A Survey Towards a Practical Learning Theory for Teaching Business Ethics to Business Law Students

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Abstract

Business ethics are a vital issue for undergraduate business students. However, many business law textbooks employ cluttered and unclear theories unrelated to specific business ethics practices. In response, three straightforward theories are posited to guide business decisions, profit maximization, the stakeholder approach, and the corporate good citizen. These suggested ideas were derived from a survey of prevailing theories on business ethics. The maximizing profits approach to corporate behavior is that companies only have a social responsibility to use available resources to make money, returning this profit to a company's owners. Ethical constraints involve observing relevant laws and engaging in open and fair competition without deception and fraud. This approach has been supported by a long line of legal opinion and formal agency concepts on the duty of corporate officers. The stakeholder theory recognizes that business decisions affect many beyond a company's owners, so business ethics should look beyond shareholder value and considers those groups directly impacted by corporate decisions. Corporate good citizen identifies specific characteristics of citizens in society and demand business ethics reflect these values in the carrying out of business.

Keywords: *theories of business ethics, profit maximization, stakeholder approach, corporate good citizen*

1. Introduction

Often modern business law textbooks directed toward university students frequently focus on the topic of ethics in rather vague terms with less than concrete paradigms to guide students in making ethical decisions during a subsequent business career. Business environments are a hierarchical, rather bureaucratic organization that are wary of this mode of ethical reasoning and address problems with the profit motive in the forefront. A search of leading business textbooks suggests a principle-based model in the teaching of business ethics is preferable. The principal goal is not to reach for objectively moral decisions, but rather to make justifiable decisions out of a particular context. The model suggested here is so that business ethics "can be exported easily from the classroom to the workplace" (Furman, 1990). This model presumes that students who learn the introductory principles of personal ethical reasoning can develop into rational, independent managers in business applying such theories to the many vexing ethical situations of the corporate world. However, the varied business environments presented in the real world are not sympathetic to the decision-making processes that employ the abstract rationality found in many business law textbooks.

This research does not suggest that a bachelor's degree curriculum should not include broader concepts of ethics in the overall teaching of ethics for business students. A generalized example includes the theories of individual ethics embodied by Kohlberg's foundational cognitive model of moral development and his moral judgment-action gap (Power et al., 1991). It is essential to expose students to alternative ethical models for understanding morality in overall life and the business world. The ideas presented in this paper are a specific theory for the teaching of a business law course. At the same time, more focused ethical issues such as sales practices, internal decision-making structures, or human resource practices should be best explored from an ethical viewpoint in other classes such as marketing, organizational management or human resource management.

Having taught business law to bachelor's degree students for over 20 years, the author believes ethics are an essential part of any business curriculum. Nevertheless, students need to be taught practical principles and ideas which relate to actual business ethics scenarios. It is suggested that a more principle-based form of teaching ethics is sounder over one stressing broader individual ethical values. Accordingly, the three principal theories presented herein: profit maximization, stakeholder approach, and corporate good citizen are suggested as a model for future instruction.

2. Objectives

1. The objective of the article is to survey the ideas of contemporary business ethics and propose areas of content to be included in a university business law course.

2. A survey of relevant literature regarding relevant business ethics theories.

3. Methodology

The methodology employed in the instant research is a literature review. Publications addressing the issues explored in this paper include peer-reviewed research papers relevant to the topic which are recognized for establishing principles under discussion herein, plus websites which announced or explained rationale on the topics of business ethics to university business law students as explored in this writing.

