah in the Old Testament, as follows:

13 “From the least to the greatest, all are greedy for gain; prophets and priests alike, all practice deceit.
14 They dress the wound of my people as though it were not serious. ‘Peace, peace,’ they say, when there is no peace.
15 Are they ashamed of their loathsome conduct? No, they have no shame at all; they do not even know how to blush. So they will fall among the fallen; they will be brought down when I punish them,” says the LORD.8

From the lowly to the mighty, greed has been present in all facets of society for thousands of years. While it appears as though there has been an influx of greed during the most recent economic downturn, avarice has been part of society all along. Warren Buffett, a world-
renowned investor and CEO of Berkshire Hathaway, stated in a CNBC town hall meeting at Columbia University that greed is nothing new to the investing world. Greed played a part in the financial meltdown, but he noted that we have always had and will continue to have greed. Despite being one of the richest individuals in the world, Buffett intends on donating the majority of his earnings to philanthropic endeavors. He may have a disproportionate share of wealth, but he created his own prosperity, and his generous donations to charitable organizations will be used to help millions of individuals.

The most disheartening aspect derived from the aforementioned Bible passage is the blatant dishonesty and lack of remorse people demonstrated. Translated to today, these are the characteristics of recent unethical behavior which seem to be most upsetting to the public. With regard to the subprime mortgage crisis, millions of mortgage loans were provided to people who could not possibly afford to make the monthly payments. Yet companies like World Savings of California approved $4 billion in mortgage loans every month at the height of the housing bubble. It did not seem to matter whether or not a family could afford to make the monthly mortgage payments; the only detail that mattered was that the loan was approved. CNBC’s original program “House of Cards” provides an in-depth look into the housing frenzy. One example recounted in the broadcast is the Travia family. Mr. Travia is the father of five and was looking to fulfill the American dream of owning his own house. In so doing, he hoped to use the appreciated equity in a new home to start his own business in southern California. With a salary of $900 per week as a factory worker, Mr. Travia was able to obtain an adjustable-rate mortgage (ARM) for a $584,000 townhouse. When the market collapsed, the Travia house became worth less than the mortgage owed, and the family lost their house in foreclosure.
In addition to the subprime mortgage crisis, the returns on so many investments were tainted by manipulating the flow of funds and falsifying information in Ponzi schemes. While millions of Americans struggled to make ends meet after realizing their losses, people like Bernie Madoff reveled at their feats. It is not only the responsibility of the investor to understand the complexity of various financial instruments, such as adjustable rate mortgages (ARMs) and derivative investments; mortgage lenders, commercial banks, hedge fund managers, and investment brokers all must be accountable as well. Countless families were taken advantage of through deception, corruption, and manipulation. From World Savings to Countrywide Financial, Bernie Madoff to Allen Stanford, and so many others: they all failed to play within Friedman’s “rules of the game” of engaging in competition without deception or fraud. None of these entities or individuals accepted personal or social responsibility for their actions.

Until eight years ago these “rules of the game” were rather ambiguous. A number of issues were not addressed at all, specifically the accountability of senior management and the responsibilities of the auditors. Despite these ambiguities, companies like Merck Company, Inc. imposed vital ethical standards throughout the company. Moreover, the actions of the company validated Merck’s standards. In 2004, Merck voluntarily pulled its drug Vioxx from the market. The drug was removed after a study revealed a higher incidence of heart attacks and strokes in users of the drug compared to non-users.\textsuperscript{12} Vioxx was an arthritis drug that was widely popular after successful marketing campaigns by the company. Nonetheless, Merck willingly stopped its distribution knowing the decision would be detrimental to its revenue and public image. Still, Merck believed safety of the American people was more important than its bottom line. Although the company was heavily criticized and its share price declined, Merck’s brand and market value have regained their status over the past few years.
While some companies like Merck conducted business in an ethical manner without stringent legislation, other companies failed to do so. The quintessential example of such is Enron Corporation. Once a top Fortune 500 company, Enron’s corporate scandal lost investors billions of dollars and ultimately led to the demise of the company. The energy conglomerate that focused on natural gas and electricity “collapsed under a mountain of debt that had been concealed through a complex scheme of off-balance-sheet partnerships and investor loss of confidence.”

Enron rose to prosperity by deceiving both shareholders and regulatory authorities alike, harboring its debt in fabricated entities. The corporation was a fraudulent time-bomb waiting to explode.

Enron was formed when Houston Natural Gas merged with InterNorth in 1985. In the last decade of the millennium, CEO Jeffrey Skilling, Chairman Kenneth Lay, and CFO Andrew Fastow converted the run-of-the-mill energy company into a massive energy powerhouse. In fact, “from 1998 to 2000 alone, Enron’s revenue grew from about $31 billion to more than $100 billion.” The company boomed, and with good reason: the corporate culture pushed profits at all costs. Executives like Skilling encouraged an arrogant and cutthroat mentality. The managers firmly believed Enron was the best company in the world and nearly indestructible. “The culture also was about a focus on how much money could be made for many executives, at many levels, that shared in a stock option incentive program…Enron’s corporate culture reportedly encouraged risky behavior, if not breaking the rules.” Growing at an unprecedented rate seemed to be the goal of the company, and Enron was not afraid to devastate any organization or individual in its path to that “success.” The riskiness of the culture was further intensified when Skilling implemented “a system in which Enron’s employees were rated every six months, with those ranked in the bottom 20 percent forced out” Although Skilling argued
he wanted Enron to be an ethical and moral culture, it is undeniable that this strategy led employees to compromise their moral values in order to save their jobs.

