

Economic Theory

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**GLOBALIZATION
AND MORAL RESPONSIBILITY
OF MANAGEMENT**

Abstract

The article substantiates the thesis that corporate social responsibility (CSR) is a concept which combines and complements various aspects instrumental to mutual development of business and society. The CSR ideology manifests itself in shaping a new conception of «value», participation of business in social programs, including continuous cooperation with governments and non-government organizations, as well as such new strategic directions as responsible investing. The authors consider two approaches to business morality and organizational decision-making (an end in itself vs. utility). The studied changes in the nature of capitalism in the late 20th century, which occurred under the influence of globalization processes, make it necessary to re-assess its nature from the standpoint of the so-called «tectonic economics». The authors offer substantiation for the idea that the problems of ethics and morality in organizational behavior will actualize in response to development of the theory and practice of economics and management. The study shows that management of political and business organizations bears triple responsibility towards the society: management (administrative), social, and moral responsibility.

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The concept of globalization appeared in management in the early 1980s. Thus, Theodore Levitt, professor at Harvard Business School, predicted the appearance of globalization as a result of new technology facilitating the proliferation of global means of information and reduced communication costs, leading consumer tastes to converge and giving rise to appearance of global markets for standardized products¹.

Next, the research of globalization has stepped up to a universal level – theoreticians and practitioners in many research areas have started to consider globalization as a process of all-world political, economic, territorial, military, environmental, social, cultural, and informational interaction of many countries with the aim of creating a global civilization (meta-society) or world culture. (Global governance today is created in many cases by international organizations – NATO, the WTO, the WCO, the EU, etc., which establish «the rules of the game» in the global market environment).

Generally, the main goal of globalization is to implement the concept of progressive world economic development based on science-intensive sector and services industry growth and thanks to the strategy of raising emerging economies to competitive innovation economies, turning them into full-fledged agents of the world economy, and occupying a decent position in the world system².

On the other hand, modern management (in particular, in the sphere of international business strategies) views globalization as a global tendency to ex-

¹ Levitt, T. (1988). The globalization of markets. Harvard Business Report, May-June, pp. 92–102.

² Horban, H. (2003). Prosperity or a trap? Underwater stones of world globalization. Syn-erhiya, No.2 (6), p.62. (In Ukrainian); Sherhin, S. (2008). A modern dimension of globalization: concepts and reality. Svitohlyad, No.4, pp. 26–33. (In Ukrainian)

pand business beyond national economy, thus making any entity from any country a competitor from the global economic viewpoint³.

Global environment challenges not only businesses, but also all organizational structures at the mega-, macro-, and micro-levels in general, including even separate individuals. That is why the UNO, which was initially conceived as a purely inter-governmental organization, has started to expand its activity towards business and civil society at the end of the 20th century. The gradual and continuous process of partnering and engaging business and civil society in settling global problems has become one of the Organization's main innovations, such as a Global Deal.⁴

Global events taking place in the early 21st century (the terrorist attack on the World Trade Center; the tragic air crash over Smolensk; military and political situation in Ukraine; aggressive geopolitics of Russia; the Ebola epidemics; new wave of terrorism threats in Western Europe) have not only affected the rate of global economic development, changing the views on the role of management and organizations in the modern world community, but also brought forward new dilemmas in all aspects of human life, starting from global warming to demographic problems and mega-culture to achieving the goals of peace, security, development, human rights, and fundamental freedoms⁵.

Under such conditions, the attention of modern scientists, analysts and lecturers in the field of socio-economic research shifts, among other things, to moral and ethical issues of global social development. Such notions as «human institutions», «credibility», «tolerance», «care», «sacrifice», etc. are being increasingly used in the scientific vocabulary of economic theory and management⁶.

³ Cullen, G. B. (2002). *Multinational Management: A Strategic Approach*. (2nd Ed). South-Western: Thomson Learning, p. 3.

⁴ Global deal is a voluntary international network of corporate citizenship launched to assist private sector and other social actors in encouraging responsible corporate citizenship and promoting overall social and environmental principles in order to solve the problems of globalization. (Social Responsibility of Business: Understanding and Implementation. (2005). Kyiv, KIT, p. 3. (In Ukrainian)).

⁵ For example, according to conclusions of the UN WESP experts, such geopolitical factors as the conflict in Ukraine and the Ebola epidemics, reduced the rate of global economic growth to 2.6% in 2014, whereas the policy practiced by Russia will result in a nearly zero growth of the country's economy in 2015. (World Economic Situation and Prospects 2015. (2015, January 19). New York. UN, p. 1).