4. Results and Discussion

4.1 Introduction to Business Ethics

Frequently any discussion of “business ethics” draws to mind the linguistic term “oxymoron.” An oxymoron is a concept that is made up of contradictory or incongruous elements. (Merriam-Webster, n.d.). Following this thread, do ethics, and the pure pursuit of profit really go together? Also, companies cannot possibly hope to pursue a single abstract set of ethical principles. No universal set of ethical principles exists, and those that are in practice in the modern business world are often too vague to be of help in specific instances. The decisions that companies face every day rarely present themselves as ethics versus economics. Even if you believe companies do have a wider responsibility than just the profit motive, how can these additional responsibilities be consistently defined? (Duska, 2000)

Also, technological change will bring new debates, on issues ranging from genetically modified organisms, industrial espionage, privacy on the Internet and the use of consumer information for commercial gain. Globalization brings companies into contact with other countries that conduct business through different rules. Cultures clash in today’s globalized world, creating additional issues. Competitive pressures force firms to treat their staff in ways that depart from past practice. From the outside of companies, non-governmental organizations add heavy scrutiny on management practices. Business ethics is increasingly important in the rapidly emerging “globalized world” of commerce. As trade restrictions fall around the world, different governments' ability to influence social policy concerning multinational corporations is declining. The consolidation of business in many fields additionally reduces the impact of government on business practices. All these factors highlight the necessity to set standards and encourage business to engage in ethical behavior for the benefit of society in this globalized world (Friedman, 2010).

Business ethics is an essential concept for business students of today. Nevertheless, popular texts on business law used in university instruction frequently omit the topic of ethics or broach the issue in somewhat amorphous terms. For example, The Law of Business by Barnes, Dworkin and Richards looks at business ethic by discussing Immanuel Kant’s deontological theories, John Rawl’s Theory of Distribution Theory of Justice and some discussion on profit maximization theory for ethical behavior (Barnes et al., 2018). Beatty and Samuelson’s Legal Environment also discusses ethics by focusing on deontological theories, utilitarianism and Rawlsian justice with a discussion of stakeholder theory (Beatty and Samuelson 2014). Business Law by Henry Cheeseman addresses the topic of business ethics in a cursory manner by addressing platitudes that business have a responsibility to act ethically, the ethics of outsourcing of US jobs to foreign countries and the US Sarbanes-Oxley Act which requires US companies to formulate an ethics code (Cheeseman, 2019). Clarkson, Miller and Cross in Business Law consider duty-based ethics from the perspective of revealed truths, religious authorities, or philosophical reasoning in addition to discussing outcome-based ethics focusing on decisions in society or key stakeholders and utilitarianism (Clarkson et al., 2018).

Ideally, the more focused approach to business ethics for students studying business law at the university level should follow a more generalized instruction in basic concepts of individual ethics which students would receive in other courses. The ideas presented in this paper recognize that corporate executives address problems in more pragmatic, concrete ways by shying away from broad individualistic paradigms of ethical reasoning.

4.2 Maximization of Profits

Milton Friedman, a winner of the Nobel Prize for economics, has long championed the ethical position, labeled the maximizing profits approach corporate behavior. According to this theory, companies only have a social responsibility to use available resources to make money. In return, this money - in the form of profit - should be returned to the owners of the company or shareholders. The only constraint on behavior which organizations should follow is to observe relevant laws and engage in open and fair competition without deception and fraud. Beyond the need to maximize shareholder value, if society wishes business to engage in more socially constructive methods, new laws should address this issue (Friedman, 1962).

Friedman does not argue that businesses should never engage in activities that increase social welfare. Rather he posits that free-market capitalism in and of itself increases social welfare. In Friedman's analysis, the diversion of corporate resources for social ends is a harmful kind of tax, allocated according to the unreliable impulses and predilections of individual executives. He asserts this policy is a risky one since business executives, while they have expertise in profit-making activities, have no special expertise in allocating resources to achieve social ends whether reducing poverty or improving the environment. To Friedman, any diversion of shareholder money to social responsibility adversely affects the owners whom management owes their allegiance. Friedman summed up this view by arguing that "there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits." (Friedman, 1970).