The stakeholders of Enron allowed the energy Goliath to conceal its debt because they were fearful of the ramifications. Employees were concerned they would not be able to provide for their families, executives aspired to receive excessive stock option plans, and even the auditing firm Arthur Andersen did not want to lose one of its biggest clients. After the third quarter of 2001, the company imploded. Enron created special purpose entities (SPEs) to move assets and debt off of its balance sheet and increase cash flows. Most of the debt these SPEs borrowed from banks was backed by Enron stock. When the stock price declined in late 2001, Enron was forced to write off $1.2 billion. This began the uncontrollable downward spiral of Enron. The company was forced to restate earnings, investor confidence collapsed, executives stepped down, and the company filed for bankruptcy on December 2, 2001. “Enron faced twenty-two thousand claims totaling about $400 billion.”

In response to this and numerous other acts of unethical corporate behavior, the American government instituted legislation that was perceived by many as long overdue. “To address the loss of confidence in financial reporting and corporate ethics, Congress in 2002 passed the Sarbanes-Oxley Act, the most far-reaching change in organizational control and accounting regulations since the Securities and Exchange Act of 1934.” The outcry for greater legislation and regulations was answered.

The Sarbanes-Oxley Act of 2002 (“SOX”) addressed many of the issues apparent in the Enron meltdown. However, these problems were not exclusive to Enron alone. Ethical standards and accounting practices were feared to be compromised at a number of companies, including WorldCom, Tyco, Halliburton, and Sunbeam among others. The first provision of
SOX was to establish the Public Company Accounting Oversight Board (PCAOB) to enforce the regulations set forth by the Securities and Exchange Commission. These duties include registration of public accounting firms, establishment of auditing, ethics, and quality control standards, and inspection and investigation of public firms.\textsuperscript{21} Along with this oversight, the Sarbanes-Oxley Act requires auditors to be independent on every engagement. This precludes the accounting firm from performing advisory and consulting services to an audit client. In so doing, SOX seeks to prevent a conflict of interest between the auditing firm/individual auditors and the client.

The breadth of the Sarbanes-Oxley Act is not limited to accounting firms. In fact, SOX places tremendous emphasis on the responsibilities of the company being audited and its management. Both the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to sign the financial statements, assuming responsibility for the fairness and completeness of the statements. Public corporations are also prohibited from making loans to its executives.\textsuperscript{22} Furthermore, the Sarbanes-Oxley Act stiffened penalties for white-collar crime, including mail and wire fraud. Still, the most obtrusive aspects of this momentous act deal with ethics. SOX “requires a code of ethics for senior financial officers; (the) code must be registered with the SEC” and “mandates ‘whistle-blower protection’ for persons who disclose wrongdoing to authorities.”\textsuperscript{23} These provisions stretched the extent of the SEC’s authority to unprecedented lengths. The independent government agency is no longer responsible for merely the regulation of stocks, bonds, and the markets they are traded in; rather, the Securities and Exchange Commission has become a “corporate watchdog” of ethical standards. In particular, protection of individuals who report unethical behavior (so-called “whistle-blowers”) is of tremendous importance.
Some believe additional regulations were necessary to counter the sheer size of companies. In particular, multinational corporations (MNCs) span across the globe and affect millions of people every day; some produce more revenue than entire countries. Yet the size of a company should not be the driving force behind new legislation. According to Hojjat and Saternos, implementing new regulations due to the size of an entity, “ignores the role of religious institutions and personal convictions as regulators of human behavior—even in the marketplace.”

It is not the number of countries a company conducts its business in, how many individuals the company employs, or even the media of technology the company uses that have precipitated the need for legislation. The need for more regulation is the result of heightened unethical behavior of corporate America as a whole.

Ethical standards should not be contingent upon a bill passed by representatives of the people, but rather on the lives we live and on the people we want to be. Moral values are instilled in all of us, with family interactions and teachings at the nucleus. Therefore, they should be instituted by the people themselves, not the government. Michael Novak declares, “It is best if moral principles are internalized by citizens, so that they become watchmen over their own behavior, without need of police outside themselves.”

Although Enron was a glaring example of unethical behavior as a means to profit maximization, the actions of a company should not warrant severe government intervention. Nonetheless they have because, as Friedman indicated, it is not the business that has responsibilities but rather the individuals within the business. Moreover, ethical values differ from person to person as a result of personal upbringing, experiences, education, and beliefs. Individuals have seemingly become more egocentric and narcissistic, considering only those actions most beneficial to themselves and their families. In his work *Democracy in America*, Alexis de Tocqueville feared this self-
centeredness as a great danger of democracy over one hundred fifty years ago: “his children and his particular friends form for him all of mankind; as for the rest of his fellow citizens, he is next to them, but he does not see them; he touches them and does not sense them; he exists only in himself and for himself alone.”

Today, Tocqueville’s fear is our reality. Unethical issues are not only the result of actions by people; often, it is what people fail to do that has a greater traumatic effect on society. Hojjat and Saternos acknowledge it is what we are lacking more so than what we are doing that has required additional legislation. They write,

Churches are seen as voluntary and antiquated organizations unrelated to the “real world” work of business. Individual moral restraint and character development is dismissed as the stuff of one’s “personal life.” The source of morality or character is often not expressed in a public setting for fear of offending others with differing viewpoints. As a result, we have a society with far less restraint, which requires the intervention of civil government to ensure ethical behavior.