⁶ Human institution in modern economic research. In: Tarasevych, V. M. and Yu. Ye. Petrunya. (2013). (Eds.). *History of Economic Studies*. (Textbook). Kyiv, Tsentr Uchbovoyi Literatury, pp. 241–247. (In Ukrainian); Kuryliak, V. Ye. (2010). Trust in the integrated world economy: Theory and paradoxes. *Journal of European Economy*, V. 9, No. 1, pp. 19–36; Halytskyi, I. V. Types of tolerance in the modern society. Available at: http://vuzlib.com/content/view/1368/94_. (In Ukrainian); Lazorenko, O. and P. Kolyshko. (2008). *Textbook on Corporate Social Responsibility*. Kyiv, Vydavnytstvo «Enerhiya». (In

The interest in social and ethical aspects of responsibility as a subject of scientific research peaked in the early 21st century after Ukraine joined the UNO's project «Global Deal: Corporate Citizenship and World Economy». This initiative was launched in 2000 to assist business entities in improving their corporate social and environmental behavior in compliance with ten principles reflecting standards of labor, human rights, environmental protection, and the fight against corruption⁷. At this very time intensified the activity of international and national non-governmental organizations promoting the integration of social responsibility in national business (UNDP in Ukraine, UNICEF in Ukraine, Eurasia Foundation in Ukraine, UCAN in Ukraine). The objects of analysis were scientific dissertations, as well as democratic discussions at numerous «round tables» held by national scientists. The issue of corporate social responsibility (CSR) holds a special place in the modern scientific elaborations which, however, are limited to analyzing the classical views on social responsibility of business, which were developed by western scientists in the second half of the 20th century⁸.

In general, when analyzing social and ethical problems, researchers tend to use highly specialized approaches, *a priory* investigating separate principles and standards (protection of human rights, ecology, charity, sponsoring, fight against corruption, personnel training and development, social protection, etc.),

Ukrainian); Litovchenko, B. V. (2013). Development of metaphysics of the human institution in modern management. *Visnyk Khmelnytskoho Natsionalnoho Universytetu*, V. 1, No. 3, pp.70–74.

⁷ Ten principles of the Global Deal:

Principle 1: Business shall support and respect approaches aimed at assuring international human rights protection in its area of activity.

Principle 2: Business shall not be involved in violations of international human rights.

Principle 3: Business shall support the freedom of association and recognize human rights while holding negotiations on work conditions between entrepreneurs and the government.

Principle 4: Business shall support the liquidation of all forms of forced labor.

Principle 5: Business shall support the effective liquidation of child labor.

Principle 6: Business shall support the liquidation of discrimination regarding job hiring and employment.

Principle 7: Business shall support a mindful approach regarding environmental protection.

Principle 8: Business shall take measures to support the enhancement of environmental responsibility.

Principle 9: Business shall encourage the development and proliferation of ecologically safe technologies.

Principle 10: Business shall resist all forms of corruption, including extortion and bribery.

(Global Deal: Corporate Citizenship and the World Economy. (2008). Kyiv, Secretariat for Global Deal Network in Ukraine. (In Ukrainian).

⁸ See, e. g.: Kompaniyets, V. V. (2013). The essence of corporate social responsibility: basic approaches of Western scientific thought. *Visnyk Khmelnytskoho Natsionalnoho Universytetu*, V. 1, No. 4, pp. 250–251. (In Ukrainian).

which leads to scattering of the subject of study carried out by economists, lawyers, sociologists, environmentalists, and others⁹.

It should be noted that the topic of social responsibility in scientific research actuated in 1960s, when international business faced the challenges from global society and was forced to settle on the strategy of responding to social problems (Table 1).

In the process of scientific debate, various arguments for and against social responsibility of business were elaborated (Table 2).

Table 1

Social responsibility in the global society-business interconnection

Social challenges	Business response strategies
Ecology	Counterattack
National security	Defend
Consumer protection	Adapt
Struggle for civil rights	Accept

Table 2

The debate on social responsibility of business

Arguments «in favor»	Arguments «against»
Favorable long-term business perspectives	Violation of the profit maximization principle
Changes in demands and expectations of the world society	Additional expenditure on social responsibility
Attraction of additional resources to settlement of social problems	Insufficient reporting to general public
Moral obligations regarding social responsibility	Insufficient competence in settling social problems

9 Shapoval, V. M. (2012). Social responsibility in the system of entrepreneurial activity. (Manuscript. Dissertation for the Degree of Doctor of Economic Sciences). Dnipropetrovsk National Mining University. (In Ukrainian); Marushchak, N. V. (2014). The effectiveness of social responsibility of TNCs. (Manuscript. Abstract of Dissertation for the Degree of Candidate of Economic Sciences). Kyiv National University. (In Ukrainian); Pivnyak, H. H. (2014). (Ed.) Social Responsibility of the Government, Business, and Citizens. (Monograph, Vol. 1). Ministry of Education and Science of Ukraine: National Mining University, Dnipropetrovsk. (In Ukrainian).

The last third of the 20th century gave rise to a conception of social responsibility of business organizations. The author of this concept is believed to be Keith Davis, who elaborated the following fundamental principles of social responsibility in business:

1. Social responsibility evolves from public power: public authorities should create conditions for and show examples of social responsibility;
2. Business should act as a two-way open system: on the one hand, it should give account for the impact of society and market system; on the other hand, it should be open to general public about its business operations;
3. Social expenditure should be carefully calculated and considered so as to be qualified as self-cost;
4. Social expenditure is paid for by end consumers;
5. Business organizations, as well as citizens, bear responsibility for settling current social and economic problems beyond the scope of their regular operations.