In the case of Dodge v Ford Motor Company Henry Ford as CEO of Ford Motor Company ran a fowl of the principle of shareholder maximization and the case established a potent precedent which is still considered influential today. At the time of the litigation, business founder and CEO Henry Ford owned 58% of Ford Motor Company stock with the Dodge brothers owning 10% of the shares while five other individuals owned the remaining shares. Beginning in 1908, Ford Motor paid a regular annual dividend of $1.2 million, and also between 1911 and 1915, Ford Motor regularly paid huge "special dividends," totaling over $40 million. But in 1916, Henry Ford announced that the company would stop paying special dividends and instead, the firm's profits would be devoted to expanding its business. Ford also continued the company's policy of lowering prices, while improving quality. The Dodge brothers as shareholders brought suit, requesting an order for Ford Motor to resume paying the special dividends and to enjoin the planned enlargement of Ford's operations. At trial, Ford offered his opinion that the company made too much money and defended his decision to withhold dividends arguing that he preferred to use the corporation's money to build cheaper, better cars and to pay workers better wages. The Michigan State Supreme Court sided with the Dodge brothers and ordered the Ford Motor Company to pay its shareholders a special dividend (Dodge v. Ford Motor Co., 1919).

The court observed: "A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end and does not extend to a change, eventually, itself, to the reduction of profits, or the non-distribution of profits among stockholders in order to devote them to other purposes" (Dodge v. Ford Motor Co. 1919).

Despite the strong language regarding the board's obligation to pursue shareholder interests, the Dodge court did recognize that in some situations, ethical or humanitarian considerations are in line with long-term shareholder wealth maximization. As an example, the court cited the cost of health care to employees that in the long-run created productive, healthy employees. A board of directors thus may decide to incur such short-run costs in order to reap long-term gains without fear of liability. (Dodge, 1919).

The long reach of the Dodge opinion in jurisprudence can be found in Long v. Norwood Hills Corp where the court observed: "Plaintiff cites many authorities [including Dodge] to show that the ultimate object of every ordinary trading corporation is the pecuniary gain of its stockholders… that it had "no quarrel with plaintiff insofar as the rules of law stated therein govern the actions of majority stockholders and the boards of directors of corporations...courts have not retreated from the assumption that the primary or residual purpose of a business corporation is to make profits for its shareholders" (Long, 1964).

In Katz v. Oak Industries, the issues were selling of corporate assets and proposed payment to bondholders of a reduced amount on principal payments owed to the bondholders. The offer would pay out between $655 to $918 per $1000 note accepted. The bondholders brought an action, arguing that the offered arrangement benefited shareholders at the bondholders' expense. The agreement, therefore, violated the contractual principle of an implied covenant of good faith and fair dealing implied in the bond offering. Finding in favor of the corporation the court noted that "[i]t is the obligation of directors to attempt, within the law, to maximize the long-run interests of the corporation's stockholders ...." (Katz, 1986)

Ford v Dodge and it progeny has inculcated corporate law and common business practice with the idea that the primary purpose of a corporation is to make a profit to be returned to the owners of a business. Resource in society, particularly funds for business management, are of finite supply. Accordingly, society's limited resources for economic expansion would best be used productively. The limited resources of society would be best allocated by the functions of the market place - the law of supply and demand. Companies should only operate for the narrow purpose of profit. This principle continues to resonate in teaching the responsibilities of corporate directors to the present day (Laguado et al., 2005).

The common-law view is that the duties of a corporation and its management to stockholders are fiduciary, a type of agency, and as such, entail certain affirmative responsibilities. Management is required to operate and manage the business of a corporation with care and with due regard to the interest of the shareholders (Boatright, 1994). However, common stockholders do not generally have the right to force management to take specific action and management does enjoy latitude, if taken within the constraints of stated corporate goals, in determining what action is in the best interest of shareholders by balancing short-term against long term interest (Johnson, 2000). Friedman's ethical position of profit maximization additionally rests on the agency theory in which executives are the agents of shareholders and as such have a requirement to maximize profits for the benefit of their "superiors" the shareholders that hired those (Simons, 2013). This stricture has also been encapsulated in the "Business Judgment Rule."