Governmental parameters require every public company to abide by the same rules. Friedman “recognized that the free market cannot operate as a completely unregulated entity” and would require some intervention for capitalism to persist. However, he would not agree with legislation tied to social responsibility of corporations. Friedman viewed ethics as a distractor of maximizing profit. Thus, America is divided between the juxtaposing views of Friedman’s profit maximization and the initiatives of the Sarbanes-Oxley Act to enforce ethical standards. Society would side with Friedman if corporations were managed with honesty and integrity. Unfortunately in our modern world, legislation like the Sarbanes-Oxley Act is necessary to prevent a pandemic of corporate greed.

Corporate social responsibility has been a topic for debate over the past fifty years, but has not become a prevalent issue in corporate America until several years ago. As companies are looking to improve their internal ethical structure and enhance brand recognition, they are turning to CSR to facilitate these efforts. A novel perspective on CSR is that it is “part of what businesses need to do to keep up with (or, if possible, stay slightly ahead of) society’s fast-
changing expectations. It is an aspect of taking care of a company’s reputation, managing its risks and gaining a competitive advantage.”

Instead of the perception of CSR as a necessary obligation, corporate social responsibility should be recognized as a beneficial decision. As is the case with nearly every industry, the integration of corporate social responsibility has “a handful of leaders, a large number of followers, and many laggards.” Therefore, the fundamental question is not whether CSR motives have been employed, but where the company stands in relation to its peers. Furthermore, this mode of thinking should permeate throughout the corporate entity, from the corporate and business ranks to the functional and operational levels. Management may spearhead the effort, but this will not persist without the support of the employees. Integration of CSR into the daily interactions of employees is the ultimate goal. As social responsibility is implemented into the culture of the firm, the need for “corporate social responsibility” will cease to exist. Instead, CSR “will simply be the way business is done in the 21st century. ‘My job is to design myself out of a job,’ says one company’s head of corporate responsibility.”

This simple statement has profound meaning. Only when CSR is no longer discussed will corporations have achieved a reputable height of corporate social responsibility. Corporations across the globe still need to make great strides before this objective can be attained.

Many argue morality has become an essential component of success in twenty-first century business. What Friedman saw as a hindrance now appears to facilitate profitability. Michael Novak argues, “Business is a morally serious enterprise, in which it is possible to act either immorally or morally…business requires moral conduct; and, not always, but with high probability, violations of this logic lead to personal and business disgrace.” All too often companies who fail to establish an ethical corporate culture are plagued by corporate scandal and
eventually dissolution. A truly ethical environment must be proactive, not reactive. It is far more difficult to correct the wrongful actions a corporation has overlooked in the past than it is to establish ethical concerns as the cornerstone of a corporation’s foundation from the onset. A number of studies have shown that profitability increases over the long run for socially responsible companies in comparison to their counterparts. Moreover, the Cone/Roper Cause-Related Marketing Trends Report polls consumers on the affects of positive initiatives of companies, and evaluates the results in relation to short-term sales. The study from 1997 indicates three out of four consumers would switch to brands associated with a “good cause,” assuming price and quality are equal. Other reports have also linked social responsibility to customer loyalty and employee commitment to the firm. It is evident that CSR does not apply exclusively to the interaction of employees. Ethics influences every stakeholder of the company, from suppliers and customers to the government and community. But ethics also influences profits, brand recognition, customer loyalty, and employee retention. “Rather than being just a compliance program, ethics is becoming one of the management issues within the effort to achieve competitive advantage.” Ethics interwoven in the fabric of a company will afford tremendous opportunities for growth and prosperity.

Should companies then strive to be ethical in order to maximize profit? Almost paradoxically, this heightened emphasis on ethics for the sole purpose of increasing wealth appears…unethical. Using ethics as a means to an end seems wrong in a sense. Ultimately, however, an ethical company benefits society as a whole. For example, recall the response provided to victims of Hurricane Katrina by numerous entities. Donations of time and money poured in from individuals, non-profit organizations, and corporations. The primary motive of every company who joined the relief effort probably was not solely to provide food and
essentials or rebuild homes. Some companies undoubtedly fancied the free press. They wanted the opportunity to appear to be a socially responsible corporate citizen willing to help those in need. Those entities believed their efforts would bolster profits in the short-term and perhaps sway some people into loyal customers. In spite of these notions, their efforts helped thousands of Americans get the help, supplies, and care they deserved and desperately needed. If corporate profits result from good deeds, even if the intent was solely to generate media attention, the public is still better off than it was prior to the aid. Both parties benefited, even if one was more deserving than the other.

It is no secret our perception of Wall Street and corporations has become hardened and resentful in response to the most recent financial meltdown. However, public well-being and corporate profits should be thought of as a symbiotic relationship, not a mutually exclusive one. Instead of thinking in “either/or” terms, we must begin to think in “both/and” terms. Hurricane Katrina is a good example of how both the victims of the storm and the corporations who helped them benefited from recovery efforts. Moreover, episodes of hardship should not be the only time we feel this way. We need the public/corporate relationship to be mutually beneficial in times of both strife and success. The question is: how does this relationship persist throughout the various stages of the economic cycle?

At both extremes of the business cycle, companies are more inclined to lend a hand. Courageous and selfless companies, as well as the aforementioned media seekers, are willing to help in perilous situations. Corporate social responsibility varies directly with respect to the business cycle and corporate profitability. It is easy for corporations to write a check when business is booming and profits are high. The period of the business cycle least likely to see corporate social responsibility in the community is a time of stagnation or slow economic
growth. It is during this time in which corporations are particularly concerned with their future, as uncertainty about potential macroeconomic events causes companies to become more conservative. In addition, a number of internal decisions by management will significantly influence the readiness and adaptability of the company. Consequently, the company looks inward to focus on its own needs. At the top, the company has very few concerns because there is a constant stream of cash flows. At the bottom, the corporation has the company of numerous other firms who are struggling and are one of many. Therefore, they are willing to reach out in order to stand out. In the middle, however, when there is little economic growth or direction, only the most ethical corporations are noticed as they continue their social responsibility efforts. A constant, unyielding relationship with society through efforts important to the corporation is the only way a symbiotic relationship can exist between corporations and the public. Otherwise, corporations are perceived as egocentric entities, either donating pennies of their profits or exploiting the misfortunes of others.