There is an «iron law» of social responsibility: In the long term, those who do not use the power they have to the ends considered right by the society tend to lose this power¹⁰.

We can assume that this tendency goes hand in hand with the development of institutionalism – a theory which made an attempt to merge economic theory and management¹¹. Along with that, the eclectics of modern research is produced by vagueness of conceptual apparatus with regard to nature of corporations: in classical economic literature, corporations are viewed as partnerships created for profit generation, whereas in management, a corporation is considered to be any organization, regardless of the type of ownership or goals that are being achieved. In this case, the matter in question should be not corporate, but organizational moral responsibility.

In general, modern research of international and national organizations studies CSR in three interrelated forms: 1) as a method and form of organizing a business sector aimed at solving important social tasks; 2) as a regulatory framework, which sets new requirements for companies; 3) as a modern and necessary way of shaping the principles of corporate activity and management (Table 3). However, in spite of numerous definitions and mechanisms of realization, CSR as a concept combines and supplements various aspects that assure mutual development of the society and the business sector. The CSR ideology manifests itself in shaping a new conception of «value», participation of business in social programs, continuous cooperation with governments and non-government organizations, as well as in such new strategic directions as responsible investing.

¹⁰ Davis, K. (1975). Five propositions for social responsibility. *Business Horizons*, June 18, pp. 5–14.

¹¹ See, e. g.: Ivashyna, O. F. (2009). *Institutionalization of Economic Development*. (Monograph). Dnipropetrovsk, Nauka ta Osvita. (In Ukrainian).

Table 3

CSR definitions

Organization	Definition of CSR
World Business Council for Sustainable Development	CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.
OECD	CSR is sustainable development which entails balancing of the economic, social and environmental goals of the society.
The World Bank	CSR is a complex of targeted policy and business structure activities connected with stakeholders and ethical values, taking into account the interests of local communities and environment, and aimed at sustainable development
European Alliance for Corporate Social Responsibility	CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
Forum for Socially Responsible Business (Ukraine)	CSR is responsible treatment by any company of its product or service, customers, employees, and partners; an active social position of a company, which consists in harmonious co-existence, interaction and continuous dialogue with the society, as well as involvement in settling the most critical social problems.
European Commission	CSR is a concept reflecting a voluntary decision of companies to be involved in improvement of social life and environmental protection
Global Non-profit Organization «Business for Social Responsibility»	Corporate social responsibility is a way of doing business in compliance with legal and ethical norms, as well as social expectations, or even outperforming the latter

Source: ¹².

¹² Marushchak, N. V. (2014). The effectiveness of social responsibility of TNCs. (Manuscript. Abstract of Dissertation for the Degree of Candidate of Economic Sciences). Kyiv National University, p. 9. (In Ukrainian).

On the other hand, development of the modern world necessitates a change in the paradigm towards social responsibility – the matter in question should primarily be the moral responsibility of management, which is at the heart of organizational activity. That is why it is important to answer the following questions: Can businesses have social responsibility? Should an organization bear social responsibility? Who exactly in the organization should bear the responsibility (whether social or moral) – should it be managers or all employees?

In order to answer these questions, we believe it is necessary to look at the roots of the social responsibility problem, in particular to analyze the categories of ethics and morals of business, and on this basis to forecast the effective type of moral behavior of management in the context of developing the theory of organizational strategy in conditions of globalization.

(*A propos*) Ethics considers the questions of, firstly, character of individuals, and secondly, moral rules that govern and limit the behavior of individuals. It studies the matters of right and wrong morals, moral responsibility and obligations¹³. Interesting insights offers a comparison of time and cultural differences in the views on ethics and morals (Table 4).

Business ethics studies the components of right and wrong, good and bad behavior of individuals in business environment. The accompanying issues of morals also show up in another organizational context: researchers claim that «the modern market requires that business ... be ready for ethical ramification (watershed) in business decision-making»¹⁴. If people (in both commercial and non-commercial organizations) are ready for ethical ramification in decision-making, they must have certain moral standards.

We should make a forewarning though those morals are not necessarily based on religion (although our moral beliefs come from different sources, the main problem for philosophers are to find whether these sources are reliable). Thus, for example, the common belief in the moral principles of Ptolemy's scientific approach to Earth as a center of cosmos has for a long time prevented the heliocentric hypothesis of Copernicus from winning wide acceptance¹⁵.

¹³ Solomon, Robert C. (1984). *Morality and the Good Life*. N.Y., McGraw-Hill, p. 3.

¹⁴ Watkins B. T. (1984). Business schools told they should produce generalists, not specialists. *The Chronicle of Higher Education*, April 25, p. 13.