In the real world, business decisions are made in conditions of uncertainty and often involve significant risk-taking, while at the same time directors are expected to safeguard corporate assets while improving shareholders' return on their investment. As Joseph Schumpeter observed in any given year more businesses fail than make a profit (Schumpeter, 1942). Owing to the capriciousness of the marketplace, not all decisions of directors will result in benefit to the corporation. As a result, directors could be personally liable for corporate losses (Laguado et al., 2005). Because actions of corporate directors and officers can have profound effects on the financial health and profitability of a corporation the business judgment rule places a duty on these individuals to act in the best interests of the owners of a corporation (Keay, & Loughrey, 2019).

The business judgment rule is one that protects corporate directors from liability as a result of the consequences of their actions. Decisions by directors cannot be questioned if made openly, after an investigation of possible options and results and done in good faith. (Sharfman, 2017). The business judgment rule is a common defense asserted by a director when a corporation is sued by a shareholder alleging that the director violated the duty of care to the corporation. The principle creates a legal presumption. If the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was taken in the best interests of the company the directors cannot face liability for an unfavorable result (David, 2007).

Under the Business Judgment, Rule courts will respect the decision of a board of directors if only for the reason that they are inferior to the board in the process of determining what the best corporate decision is. The Dodge court stated that “judges are not business experts” and therefore should not take on the role of reviewing the substantive decisions of a corporate board. This includes determining the “appropriate degrees of business risk.” Judges recognize that they lack information, decision-making skills, expertise, and a vital stake in the company relative to corporate management. Therefore, as long as the courts do not find a breach in a board’s fiduciary duties, they typically do not want to get involved in any type of substantive review of a board decision (Sharfman, 2014).

The Business Judgment rule was established in United States jurisprudence in a number of cases. Percy v. Millaudon, an 1829 decision by the Louisiana Supreme Court, considered the liability of bank directors for losses stemming from misfeasance by the bank's president and cashier. The court reasoned that “The test of responsibility, therefore, should be, not the certainty of wisdom in others, but the possession of common knowledge; and by showing that the error of the agent is of so gross a kind that a man of common sense, and ordinary attention, would not have fallen into it. (Percy, 1829).

In the 1847 case, the Supreme Court of Alabama in Godbold v. Branch Bank explained the duties of the board of directors: The undertaking implies a competent knowledge of the duties of the agency diligently supervise, watch over, and protect the interests of the institution committed to their care. They do not in our judgment undertake that they possess such a perfect knowledge of the matters and subjects which may come under their cognizance, that they cannot err, or be mistaken, either in the wisdom or legality of the means employed by them. To exact such extreme accuracy of knowledge from this or any other class of agents, to whom of necessity a large discretion in the choice of means must be entrusted, would be manifestly wrong. (Godbold ,1847).

An application and critique of the profit maximization theory can be found in the 2005 article Rethinking the Social Responsibility of Business featuring a debate between Milton Friedman, and Cypress Semiconductor's T.J. Rodgers, who challenged Whole Foods’ CEO John Mackey over the proper role of business ethics for business (Friedman et al., 2005). Friedman and Rodgers hewed toward the logic of the profit maximization ideal for business managers. As they explained, from this profit-centered construct socially beneficial outcomes will flow. Capitalist markets have evolved and when a business is valuable and desired by society, using resources prudently and proficiently, profits will follow. An example is paying good wages to retain talented people. Thusly, the complex interaction of investors, entrepreneurs, employees and suppliers - spurred by competition - will guarantee that if a company performs for its financial backers, it contributes to the betterment of workers, customers, and wider society. (Friedman, et al., 2005)