There is a broad range of socially responsible companies. Some have no concern for the public and even adversely affect society with many of their decisions. Others dedicate a substantial portion of their profits and time to enhancing the overall well-being of the public. Although there is at least one company that fits each of these types and every type in between, there is no way to ensure the fortitude of the relationship. Furthermore, any regulatory attempt to do so would severely contradict the capitalistic free market. The relationship undoubtedly hinges on the commitment of the corporation. Daylian Cain, a professor at the Yale School of Management, asks, “But the real question [for companies] is can you ever care about anything other than maximizing profits? And will you give up the most profitable course of action if the second profitable course of action really aligns with shareholder values?” These questions
epitomize the dilemma at hand. The first question rhetorically asks about maximizing profits for the corporation, in line with free market economists and Friedman. The second question addresses the idea of accepting a smaller profit by taking a better path, thereby improving the well-being of others. Where do we draw the line? How do we know which path to choose?

We have outlined many of the various pros and cons for maximizing profits and corporate social responsibility. There seems to be validity to both schools of thought. The “line” we must draw lies somewhere in between. A company cannot survive over a long period of time without generating profits, nor can a company be accepted by its various stakeholders without some accountability to the community, government, and environment. Moreover, this line that we draw should not be rigid or definitive. We must allow the line to be fluid, with the ability to fluctuate over time and between companies. A portion of each corporate ideology must be present at any one given time. No corporation can completely abandon corporate social responsibility or profit-seeking endeavors without serious ramifications.

Where then does Christianity fit into the corporate culture? Despite the notion of separation of church and state in our own Constitution, religion is a universal force that pervades race, gender, age, and culture. In business it is essential to have some form of moral guidelines; the premier standards that should be incorporated are those from God Himself. Both the individual and the corporation must accept and implement these moral principles in the daily course of business. If one or the other fails to do so, everyone who has an interest in the company is affected. Novak writes, “Business has a vested interest in virtue…It cannot endure without leaders and colleagues in whom many key virtues are internalized. In this and in many other ways, business is dependent on the moral and cultural institutions of the free society.”

Therefore, let us first turn to the individual.
In his *Centesimus Annus*, Pope John Paul II ardently summarizes the fundamental importance of religious morality in the lives of individuals to attain corporate success:

Indeed, besides the earth, man's principal resource is *man himself*. His intelligence enables him to discover the earth's productive potential and the many different ways in which human needs can be satisfied. It is his disciplined work in close collaboration with others that makes possible the creation of ever more extensive *working communities* which can be relied upon to transform man's natural and human environments. Important virtues are involved in this process, such as diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs.\(^3\)

Christianity has been a ubiquitous, driving force in the lives of billions of individuals for over two thousand years. Persecution threatened the lives of early Christians, as public expression of the Christian faith was punishable (in many cases by death) until the 4th Century in the Holy Roman Empire. Still, these followers remained steadfastly devout. As Christianity became more widely accepted, it shaped the Western culture as we know it today. Christianity is the largest religion in the world. Yet it seems as though the recent “politicization” of religion has led to a more secular population in America. Harvard professor Robert Putnam states the 1950s were "probably the most religious period in American history,” when he says 55% of Americans attended church regularly.\(^3\) However, evangelicalism began to drop off in the 1990s: ‘‘That so-called politicization of religion triggered great hostility toward religion,’ leading to a ‘dramatic growth in secularism and ‘nones’’”—sociologists’ term for people who claim no religious affiliation.”\(^4\) As the era of globalization continues to shrink boundaries between countries, the religiosity of America may be dwindling as well. The United States has long been viewed as a very religious nation relative to other countries throughout the world. However, ties to foreign countries may be influencing religious piety domestically. A second glaring threat to the future of Christianity is the age of the population in relation to devoutness. Putnam concludes that young Americans are "vastly more secular" than their older counterparts.\(^4\) This reverts back to Hojjat’s statement that churches seem outdated and voluntary to many young Americans. Today
there is less desire among adolescents and young adults to express their faith in a public setting than there was for this same age group fifty years ago.