¹⁵ According to studies of Pew Research Center, the majority of global population supports democratic values, such as freedom of religion and independence of the legal system. However, in developing countries (Asia, Africa, Middle East) faith in God is a necessary precondition to maintaining high social morals, whereas in Europe, on the contrary, there is a prevailing belief that morals can be supported without religion. (Shergin, S. (2008). *A modern dimension of globalization: concepts and reality*. *Svitohlyad*, No. 4, p. 33. (In Ukrainian)).

Table 4

Definitions of ethic and moral

Ukrainian Soviet Encyclopedic Dictionary (1960s)	Dictionary of Foreign Words (1970s)	New Webster's Dictionary of the English Language (1980s)
<p>ETHIC (Gr. ethos – custom) – science about morals, their origin, development and role in social and private lives of people. Ethic manifests political ideology and worldview of different classes... Ethic provides theoretical elaboration for basic moral concepts: obligation, honour, dignity, good and bad, honesty, happiness, etc.</p>	<p>ETHIC (Lat. ethica < Gr. ethos custom, character) – 1) Doctrine of morals as a form of social consciousness, its essence, laws of its historic development, and role in social life; 2) system of norms of moral behavior practiced by a person of certain class, social or professional group</p>	<p>ETHIC (Lat. ethicus < Gr. ethicos, ethos – custom, inclination, character) a system of moral philosophy or code of morals practiced by a person or group of people; the code of conduct or the field of study of morals or right conduct; specific system of behavior and conduct held by specific strata (professions)</p>
<p>MORAL (Lat. moralis – moral, from mos, Gen. moris – custom, character) – a form of social consciousness; a set of principles, rules and norms, which change in the course of historic development and regulate the behavior of people in relation to one another and towards society</p>	<p>MORAL (Fr. morale) – 1) ethic, set of norms and principles of conduct practiced by a person in relation to society and other people; one of main forms of social consciousness; in class society, moral is class-specific in nature; 2) ethical, instructive conclusion; 3) moral lesson, instruction</p>	<p>MORAL (Fr. morale < L. moralis – manners, customs) – principles that govern right and wrong in human action and character; teaching right behavior; principles and modes of life, behavior as right or wrong</p>

Based on: ¹⁶.

¹⁶ Ukrainian Soviet Encyclopedic Dictionary. (1966). Kyiv, Academy of Sciences of Ukrainian SSR, V.1, p.699 (In Ukrainian); Ukrainian Soviet Encyclopedic Dictionary. (1967). V. 2, p. 543. (In Ukrainian); Dictionary of Foreign Words. (1979). (7th ed.). Moskow, Russkiy Yazyk, pp. 594, 323. (In Russian); New Webster's Dictionary of the English Language. (1988). (College Edition). Surjeet Publications, pp. 529, 973.

Thus, the life itself gives rise to a viewpoint which considers morality not as a religion, but as a function of society's belief expectations. This standpoint transformed into a scientific approach to ethical relativism – a theory where rightness and wrongness are determined by society's beliefs of what is right or wrong. This is exactly what makes it controversial. In addition, the theory claiming that business has its own morals (ethics), which are different from regular perceptions of right and wrong, seems to be doubtful as well¹⁷.

Another aspect of the problem with ethics and morals are the limitations set on one's own behavioral interests for the benefit of the normal life of society. Sometimes, trying to act in compliance with the right ethics steps into conflict with one's personal interests. In general, however, adherence to moral principles should give an opportunity to increase the level of satisfaction with one's life. (Interestingly, in the second half of the 20th century, managers of all administrative levels were perfectly aware of this fact, complaining about the so called «pressure from above», when corporate objectives collide with corporate norms: according to a questionnaire, 50% of US top managers, 65% of middle managers and 84% of lower-level managers agree that they feel the risk of coming into conflict between personal interests and achievement of organizational goals¹⁸).

With time, the views on morals and other problems change. The debate on ethics (morals) in general develops in the course of re-evaluating and changing the arguments in philosophical disputes on the above-mentioned problems, including the possibility of using normative theories of ethics in business and management practice.

In ethics, normative theories offer certain criteria that can be used to distinguish between the right and wrong actions. They can be grouped into consequential (egoism) and non-consequential (utilitarianism) theories (Table 5).

Consequentialist theories of ethics¹⁹ consider moral rightness or wrongness of conduct as a function of its effects. If effects are good – the actions were good, if effects are bad – actions were wrong. Non-consequentialist theories also consider other factors that should be taken into account.

¹⁷ Bloom, Allan. (1987). *The Closing of the American Mind*. New York, Simon & Schuster, p. 39; Brandt, Richard D. (1979). *A Theory of the Good and the Right*. New York, Oxford University Press, pp. 165–170.

¹⁸ Snoeyenbos, M., Almeder R., and J. Humber. (1983). (Eds.). *Business Ethics*. Buffalo, N.Y., Prometheus Books, p.99.

¹⁹ The term «consequentialism» was introduced in ethics by a British analytic philosopher Elizabeth Anscombe (1919–2001). The works of Elisabeth Anscombe on philosophy of mind, philosophy of action, philosophy of language, ethics, and philosophical logic gained worldwide recognition. (Prokofiev, A. V. Human nature and social justice. Available at: http://iph.ras.ru/elib/EM2_3.html. (In Ukrainian); Artemyeva, O. V. Modern ethical concepts. Available at: http://iph.ras.ru/elib/EM6_7.html. (In Ukrainian)).