Mackey argued that Friedman's position woefully cheapens the humanitarian dimension of capitalism. The well-informed analytical business organization should try to create value for all of its constituencies. Investors seek to maximize profits, yet the purpose for other stakeholders–for customers, employees, suppliers, and the community are different. Each of these groups will define the business purpose in light of their own needs and desires, and each perspective is valid and legitimate for consideration by managers. Mackey suggests that the measure of success is how much value can be created for all six of the most important stakeholders: customers, employees, investors, vendors, communities, and the environment

In Mackey's view entrepreneurs, not just current investors in a company's stock, have the continuing right and responsibility to define the purpose of the company. Entrepreneurs created the company into viable business, setting company strategy and negotiated conditions of trade with all stakeholders, not only investors. As Mackey observed "at Whole Foods we 'hired' our original investors, they did not hire us" (Friedman et al., 2005).

Mackey conceded that there is no precise principle to calculate how much value each stakeholder should receive from a company. The process is dynamic constantly evolving in the context of the competitive marketplace. Also, no stakeholder remains satisfied for long. Company leadership must develop solutions that continually work for the common good. (Friedman, et al., 2005).

The profit maximization theory has come under attack from a variety of fronts. Placing shareholder profits above other corporate goals has resulted in increased outsourcing, labor-force layoffs, international tax avoidance by multinational corporations and stock buybacks that benefit shareholders at the expense of investing in a companies' future (Pistor, 2019). Possibly the strongest argument against the theory of profit maximization has come from leading businesses themselves. The Business Roundtable, a prominent trade group representing the 181 largest publicly-traded corporations in the United States, recently urged business to change direction and focus less on profits and more on stakeholders. In a release entitled "Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans" the group observed that since 1997 it had endorsed principles of shareholder primacy – that corporations exist principally to serve shareholders. In a change the organization - citing inequities in United States society that the stem from outdated business practices – committed to leading their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders (Business Roundtable, 2019).

4.3 Stakeholder Theory of Business Ethics

Corporate decisions affect many who never buy stock or sit in a board room of a company. Business decisions frequently impact a diverse lot: workers, suppliers, and local communities and governments. Consumers can be affected by decisions regarding the safety and price of products while local governments can be impacted, for example, when facilities are closed local tax revenues are lost. Accordingly, the stakeholder theory of corporate governance looks beyond shareholder value and considers those groups and individuals that are directly impacted by corporate decisions. The use of the term stakeholder stemmed from work at the Stanford Research Institute in the 1960's which was heavily influenced by management practice developed in the aerospace industry (Freeman and McVea 2001). One focal point in this movement was the publication of R. Edward Freeman's Strategic Management - A Stakeholder Approach in 1984 (Freeman and Velamuri 2006). Freeman's theory was grounded on the utilitarian approach, where corporations should function for 'the good of the whole'. Defining the 'good of the whole' was up to the stakeholder, and considerable debate ensued on who and what constituted a stakeholder and what constituted ethical behavior in the context of this evolving stakeholder approach to business ethics (Phillips, 1997). Many have concluded that the stakeholder theory provides a paradigm for relating business ethics to business strategy (Phillips, 2003). Stakeholder theory is valuable in attracting stakeholders to contribute to and support an organization's objectives. It is useful in the complicated and competitive atmosphere firms frequently find themselves as stakeholders possess greater knowledge in aiding business decision-makers. Also, a business that centrally places other market participants in the decision-making process has greater strategic flexibility that would not be available to similarly placed firms that do not consider the interests of stakeholders (Freeman, 2001).