This unfortunate reality is difficult to accept when there seems to be a direct correlation between faith and happiness. Religion provides individuals with a strong sense of worth, poise, and self-assurance. Furthermore, religion provides direction in one’s life. Without a moral code to abide by or a feeling of purpose, it is difficult, if not impossible, for individuals to rationalize their being or empathize with others. A study of the General Social Surveys over a twenty-four year period, conducted by Rodney Stark and Jared Maier of Baylor University, revealed that “religiousness is positively related to happiness.” The frequency with which people attend church affects their response to the question of happiness. As the incidence of church attendance decreased, the amount of people who answer “very happy” also decreased. Those who took part in church services weekly were significantly happier than those who never attended. The study concludes that 40% of weekly participants were “very happy,” while only 9% were “not too happy.” Contrast this with the results of the individuals who never participate in church: 25% are “very happy” and 18% are “not too happy.” It is worth noting that Stark and Miller believe religious individuals are happier and healthier than secular individuals because of the social ties formed at church. The congregational setting provides an opportunity for members to connect and interact with others to find a common ground on various issues. Moreover, this social interaction is not just with other members of the church, but with God Himself. The General Social Surveys indicate a considerably high correlation between those who feel “nearness to God” and happiness, even higher than church attendance. Stark and Maier conclude, “For one thing, religion provides much more accessible and supportive social relations than do secular alternatives, and this is due to the underlying sacred assumptions of congregational life. For
another, the “social” bonds can be to God as well as to fellow congregants.\textsuperscript{44} Relationships are an integral part of happiness. Self-reflection and seclusion are important at times, but only go so far. The bonds between individuals help develop and shape each person to his/her character and demeanor. Robert Putnam also affirms this notion. He believes it is much harder to say no to a member of your congregation, your “moral community,” than it is to say no to a friend or colleague.\textsuperscript{45} The underlying religious bond between congregates delves deep into the soul of each individual. Conversely, employees without a moral conscience will eventually destroy the foundation of any corporation because they lack that connection. For, as Novak concludes, “It remains true that good and morally admirable people make work environments, friendships, and even cities and nations happy places in which to find oneself, for which one gives thanks.”\textsuperscript{46} This social aspect is the paramount ingredient to happiness and, ultimately, morality.

Now that we have elucidated the importance of religion for the individuals of a corporation, let us turn to the corporate entity as a whole. Though each individual may have his or her own moral guidelines, it is far more difficult to incorporate standards that transcend discrepancies in belief across the entire company. Corporations often attempt to unify their members by instituting a code of conduct. While this is the most practical method of uniting varying opinions, it is difficult to implement. Even when the code is enforced and individuals adhere to its standards, the code itself may not be ethical. Enron irrefutably incorporated a poor code of conduct, one that led employees to compromise their moral values. Therefore, the code of conduct must be derived from some other form of moral conscience. The preeminent source of such is religion. Recently, religion seems to have made a push into the corporate world. While the line separating church and state is quite definitive, the division between church and work is far more ambiguous.\textsuperscript{47} This has allowed for the injection of spirituality into the
workplace. According to Lake Lambert III, author of *Spirituality, Inc.*, the primary objective of workplace spirituality is to transform corporate America “‘from an egotistic survival of the fittest built around greed to a new vision of commerce grounded in compassion and enlightened self-interest that is, at its heart, a spiritual phenomenon.’” Thus, the corporation should use the principles of Christianity to mold the ideal corporate culture through its code of conduct. Each corporate code of conduct should be a subset of the principles of the higher order, not vice versa. Often, companies create their own standards by selecting specific principles from the Ten Commandments or various excerpts from the Bible. Instead, the teachings of the Bible should be the foundation from which the rest of the code is constructed. Our personal hierarchy starts with divinity; so too should the hierarchy of the corporation.

In general, individuals seem to establish an adequate set of moral values and principles to guide their day-to-day activities. Often, they are able to harness their vices and lead a respectful, pious life. Though everyone has their transgressions and no one is without fault, the majority of individuals are reputable citizens. In conjunction, corporations are increasingly raising the bar on corporate social responsibility and ethics in the workplace. Companies are developing ethics committees, hiring Chief Ethics Officers, establishing anonymous help lines, and enforcing more stringent conduct policies. A code of ethics is a mainstay in the corporate world today. So if the majority of individuals and corporations are making strides towards a more ethical work environment, why is there so much unscrupulous behavior? The answer: the disconnect between the ethics of individuals and that of the corporation. Because each individual has his/her own set of moral values, the variance of behavior is vast. The corporation’s code of conduct seeks the middle ground to fuse the principles of so many people. As a result, the code may be too harsh in certain respects and too lenient in other circumstances. This degree of
constraint is completely relative to the individual’s own moral principles.

A crucial aspect of business that differs from individual relationships is a corporation’s active participation in commerce. While globalization may indirectly influence our religious piety, it counteracts this blemish by building greater and more numerous connections between countries and companies. Much like the congregation, which helps individuals network and intermingle, commerce is the social interaction of corporations. These connections are imperative to the success of companies, both domestically and internationally. In fact, several devout Catholics have given high accolades to commerce. In Michael Novak’s *Business as a Calling*, he references St. John Chrysostom’s view, stating,

Commerce…is the material bond among peoples that exhibits, as if symbolically, the unity of the whole human race…The human race is one. The international commerce that shows forth the interdependence of all parts of the human body knits the peoples of the world together by the silken threads of a seamless garment.  

This eloquent statement encapsulates the power commerce has over people. Commerce breaks down boundaries and builds relationships. There is no concern for race, religion, gender, age, ethnicity, or sexual orientation, particularly in large-scale transactions. Seldom do we know all the hands that worked on the product or how the product reached us. We only know that commerce allowed the transaction to take place. Novak affirms, “In this way, commerce is the most solid, material sign of unmistakable human solidarity. And yet it takes away from none of our cultural differences, not to mention our individuality.” Commerce is a great equalizer amongst vastly different nations. Despite trade barriers, tariffs, quotas, government regulations, and the like, trade unites people without physically bringing them together. Commerce allows interaction without fear of repulsion.