Table 5

Description of normative theories of ethics

Indicators	Consequentialism (egotism)	Non-consequentialism (utilitarianism)
Theory	A. Smith	I. Kant
Business	Profit	Utility
Interest	Individuality	Organization
Values	Freedom	Fairness
Morality	Resulting function	Absolutism

Based on: Williams, B. (1985). *Ethics and the Limits of Philosophy*, Cambridge, Mass., Harvard University Press; Brandt, R. B. *Towards a Credible Form of Utilitarianism*. In: Hector-Neri Castafieda and George Nakhikian. (1963). (Eds). *Morality and the Language of Conduct*, Detroit, Wayne State University; Ewing, A.C. (1965). *Ethics*, N.Y., Free Press; Smith, A. (1985). *The Wealth of Nations*, N.Y., Modern Library; Kant, I. (1909). *Foundations of the Metaphysics of Morals*. (6th ed.). (trans. T.K. Abbot). London, Longman's Green.

Historically, these two approaches to business morality (an end in itself vs utility) and organizational decision-making were reviewed by classical economists and philosophers. Thus, a classic of the political economy A. Smith claimed that if businesses focused only on the end in itself, it would benefit the society as a whole. According to A. Smith, only egoistic behavior generates the highest level of happiness^{20,21}.

The theory of Kant represents a non-consequentialist approach to ethics. Kant proceeded from the fact that our conduct is morally valuable only if our actions are governed by the motive of obligation (debt). Good will is the only thing that is right in itself. In contrast to utilitarianism or other consequentialist theories, the logic of Kant's ethics consists in the fact that we do not have to know anything about the consequences of our actions²².

²⁰ Smith, A. (1985). *The Wealth of Nations*. N.Y., Modern Library, pp. 223–225.

²¹ Even today many business theoreticians and practitioners agree with A. Smith's claim that business is a part of the social system which requires cooperation and competition. Along with that, they claim that business ethics should be considered as «limited (rational) egoism» – the end in itself must be limited by the rules of business (Beauchamp, Tom L., and N. E. Bowie. (1988). (Eds.). *Ethical Theory and Business*. (2nd ed.). N.J., Prentice-Hall, p.20).

²² Kant, I. (1909). *Foundations of Metaphysics of Morals*. (6th ed.). (trans. T. K. Abbot). London, Longman's Green, p. 15.

Non-consequentialists usually emphasize moral rights – the right to act in a certain way or force others to a certain mode of conduct. These rights can be rooted in specific roles and relations, or as well be general human rights. The rights can be negative, protecting us from external intervention, or take the form of rules requesting that others provide us with certain benefits or opportunities.

In the organizational context, non-consequentialism emphasizes the multi-dimensionality of moral aspects which should be carefully weighted. While focusing on the importance of respect for moral rights, it also claims that morals have limits, and organizations should pursue their own goals.

The theory of rule utilitarianism has become an attempt to unite the opposite approaches. It assumes that principles of rightness or wrongness are reasonable if they maximize the well-being of the society which applies them. Thus, the utilitarian standard is applied not directly to individual's actions, but to perception of the moral principles which govern the individual's conduct²³.

In any case, it should be noted that ethical systems emerge and develop within the framework of socio-economic systems. Historically, the dominant social systems which had no competitors, such as ancient Egypt, imperial Rome, European feudal states of the Middle Ages, or China of the Celestial era, – they all lost their ability to adapt. They could not keep pace with changes in technology and the ideas market. In view of this, capitalism has no rivals on the world economic arena. Today, there is not a single other economic system that could compete with it.

In its development, capitalism went through certain stages: mercantilist (trade), industrial, financial, and state (mixed) capitalism. Regardless of all transformations, the modern society includes certain features typical of previous development stages. Capitalism has four main features (attributes):

1) Companies, i.e. profit-generating organizations: Companies behave differently compared to people, who work in them and for them; capitalism allows creating companies or business organizations which exist independently of the people affiliated with them;

2) The profit motive²⁴: In the modern or historical sense, profit in the form of money is the blood circulation system of the capitalistic society. Both companies and capitalists are motivated by the insatiable appetites for generation of ever larger returns. In fact, the profit motive supports and reflects the most impor-

²³ Brandt, Richard B. (1983). The real and alleged problems of utilitarianism. The Hastings Center Report, April, pp. 38–42.

²⁴ An American economist Robert Heilbroner claims that the profit motive is a relatively new phenomenon in history (it did not exist during the times of Ancient Greece, Egypt, Rome, or Middle Ages). «As an immanent attribute of the society, the profit motive is as modern as typography» (Heilbroner, R. (1980). The Worldly Philosophers. (5th ed.). N.Y., Simon&Schuster, Touchstone edition, pp. 22–23).

tant assumption about human nature: individuals are for the most part economic creatures motivated by and pursuing their own economic interests;

3) Rivalry (the market's «invisible hand», according to A. Smith), which does not allow to dehydrate the society; rivalry governs even personal economic activity;

4) Private property (ownership rights to means of production and capital; capital is at the heart of capitalism, it means using money to generate money). Thus, economic decisions are taken by individuals or a group of individuals based on their own views on profit generation – no one else affects their economic actions.