All firms must vary degrees manage stakeholders, so this concept is very practical theory. The stakeholder theory has much to offer as a guide to ethical behavior on the part of business decision-makers from a variety of different aspects. By considering the interests of stakeholders in the decision-making process, those affected will react positively towards the organization. Examples include sharing important information (all stakeholders), buying more products or services (customers), offering inducements such as tax breaks or beneficial infrastructure spending (communities), providing favorable financial conditions (financiers), buying more stock (shareholders), or committing to the organization with hard work and dedication even during difficult times (employees) (Harrison et al., 2015). The stakeholder concept is useful as it channels the efforts of stakeholders towards organizational objectives. As businesses face a complicated, ever-changing situation in the marketplace, companies that effectively consider stakeholders have a better base of information for decision-making and as they are more attractive to other market participants, possess a degree of strategic flexibility that is not available to competitors that do not manage for stakeholders. Accordingly, many have concluded that the stakeholder theory provides a useful paradigm for relating business ethics to business strategy (Phillips, 2003).

Samantha Miles, in a meta-study, reviewed stakeholder theory literature and arrived at six categories of determinants on the part of business managers which can be used to characterize stakeholders (Miles, 2017). These factors include first, what is the nature of the interest or stake, second the nature of the relationship, third, the basis for the legitimacy of the interest, fourth, the nature of the obligation, duty or responsibility, fifth, the nature of the risk and lastly the nature of the power. Each of these factors will be explored.

First, for a stakeholder to be recognized, there must be a stake, right or interest along a contractual/legal or moral/social continuum. Contractual/legal claims are characterized as being explicit and entered into voluntarily. Responsibilities flow from legal claims such as contracts, titles or legally recognized rights. They are depicted by a variety of characteristics: direct, formal, non-negotiable, or through arm's length transactions. Moral/social claims are recognized as involuntary and depicted as non-contractual or indirect. They are identified by a variety of factors: implicit, informal, imperfect or self-perceived. Contractual claimants have a mandatory right to have their claims addressed, whereas moral claimants rely on the persuasion of moral obligation or philanthropy (Miles, 2017).

The second determinate in weighing the stakeholder relationship is the nature of the relationship. The most common differentiation is between primary economic market participants who create profit versus secondary non-market participants. Although they are not directly related to company profit, secondary non-market participants often involve wider societal stakeholders. It has also been suggested that the organization–stakeholder relationship derives from two distinctions: whether the relationships are aligned by ideas and material interests, plus whether the relationships are necessary (a necessary characteristic of a social system or logically connected) or contingent (external to a social system or not logically connected). Other limiting circumstances defining stakeholders include government officials and fiduciary or non-fiduciary (Miles, 2017).

Legitimacy is the third determinate defining stakeholder characteristics, established through relationships of exchange, such as market transactions. Also, legitimacy can be gained through property rights. It is suggested that legitimacy is derived from the presence of risk in human or capital investment. Risk is a derivative theory of legitimacy coming from a stakeholder's ability to affect an organization and its stakeholders (Miles, 2017).

A fourth factor is the nature of a duty or responsibility. Duties can be differentiated according to the stakeholder class. For example, dependent stakeholders (non-shareholders) rely on internal management values or external advocacy outside the corporation, whereas dominant stakeholders (shareholders or parties in a contractual relationship with a corporation) have more formal mechanisms to make their voices heard. Also, the duty can be derived from philosophy such as Immanuel Kant's distinction between 'duties of right' (responsibilities owed directly to corporate shareholders) and 'duties of beneficence' (responsibilities owed directly to non-shareholding stakeholders). Considering Kant's characterization, it is possible within the ethical framework of shareholder theory for managers to directly pursue the happiness of non-shareholders (Miles, 2017).

Next is the nature of risk borne by the stakeholder as risk can differ depending on the class of a stakeholder. Risks can be voluntary or involuntary, and the assumption of a risk either by the corporation or an outside party with the corporation can create stakeholder status. The finding that there is an economic value at risk establishes the conditions for stakeholder recognition (Miles, 2017).

Finally, power can be a defining factor for stakeholder identification. Varying degrees of power can be found in formal relationships, such as economic ties or political connections. Power alone can be characterized as a dormant stakeholder such as utilitarian power (stemming from the control of resources), normative power (associated with symbolic resources) and coercive power (physical force) (Miles, 2017).