The primary tool facilitating a need for ethical understanding and tolerance in commerce is the advancement of technology. Technology is bringing the world together at an increasingly
faster and unprecedented rate. Author Win Swenson contends,

First there is the role technology can play in the integration of global ethical values. Technology is shrinking our world and dramatically aiding the global sharing of information. The second issue, which ties closely with the first, is how business leaders need to handle the ethical impact of that very same technology and the information flows that go with it.51

Globalization and technology have enhanced the exchange of information and ideas among nations. However, this fusion has resulted in various, multinational disputes about ethics in the workplace and corporate social responsibility. As a result, it is the responsibility of management to harness this influx of information and use it to the corporation’s advantage. Executives must sift through the data to determine the most relevant and significant information. The concern is no longer whether or not a company can obtain necessary information, but rather what information is useful and relevant. However, this linkage of societies has raised a greater, more providential issue—ethical integration. Swenson believes, “the more we shrink our world to link a buyer with a seller, a business with a market, one trading partner with another, the more we need to rely upon each other to deal from the same ethical deck.”52 A universal code of conduct that transcends all nations, governments, cultures, and other boundaries would be the ideal. The challenge, however, is making companies see eye to eye on issues they have widely different ethical opinions on. Currently, ethical integration seems unattainable. Still, corporations and individuals must be tolerant of ethical differences. “On a global basis, if a corporation plans to operate in other cultures, it must take pains to understand the environment and values embodied in what may be an unfamiliar culture and to integrate that understanding into policy.”53 This mode of thinking translates to acceptance within an organization as well. Corporations have widely diverse employees and must align corporate values to accept ethical disparities. This can only be executed to the extent that each individual’s stance does not compromise the overall values and integrity of the company.
Although managers may support an ethics program, one of the most apparent problems with implementing new ethical standards is function/rationale. Some firms argue it would be difficult to raise enough capital to fund the program. Others cannot justify the program to board members and executives when no imminent problems exist. These companies are content with the current system, and do not want to call unnecessary attention to the corporation. If new standards are implemented, stakeholders may question why a new program was put into place. In his work, Managing Corporate Ethics, Francis Aguilar disputes, “The problem with this thinking is that it ignores the risks and opportunity costs of not acting to ensure ethical behavior.”

The primary flaw with refusing to change ethical principles is that this mode of thinking is based on prior events. The past can be a useful guideline, but should not be the sole premise on which a decision is based upon. Rationalizing a decision merely because the company has not taken that course of action before or the idea failed in previous attempts is not sufficient. The corporate environment is dynamic and ever-changing; complacency does not maintain a company’s status, but rather erodes it. While the firm may be content with current standards and business practices, competitors are advancing their corporate cultures. Many of the problems a company will face may not exist today. If a company does not have the foresight to improve its code of conduct or standards, the ramifications are numerous and incalculable.

Not only does the company risk potential unethical practices and litigation, it also fails to maximize its aptitude for generating corporate profits. Aguilar concludes, “Ethical standards, set by top management and fostered throughout the organization, can act to supercharge the engine of corporate performance,” as long as these standards are enforced.

Moreover, the work environment of a corporation is inordinately different than one’s personal milieu. The decisions an individual makes outside the workplace are more directly
connected to the parties involved. Conversely, an employee can be held vicariously liable for the actions of coworkers and subordinates, as well as the decisions made by the company as a whole. Although an individual should continue to maintain his/her personal moral values within the company, there are unparalleled pressures associated with the corporate culture. Requirements to meet time restraints, make quotas, and deliver error-free work constantly burden each and every individual. Concerns about job security magnify these conditions. Consequently, some individuals compromise their integrity and moral values to achieve desired results. They then attempt to justify their actions through ill-conceived means.

One of the rationalizations most frequently used in the workplace is ethical relativism. Rather than follow their own moral principles or even those of the organization, some people elect to base their ideals on the actions of those around them. They apply these notions not only to the normal course of business, but also to client interactions and travel as well. For example, an individual may view bribery as inherently wrong. His opinion may be validated by his superiors, coworkers, and certainly federal regulations. However, if the individual travels abroad, he may be placed in different circumstances. The client may offer “facilitating payments” to sweeten the offer, a gesture deemed acceptable in that country. If the individual’s performance has been subpar, he may rationalize accepting the bribe to enhance his superiors’ perceptions. He may attempt to validate his decision on the premise that no one country’s moral principles should be viewed above those of any other nation. Therefore, he feels the most germane standards at any one time should be those of the country one is in. However, “when in Rome, do as the Romans do” should at most be a façade of the actions of an individual, never the crux of them.
While personal moral standards should be followed regardless of environment, circumstances may require an individual to consider more than his own responsibilities. In effect, one must use individual moral principles as the minimum level of ethical standards. Unforeseeable events may create the need for higher values that supersede personal ideals. Bowen McCoy, a managing director at Morgan Stanley & Co., Inc., sheds light on such a scenario. In the “Parable of the Sadhu,” McCoy recounts his three-month journey through the Himalayas on sabbatical leave. When the mountaineers came across a half-naked Sadhu, each of the individuals did his share to help the man. The man who found the Sadhu carried him to the others. McCoy checked his vital signs and suggested treatment. An anthropologist named Stephen and some Japanese men took off their outer layers to clothe the man. Finally, the Nepali Sherpas leading the trek took the man down into the sun and showed him where the next village was for aid. When all the men accomplished the magnificent feat and climbed to the summit, Stephen was disgusted by the group’s lack of conscience. The anthropologist felt “what happened with the Sadhu is a good example of the breakdown between the individual ethic and the corporate ethic. No one person was willing to assume responsibility for the Sadhu. Each was willing to do his bit just so long as it was not too inconvenient.”