However, in the late 20th century, the nature of capitalism has undergone certain changes that urge us to reconceive it from the standpoint of «tectonic economics» (the term «tectonics» was borrowed from geology), which evolved under the influence of globalization processes. Lester C. Thurow, one of the leading analysts of capitalism development, claims that the following «tectonic plates» (the bases of land, which are slowly drifting and possess huge power, even though it is hidden from sight) exist in economics:

1. «The end of communism» – one third of global population and a quarter of global territory have recently entered the capitalistic universe (thence, the double polarity of morals – communism (the moral code of a communism builder) and capitalism (*homo homini lupus est*) merged into one single concept (*homo homini nihil est*)).

2. «The mind rules the power» – in the modern economy prevail anthropogenic industries developed by human intelligence (e. g. software); and ICT companies can prosper in any location since they are not dependent on such specific natural resources as coal or oil. This, however, gives rise to a natural question: «Will the development of knowledge contribute to strengthening of morals?»

3. «New demographics» – the fact that population is growing at an increasing rate, aging and shifting from the poor to rich countries, proliferating employee lumpenization, brings forth the problem of the morality of business, which faces the dilemma of having to choose whether to resist or accept the growing majority of «alien» social morals.

4. «Global economy» – everything that can be produced anywhere can also be sold anywhere else today. The world economy is becoming ever more interdependent irrespective of the physical location of economic agents. Thus, the need to assess one's own actions, taking into account the specific culture of the operating environment, gains in importance for multinational management.

5. «Absence of the super-state» – not a single global super-state can establish and maintain the rules of the economic game in the 21st century (which is much different from the previous era) – although the USA has been the economic

power and driving force of the world economy over the last 50 years, tectonic economics claims that even if the USA, Mexico or Europe become the epicenter of an economic earthquake, the shock waves will roll over to the Pacific region.

Thus, the internal problems of capitalism, which have been observed since its very origin (instability, growing inequality, lumpenization), are still waiting for their solution, in particular with regard to activity of corporations – the main actor in a capitalistic socio-economic system.²⁵

A number of socio-economic researchers compares the corporation with a machine (mechanism) created to generate profits and built so as to achieve this goal. As a result, it would be a mistake to consider corporations as socially responsible entities, or to expect them to have such moral characteristics as honour, consciousness or sympathy. Only the individuals within corporations can act morally or immorally and carry responsibility for their own actions. Other researchers believe that corporations cannot be analyzed as a set of its members – it must take care of the work conditions, labor efficiency and productivity and impact of external environment. The corporation should be structured so that employees are committed with regard to management decisions – this is how the good for the society is created (Henry Ford claimed: «What is good for Ford is good for America»)²⁶.

We must admit that business environment produced contrasting views on business morality and corporate responsibility. For example, Mary Kay, one of the most successful entrepreneurs of the 20th century, noted: «About 500 years ago, it was very hard to survive on one's own. Thence appear collective values – family pride, religion or patriotism. Morals have always been directed towards support of these values. Being moral was beneficial to both individual and society. Nowadays, the need for socialization of individuals has become non-obligatory... That is why morals are rooted in human survival. The roots of business ethics are in management technologies... Thence comes the main difference between human morals and business ethics. Individuals build their relations with their surrounding based on emotions. This is how we differ from animals. Business builds its relations with the world based on calculations of its own returns. And it manipulates people, humanizing this process as public relations. Just recall the advertisements – «we love you», «we are thinking of you», «for your convenience,» – they ascribe human features to business, which is not true in reality.

However, people tend to stubbornly animate the non-living things: tender words for cars, brand loyalty, sympathy for political parties. Searching for something human is probably inherent in our nature»²⁷.

²⁵ Thurow, Lester C. (1996). *The Future of Capitalism. How Today's Economic Forces Shape Tomorrow's World*. N.Y., Penguin Putnam Inc.

²⁶ Cited from Neshchadin, A. (2002). Social values, business ethics and globalization processes. *Ekonomicheskiye Strategii*, No. 2, pp. 7–9. (In Russian).

²⁷ Kay, M. Available at: <http://mary-key.dn.ua/business/20-moral-i-etika-biznesu.html>.

Over the last few decades of the 20th century, the capitalist socio-economic system encountered numerous problems, the most serious of which were the following:

- gambling on short-term planning instead of the long-term strategy;
- decreased focus on manufacturing;
- change of attitude towards labor.

Work ethics has changed. Work ethics means the value of individual's work as an end in itself. It also accentuates the belief that hard work will pay off («pay bills»). On the verge of the millennium, the work descends the hierarchy of human values. Work ethics today considers work in the context of other values – family, friends, leisure, and self-development – the so-called «social comfort»²⁸. In these circumstances, modern corporate management tends to complain that «no one wants to work today», i.e. the era of work ethics comes to an end²⁹.