A normative theory for stakeholders entails forming alternative narrative accounts of moral behavior in a stakeholder context. It is believed that consideration of these alternative accounts influences how individual managers conceive of what makes up reasonable strategic action and can accordingly 'make a difference' by how managers perceive an issue and subsequently implement their decisions. By assuming people build and uphold their organizational realities, this approach shares a similar construct to the interpretive paradigm in organization studies. This descriptive stakeholder theory should be applied in a way that recognizes the pragmatic influences at play in the corporate world as they apply to particular organization/stakeholder relations (Friedman and Miles, 2002).

4.4 Corporate Good Citizen Theory of Business Ethics

Increasingly modern corporate behavior has been justified by a business desire to be a "good citizen" in society. An analogy is drawn: if society chooses to demand certain values among citizens, corporations should reflect these choices in the carrying out of business. As a "person" in society business entities should understand and follow the standards of conduct society demands of all citizens.

Peter Drucker, the famous thinker on modern management theory, set out his "Eton Graduate Level of Expectation" for business, an early enunciation of the ethical position of the business in society. As explained by Drucker, if an Eton graduate (a prestigious English Public School) is convicted of drunken driving, his punishment should be harsher than that given to a common man because the expectations are higher for one who has received a quality higher education. Likewise, the business should receive harsh punishments for harming because they have been given a level of permission to operate in society. The high position business is placed an additional responsibility of accountability on the company by the society that granted the company the opportunity to conduct business. Drucker viewed business as an organ of society to which it owes an obligation. That obligation was not to knowingly lie, cheat or steal and importantly to not knowingly harm society (Drucker, 1973).

Business ethics is related both with developing codes, concepts, and practices of acceptable business behavior and with carrying out these practices in all business dealings with its various stakeholders. The profit maximization theory of Milton Friedman and his followers calls for the observance of laws as a minimum level of acceptable conduct. However, corporate citizenship must go beyond compliance with the law. First, laws and regulations frequently reflect only the minimums standards of conduct that lawmakers can agree upon in the give-and-take of the political arena. The business's moneyed class can buy influence over the political process, granting them outsized influence in the shaping of policy. Therefore, laws can fail to protect various stakeholders. Also, laws are often outdated, and they do not exhibit the current thinking, norms, or research. As laws are slow to change laws frequently lag behind progressive ethical thinking (Carroll, 2003).

The economic responsibilities of business in society include the obligations to generate economic wealth. Also, the responsibilities of business imply they must meet this economic mission within the framework of legal requirements. The business has a legal responsibility to follow the law as partial fulfillment of the "social contract" as society expects business to fulfill its economic mission within the framework of legal requirements. Additional activities not necessarily codified into law - such as moral rules - are nevertheless expected of business by society's members under this implicit social contract agreement (Dunfee, 1991). Discretionary duties such as philanthropic responsibilities reflect society's desire to see businesses actively pursue policies that benefit society, not just a business's bottom line. Accordingly, a good corporate citizen can be expected to adopt social responsibilities by engaging in economic, legal and ethical, activities commensurate with their "citizenship" in society (Carroll, 1979).

Business managers, business scholars, and policy-makers acknowledge that no single, comprehensive, and universally applicable definition of corporate social responsibility is possible, yet some constant principles have become evident. A broad definition of corporate social responsibility is the relationship between a corporation (or other business forms), governments and individual citizens. Locally this definition emphasizes the relationship between a company and the need and concerns of the local society in which it resides and operates (Crowther and Aras, 2008).