McCoy never discovered whether or not the Sadhu lived, and continues to feel guilty about the decisions he made on the mountain. Initially, McCoy believed doing his share was enough. He now lives with the realization that he may have allowed a destitute man die because he wanted to fulfill his own aspirations. At the end of the piece, McCoy challenges all of us: “For each of us the Sadhu lives…What is the nature of our responsibility if we consider ourselves to be ethical persons? Perhaps it is to change the values of the group so that it can, with all its resources, take the other road.”
After discerning that ethics must be a fundamental component of the decision-making process in corporate America, how does one make an ethical decision? The answer to this question seems to elude some of those faced with day-to-day ethical dilemmas in the workplace. We can almost unanimously agree that using tools of pure chance like flipping a coin or spinning a wheel should be discredited. Even reliance on previous methods/practices should not be depended upon, as the circumstances of each situation vary. Other rationales, however, are more appealing to employees, but are still unreliable and unjustifiable. These modes of thinking include first impressions, common sense, groupthink, and, as mentioned earlier, ethical relativism. Still, the most difficult rationale to push aside is one’s own conscience. Andrew Sikula, Sr. and John Sikula conclude “your conscience may not always be a proper guide to ethical behavior. A conscience is acquired over time. It is not inherited or part of one’s chromosomes or DNA. The conscience is developed over time through education and experience.” Therefore, one’s upbringing may adversely affect his/her conscience. As an extreme example, an individual may have learned to hate and discriminate against other races, and may have instilled this in his/her conscience without merit. Although one’s conscience can be helpful, it cannot be the sole ethical authority. What then are the appropriate guides to drive ethical decision-making? Acquired knowledge through formal education, experiential learning, and positive role modeling all help escort us in an ethical direction. Religious faith, scripture, and prayer drive these support systems and reinforce our decisions. Although decisions are made constantly throughout the day, the groundwork for making those choices has been shaped and tailored over years of experience and reflection. The Sikulas explain, “Moral management is a process involving deliberative thought and action. Ethical excellence is achieved by using virtuous values as benchmark standards…people use prayer, meditation, and/or reflection before
making major personal and professional decisions.” Unfortunately, human nature tempts individuals to justify their actions with unreasonable rationales. There are numerous methods of doing so, and consequently unethical decisions are not uncommon. A moral compass guided by sound education, commendable role models, and religious faith will steer individuals on an exemplary path and help people make ethical decisions.

Having exhausted numerous facets of corporate greed and particularly corporate social responsibility, let us examine a more reverent perspective of CSR. Rather than the conventional corporate social responsibility, let us broaden our interpretation to that suggested by William Frederick: cosmos, science, and religion. This all-encompassing approach reduces our awe for the corporate entity and promotes our admiration for God. Too much focus on the corporation and its interaction with society impairs our vision of those activities we should focus on in our lives. Frederick explains we feel “that it is the corporation that should be the center of our attention. The corporation becomes the sun around which society revolves.” Society becomes so enthralled in assuring corporations are socially responsible that we lose sight of what is truly important to us. Maximizing shareholder wealth while actively participating in the community is vitally important, but these notions should not be the primary consideration of the American public. Ultimately, we must turn to morality and our relationship with God.

The ‘C’ of this novel CSR ideology refers to the cosmos, the very being of humanity. Rather than centering on the corporation, we turn towards our existence and our purpose in the world. The universe influences every aspect of life, not just ours, but every living creature, vegetation, planet, and galaxy. Nothing is immune to the cosmos, no matter how great or small. Frederick professes,
All of the important, central normative issues and questions concerning human meaning and human destiny devolve from cosmological processes: the origin of life and the definition of what life is; the origin and evolution of humans; the origin, evolution, and future of the universe; the future fate of the earth; whether there is purposefulness in the universe or within human life on earth.\(^\text{62}\)

It is apparent that the corporate entity does not measure up to the magnanimity of the cosmological perspective. The corporation may be the largest entity we have in society, but it is only a human construction. A corporation may reach millions of individuals spanning nearly every country, where the cosmos touches all of us and extends far beyond our current comprehension. Frederick contends, “Now is the time to abandon our pre-Copernican-like assumption of corporate centrality and seek instead to describe business’s normative function as one part of a larger cosmological whole.”\(^\text{63}\) The only way to analyze/understand a corporation and its values is to view the business in the grand scheme of the cosmos.

Turning to the second aspect of CSR, the science component is comprised of all the sciences, including natural, behavioral, and social.\(^\text{64}\) This is the primary means through which individuals are able to discover the benefits and gifts of the cosmos. Science also affords humanity the ability to understand interactions with each other and where our behaviors are derived from in the brain. The various theoretical ideologies of science are integrated into our everyday lives. It is impossible to segregate the cosmologic from the scientific. Frederick specifically focuses on the “Third Culture” sciences that are the most ground-breaking and innovative, including artificial intelligence, chaos theory, virtual reality, nanotechnology, the human genome, and cyberspace.\(^\text{65}\) Science innervates our minds, and provides us with a better understanding of humanity. He asserts that these “sciences are normative sciences. Their only purpose and significance lies in the light they can shed on the human enterprise, its present character, and its possible future.”\(^\text{66}\) Consequently, people cannot seek to understand behavior, thought-processing, social interactions, or ethics without incorporating the scientific intelligence
we have accumulated over thousands of years. Science is an integral part of humanity that expands deeper and broader than merely the social aspect of our initial CSR.

Religion is the final component of this unique CSR perspective. Religion provides moral guidance to people, particularly in times of doubt and despair. Moreover, religion gives individuals a feeling of purpose and self-worth. “Human meaning, destiny, purpose, and morality, along with the practical ways of coping with day-to-day living, have been the province of religionists in all ages among all cultures. Of whatever stripe of religious affiliation, they have felt free to judge both business and society.” Without some form of spirituality as a driving force behind daily activities, what does one live for? Living without purpose is a wretched and lonely realization. Therefore, the focus on an understanding of personal meaning in the greater cosmos generates a “religious impulse” found in many, but uniquely distinct to each of us.