On the other hand, in order to develop competitive advantages, businesses must change their work values³⁰. For example, according to P. Bernstein, it is not efficient today to compare a modern worker with an idealized yesterday's one – it is necessary to put up with the new work ethics, which «does not depend on religious minister beliefs and producer fancies. For most of us, the work continues to be an important part of our lives, but only within the context of overall experience»³¹.

That is why; starting from the last quarter of the 20th century, the focus of business researchers has shifted towards reconciliation of labor and capital, in particular the problems of personal and corporate behavior and morals. The matter in question now is whether corporations (organizations) can be analyzed in terms of morality.

In general, corporate morality reduces to question of whether moral responsibility is inherent in corporations³². If corporations can make smart and

²⁸ Kredisov, A. and B. Litovchenko. (2011). Strategic management at the start of the 21st century: A change in paradigm. *Ekonomika Ukrainy*, No.2, pp. 33–34. (In Ukrainian).

²⁹ Show, W. H. (1991). *Business Ethics*. Belmont, Wadsworth Publishing Co, California, p. 141.

³⁰ The common sense of business in modern conditions reveals itself even in the approaches applied to organizational strategy determination. Whereas classical approaches to strategic management of the 20th century used such notions as «mission», «objectives» and «interaction with environment», under modern-day conditions of globalization the strategy is defined as «a whole set of actions connected with creation and enhancement of the vitality and competitive advantages of international organizations» (Cullen, J. B. (2001). *Multinational Management: A Strategic Approach*. (2nd ed.). South-Western: Thomson Learning, pp. 24–25).

³¹ Bernstein, Paul. (1980). The work ethic that never was. *Wharton Magazine*, 4.

³² There are at least three kinds of «moral responsibility»: responsibility for one's actions; responsibility for impact upon others within the framework of one's social role; responsibility for influence of taken decisions on one's own morality (Show, W. H. Op. Cit. – pp. 156–

moral decisions, it means that they can be considered as such that deserve condemnation or praise for their behavior. The point of disagreement among researchers is whether the internal corporate decision-making structure should be considered sufficient for it to have moral responsibility. This problem is only further complicated by the fact that there is also moral responsibility of people within the corporation itself³³. As some researchers of corporate responsibility show, the corporate internal decision structure (CID) depends exclusively on personalities within the corporation: they can act both morally and immorally, as well as carry responsibility for their actions³⁴.

On the other hand, there is a group of contrasting views stating that corporations behave similar to individuals. Thence, we can identify corporate responsibility with personal moral responsibility of individuals³⁵.

The discussions on corporate responsibility are concentrated on whether to consider it in a narrow sense, i.e. from the standpoint of profit maximization, or in a broad sense – taking into account welfare-improving activities, as well as restrictions on socially-undesirable behavior.

Adherents of the narrow approach, such as Milton Friedman, assert that corporations, which avoid profit generation, decrease the efficiency of an economic system. The only social responsibility of business is to make money by following the «rules of the game». Private companies cannot be forced to accept social responsibility which has previously been vested in the government³⁶.

Advocates of a broader approach support the idea that corporations bear additional social responsibilities in view of their significant social and economic power. Business is governed by the invisible (salient) «social contract», which forces it to act in favor of the society. In particular, corporations are expected to assume responsibility for potential side effects of their business operations, as well as fully assess and cover the social costs of their activity³⁷.

158). Rephrasing Antoine de Saint-Exupery, from the standpoint of management, the first case can be described as an example of «we are responsible for those we have tamed»; the second case reflects «we are responsible for those, to whom we delegate», and the third case can be described as «we are responsible for those who confide in us».

³³ Donaldson, Thomas. (1982). *Corporations and Morality*. Englewood Cliffs, N.J., Prentice-Hall, pp. 2–5.

³⁴ See: Danley, John R. *Corporate Moral Agency: The Case for Anthropological Bigotry*. In: *Business Ethics: Readings and Cases in Corporate Morality*. (1984). N.Y., McGraw-Hill; Ladd, John. *Morality and Ideal of Rationality in Formal Organizations*. In: *Ethical Issues in Business: A Philosophical Approach*. (1983). N.J., Prentice-Hall.

³⁵ Donaldson, Thomas. (1982). *Corporations and Morality*. N.J., Prentice Hall, p. 10.

³⁶ Friedman, Milton. (1962). *Capitalism and Freedom*. Chicago, University of Chicago Press, p. 133.

³⁷ Davis, Keith. (1975). Five propositions for social responsibility. *Business Horizons*, 18 (June); Anshen, Melvin. (1970). Changing the social contract: A role for business. *Columbia Journal of World Business*, 5 (November-December).

Adherents of the narrow approach believe that managers are contractually bound with corporate owners (shareholders), which make them pursue profit maximization as a goal in itself. Critics cast this argument aside, focusing instead on the fact that more often than not, the majority of shareholders have never been acquainted with managers of their own business, nor have met them in person, whereas the complexity of modern corporate management systems makes it impossible for managers to necessarily «keep their word» given to business owners³⁸.