If normative standards or cultural institutions are in place that creates the proper set of incentives, corporations will tend to act in socially responsible ways. Nevertheless, certain factors can inhibit a business organization from observing ethical behavior. Corporations will be less likely to choose to be socially responsible if they are suffering poor profits, find themselves in an unhealthy economic environment, or if there is either too much or too little competition. Strong and well-enforced laws and regulations will encourage socially responsible acts, particularly if the rule-making process was developed based on negotiation and consensus among business, government, and other relevant stakeholders. Well-organized and effective industrial self-regulation will also encourage ethical behavior. An environment where normative standards of ethical behavior are institutionalized, for example, in business school curricula and other educational venues where corporate managers participate, will reinforce ethical norms. Corporations will also be more likely to act in socially responsible ways if they are engaged in institutionalized dialogue with stakeholders such as unions, employees, community groups and investors (Campbell, 2007).

The most visible expression of the corporate good citizen model is in the practices of corporate social responsibility (CSR). An early and influential definition of corporate social responsibility is: "…corporate social responsibility refers to the obligation of businessmen to pursue those politics, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of society" (Bowen, 1953). It is commonly agreed that the motivations for CSR derive from four forms. First, the most "genuine" is when CSR is practiced and a company expects nothing in return for their philanthropic activities. The second idea is that CSR is done for 'enlightened self-interest'; companies undertake CSR with the belief that CSR pays either in tangible (increased profits) or intangible (increased goodwill) ways. The third, more direct motivation is that CSR is considered a sound business investment. A concrete example of this investment motivation is when the stock market positively reacts to a firms' socially responsible actions with a rise in the corporation's share price. The fourth form of CSR, as in the previous example, is linked to enlightened self-interest. CSR initiatives are pursued in order to avoid interference from external governmental control. In these companies, become socially responsible in order to prevent the authorities forcing them to be so via new legislation or regulations (Wan, 2006).

CSR frequently revolves around three themes. First, philanthropic activities help improve a company's social standing or increase employee motivation. Second, operational improvements such as helping environmental sustainability, addressing health and social problems employees might face, or working more in tandem to assist with other participants in a firm's value chain. Finally, CSR initiatives work to create new forms of business specifically to address social or environmental challenges (Rangan et al., 2015).

5. Conclusions

The suggested discussion of business ethics herein is by no means dispositive as business practices will change in the face of technological change, plus societal forces will demand new solutions to yet unanswered questions. Nevertheless, the three suggested forms of business ethics: profit maximization, stakeholder theory and corporate good citizen are an attempt to establish a clear and understandable framework for the instruction and further discussion by undergraduates in a business law course. They provide clear, straightforward principles in contrast to the muddled presentation on this topic in many current business law textbooks.

The profit maximization model is based on the economic ideas of resource scarcity and the obligation on business to use available resources to generate profit benefiting society more extensively. Accordingly, it is essential that businesses should be profit centers while laws and regulations are the constraints on business conduct. Also, the fiduciary responsibilities of the board of directors suggest the limits of their ability to answer any appeal, except that owing to the business shareholders. Although prevailing as an ethical model for decades, business leaders have come to recognize shortcomings exist and that a broader set of ethical principles might generate more significant benefits for broader society. The stakeholder theory mandates that the enlightened business should try to create value for all of society. Investors require profits, yet other stakeholders — customers, employees, suppliers, the environment and the community deserve recognition. These groups define the purpose of a business through their requirements, and each viewpoint is worthy of consideration. The corporate good citizenship model of business ethics asks business to choose the better nature in humans and seek a productive role in society rather than simply focusing on pecuniary benefit. The business has a collective responsibility to recognize the "social contract" with the society that encompasses moral ideas - not necessarily codified into law or through the desire of monetary gain - but are demanded of business by society's members under this implicit agreement. The most visible application of this theory is in corporate social responsibility.

The ideas on business ethics presented here offer many opportunities for researchers to consider in their future efforts. This paper's proposals for the content on ethics for a business law course does not address the method of instruction which could be studied to assess the most appropriate instructional techniques to present these concepts. Also, empirically, what are the impacts on a student's ethical perspectives from following this ethical approach? It could be the subject of future inquiry. Finally, what additional issues could be refined to make this area of study more responsive to the feedback of students and the need of the business?

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