To recapitulate the cosmos, science, and religion perspective of CSR, let us consider this view as one cohesive unit. The cosmos, science, and religion notion does not merely substantiate our initial perception of CSR, but rather deepens and broadens our ideology. CSR is not confined to the corporate entity’s involvement in the community; people need to evaluate their actions and decisions on a more profound level. This not only requires people to be more accountable, but also requires them to concentrate on far more providential aspirations. If corporate social responsibility is the only CSR we readily accept, society will fall short of its God-given potential.

As people seek these devout goals, they are thrust into a continuously changing business environment with advancements in technology and changes to the work-life balance. However, as people gain more freedom and opportunities both personally and professionally, they must
also accept greater responsibility for their actions and decisions. Therefore, individuals at every level of the company must adhere to the high ethical standards bestowed upon us by God. Steve Hunter believes the entire corporate culture would benefit from what he calls the “Daniel Effect,” citing the following passage from the Old Testament:

3 Then this Daniel distinguished himself above the governors and satraps, because an excellent spirit was in him; and the king gave thought to setting him over the whole realm. 4 So the governors and satraps sought to find some charge against Daniel concerning the kingdom; but they could find no charge or fault, because he was faithful; nor was there any error or fault found in him. 70

Faith provides us with a strong ethical foundation to center our lives around. It is important for us to follow this ethical framework at all times and in every aspect of our lives. One should not choose one side outside the corporate environment and choose the other inside the business. Despite the various pressures within a corporation, people must remain steadfast to their personal ethical beliefs. In addition, the corporation must support and promote ethical behavior. This begins with top-level management, as often times employees emulate their superiors. A code of conduct, ethics committee, and anonymous phone lines all facilitate a healthy ethical culture. This not only promotes an ethical environment today, but also allows for a more principled and prosperous future. Hunter explains, “An ethical culture cultivates realistic expectations with the focus on following sound and unquestionable business principles...Ethics allows management to be focused on the future, thereby becoming the framework for long-term success.”71 A strong ethical environment drives both short-term and long-term success; the corporation need not worry about its past, so the company can continue to push forward.

“The widespread attention given to the fall of companies such as Tyco, WorldCom, and Enron has led to an increased focus on ethics in the business world.”72 Moreover, cutthroat corporate cultures, lofty sales targets, and other unrealistic expectations have led some people to compromise their personal ethical values in an effort to “beat the street” and save their jobs.
Both corporations and individuals alike seem to have gone adrift at times and need some ethical guidance. Therefore, the corporate entity can and must embrace corporate social responsibility as a fundamental component of business. Hunter concludes, “Ensuring that an effective ethical culture exists in an organization isn’t only a key factor in preventing the kinds of losses brought about by corporate frauds and avoiding the need for costly, burdensome legislation, but it can also enhance a company’s reputation, improve morale, and even increase sales.” To reiterate, companies should not view corporate social responsibility as a necessary obligation, but rather as an integral part that contributes to the success of the business as a whole.

Corporate social responsibility is a tremendous step towards a more ethically sound culture and is beneficial to society as a whole. In a sense, the creation of the corporate entity hundreds of years ago has allowed people to take excessive risks without repercussions due to its inherent limited liability. It is fitting then that the corporate entity assumes more accountability and leads us away from corporate greed. For it is written in the Gospel, according to Saint Mark, “For what will it profit a man if he gains the whole world, and loses his own soul?” Wealth, fame, greed, and fortune are materially superfluous items that draw us away from our relationship with God. These are trivial, fleeting desires that shift our focus away from the most important facets of life—friendships, selflessness, compassion, love. Corporate social responsibility is an effort to shift our attention back to these notions and away from greed. As he comes to the end of his quest to discover corporate social responsibility, Frederick concludes his piece with the following: “There is indeed a grandeur in the CSR view of business and a wondrous personal awe that from so simple a beginning endless forms most beautiful and wonderful have been, and are being, evolved.” This evolution we must strive to attain is undoubtedly the most imperative CSR of all: cosmos, science, and religion.
Notes


2. Friedman, 56.

3. Ibid.

4. Ibid.

5. Ibid., 57.

6. Ibid.

7. Ibid.


15. Ibid., 321.

16. Ibid.

17. Ibid., 322.

18. Ibid.
19. Ibid., 323.
20. Ibid., 15.
21. Ibid., 104-5.
22. Ibid, 103.
23. Ibid.
27. Hojjat and Saternos, 6.
28. Ibid.
30. Ibid., 49.
31. Ibid., 52.
32. Novak, 8.
34. Ferrell, 37.
35. Ibid., 22.


40. Ibid.

41. Ibid.


43. Ibid., 122.

44. Ibid., 125.

45. Burke, 16.

46. Novak, 71.


48. Ibid.


50. Ibid., 48.


52. Ibid., 6.


55. Ibid., 157.

57. Ibid., 93.


59. Ibid., 20.

60. Ibid., 21.

61. William C. Frederick, Corporation, Be Good! (Indianapolis, IN: Dog Ear, 2006) 259.

62. Ibid., 262.

63. Ibid., 263.

64. Ibid.

65. Ibid.

66. Ibid., 264.

67. Ibid., 264-5.

68. Ibid., 267.


71. Hunter, 11.

72. Ibid., 9.

73. Ibid.

74. Mark 8:36.

75. Frederick, 308.
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