Should corporate responsibility be expanded? There are four arguments against it: «the invisible hand of the market», «the hand of the government», «the incompetent guardian», and «materialization of the society»^{39, 40}.

Critics of the narrow approach state that neither of these arguments can reduce corporate responsibility to profit generation only. Their opponents, on the contrary, consider the creation of an ethical environment (culture) within the corporation to be the first step in the process of corporate responsibility expansion. To create such an environment, it is necessary that corporations are aware of the specific significance of ethics; encourage morally correct behavior of corporate members; provide corporate protection from external critics; and recognize the plurality of the social system. Along with that, in addition to profit responsibility, modern business corporations should step beyond «making money for themselves». Since it is the society that guarantees the corporations' right to exist as economic agents and entitles them with access to natural resources, the corporations should not satisfy solely the appetites of their owners and managers just because «the necessary resources are transformed into the necessary goods

³⁸ Stone, Christofer D. (1975). *Where the Law Ends*. N.Y., Harper & Row, pp. 80–87.

³⁹ Goodpaster, K. and J. Matthews. (1982). Can a corporation have a conscience? *Harvard Business Review*, 60 (January-February), pp.132-141.

⁴⁰ The thesis about «market's invisible hand» originated in the philosophy of A. Smith, who believed that common good would increase should every individual pursue her own interests. Modern adherents of M. Friedman ascribe to corporations only one, economic, function: «Corporations today are almost feudal institutions with their own hierarchical structure and absence of democratic organization» (Held, V. (1980). *Property, Profits, and Economic Justice*. Belmont, California, Wadsworth, p. 11). The advocates of J. Galbraith, who uphold the thesis about purely economic role of corporations, claim that the «visible hand of government» limits their insatiable profit appetites by means of law (Goodpaster, K. and J. Matthews, *Op. cit.*, p. 137). The argument in favor of «an incapable guardian» is sized up in a famous children's poem about Goat Methodius and Cat Vasilii – «We are only responsible for what benefits the corporation» (Goodman, W. (1971). *Stocks without sin*. Harper's, August, p. 66). «Materialization of society» means that top managers of corporations, being governed exclusively by their own material values, project them onto the whole society — they «materialize» the society instead of «moralizing» the corporate activity, as described in 1950s by the forerunner of globalization T. Levitt (Levitt, T. *The dangers of social responsibility*. (1958). *Harvard Business Review*, 36, September-October, p. 44).

and services, and business in its modern forms should successfully provide for it»⁴¹.

Corporations and their employees should have high moral standards and be capable of regulating their behavior, since there are limits to laws working to make business socially and morally comfortable.

All regulative economic life calls for honesty and trust. Adoption of a realistic and capable code of ethics for business can factually improve its effectiveness, especially in conditions when information between sellers and buyers is asymmetric.

For improvement of organizational climate and ethics awareness, some authors recommend that corporate ethics codes are supplemented with establishment of highly-qualified committees (collegiate bodies) on ethics, whereas ethics training is included in management development programs. Consideration for corporate culture is an important factor for successful institutionalization of ethics within organizations⁴².

Naturally, corporations cannot behave as «regular citizens». However, responsibility awareness among employees which shape ethical atmosphere inside their organizations, thus generating positive effects of morality for business, could become the first step towards morality.

We believe that the management of political and business organizations has triple responsibility towards the society: management responsibility, social responsibility and moral responsibility. *Management responsibility* means adherence to specific laws and regulations which determine what organizations can or cannot do.

Social responsibility is the degree of voluntary organizational response to social problems.

Moral responsibility means adherence to «rules of the game» in organizational cultures.

Regardless of the trends in global economic development that have taken place on the verge of the 20th and 21st century, we believe the problems of ethics and morality in organizational behavior will continue to gain in significance in view of the theoretical and practical developments in economics and management. It is possible to predict that modern organizations (corporations) today, as well as in the future, should:

⁴¹ Camenisch, P.F. Business Ethics: On Getting to the Heart of the Matter. In: Show, W., Barry V. (1989). *Moral Issues in Business*. (4th ed.). Belmont, California, Wardsworth, p. 227.

⁴² Tunstall, W. (1983). Cultural transition at AT&T. *Sloan Management Review*, Fall, p. 59; Businesses are signing up for Ethics 101. (1988). *Business Week*, February 15, p. 56.

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- learn the importance of (and the need for) a moral way of performing their activity at all levels of management hierarchy;
 - put forth real efforts in order to develop serious attitude towards morality of their own members: employees cannot place their own goals above those of the organization, and their decisions should be moral in the broad sense of this term;
 - stop defying democratic discussion of their own activity: they should reckon with owners (shareholders), managers, personnel, customers, and society as a whole;
 - and recognize the plurality of their environment: being part of the environment, they influence the society, but at the same time, they themselves are affected by other social groups, generating further development of the society.

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