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The Moral Floor: A Philosophical Examination of the Connection Between Ethics and Business

Brian K. Burton
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ABSTRACT. This paper examines the philosophical basis for the argument that there is a connection between ethical behavior and profitability. Both sides of this argument – that good ethics is good business and that bad ethics is bad business – are explored. The possibility of a moral floor above which ethical behavior is not rewarded is considered, and an economic experiment testing such a proposition is discussed. Johnson & Johnson suffers a potentially devastating blow when some cyanide-laced Tylenol capsules cause several deaths. Johnson & Johnson voluntarily pulls Tylenol off the shelf, to universal acclaim. When Tylenol is returned to the marketplace, its share of the over-the-counter painkiller market becomes greater than it was before the tragedy. Arthur Andersen, the venerable accounting firm, is caught in the web surrounding the downfall of Enron, Inc. As Enron's various sins are discovered, it is found that Arthur Andersen auditors had signed off on flawed audits and had shredded documents to cover themselves. Andersen is prosecuted for, and convicted of, obstructing justice (although the conviction is later overturned). Today the firm barely exists and has no resemblance to the Big Five accounting giant of 1999. These stories seem to indicate that ethical (or unethical) behavior leads to positive (or negative) financial results. But the philosophical arguments underpinning such statements are seldom subjected to proper analysis. They are perhaps wishful thinking, or perhaps based on examples such as the above without considering other examples that may reinforce a contrary position. This paper will explore the philosophical arguments and empirical evidence regarding these statements and state some research questions for exploration in this area. In particular we will propose the possibility that a moral floor exists above which firms that engage in ethical activities will not reap rewards, but below which firms that engage in unethical activities will be punished by actors in the economic marketplace. We will discuss an economic experiment to determine if such actors indeed form a moral floor.

KEY WORDS: ethical behavior, corporate social performance, corporate financial performance

Introduction

In his studies of political affiliations, Lakoff (1996) states that metaphors and common phrases frame the way people interpret situations and make decisions. One such concept that affects practice in business ethics is the phrase "good ethics is good business"; however, the phrase has never been fully examined in the business-ethics literature. Presumably, the idea is that firms whose behavior at least meets an identifiable and justifiable moral standard, or that exhibit good ethics (such as Johnson & Johnson), benefit the shareholders in the long run (say, a five-year or ten-year period) by making above-average returns (good business). The converse of this statement is that if a manager concentrates on obtaining such a benefit for shareholders in the long run, her/his acts will also meet an ethical standard. The logical implication is, then, that long-run shareholder wealth enhancement can be pursued without worries about whether the actions taken are ethical, because only ethical behavior will guarantee long-term shareholder wealth enhancement. While the "good ethics is good business" statement may seem to be a cliché, its common usage calls for a closer examination. Although it is common, it may mean different things to different people and situations. How does it work in practice, and how can studying it affect teaching, research, and practice?

A closer examination of the statement brings out underlying subtleties that may operate in daily practice. For example, less often directly stated, but

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just as often implied, is the phrase "bad ethics is bad business." Although it is usually not stated directly, it is the obvious opposite of "good ethics is good business." If good ethics and profits are correlated, then behavior that does not meet an identifiable and justifiable ethical standard must lead to relative harm to shareholders over the long term. It is open to question, though, whether firms whose managers do not concentrate on benefitting shareholders over the long term are thereby behaving in an unethical manner, so the two phrases may not have exactly parallel implications. Nevertheless, it is likely that for most people the two phrases would be linked, and that one would imply the other.

The reason for the presumed association of "good ethics is good business" and "bad ethics is bad business" is that both use as an underlying assumption that actors in the economic marketplace respond to the moral aspect of business decisions. Yet, by definition, business decisions must have economic elements, or else they would not be business decisions. And in an economic marketplace, decisions made will have economic consequences for firms also. However, if business decisions only involved the economic domain (the so-called "Myth of Amoral Business" [DeGeorge, 1995]), then the morality of the decisions would be irrelevant. In this case, it would be expected that actors in the economic marketplace would not be swayed by the morality of business decisions. Therefore, when managers make decisions, the consequences are both economic and moral in nature.

Further examination of these two phrases – that actors in the economic marketplace will respond positively to ethical behavior *and* negatively to unethical behavior – reveals a more detailed assumption underlying the connection. If one phrase implies the other, then actors must in some way evaluate the moral aspects of business decisions and reward or punish firms accordingly. However, if one happens but not the other – that is, if ethical decisions are rewarded but unethical decisions are not punished (or vice versa) – then there is a disconnect between the two phrases. The example provided in this paper for highlighting this point is that of a moral floor, or the level of behavioral expectations placed on a company by society (Figure 1). In examining the way actors utilize the moral floor, it may be that unethical actions are punished but

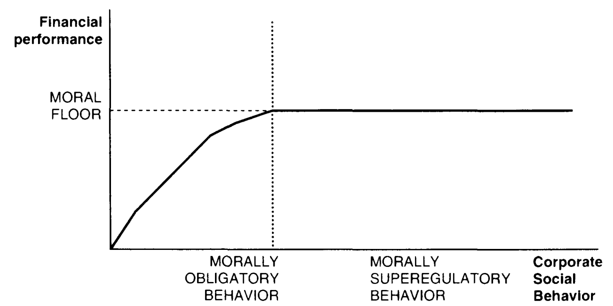

Figure 1. Moral floor.

ethical actions are not rewarded, because of the consideration that proper behavior is to be expected. If something like this is the case, the reality of business ethics becomes more complex for teachers, researchers, and practitioners. Also discussed in this paper are other possible scenarios involving perceptions which could bring different outcomes to the company and society.

One other aspect of the connection between ethics and business that deserves attention, as evidenced in the aforementioned discussion of perceptions of the moral floor, is that "good ethics" and "good business" both are externally, subjectively judged measures of business activity. This fact means that individual judgments of what constitutes "good ethics" and "good business" (and "bad ethics" and "bad business" also) may differ even when those individuals are looking at the same business and the same action.

Finally, the paper will examine what level of morality is implied when a floor exists for corporate decisions and behavior. Using the perspective of moral theory, we must note that there are various types of moral judgment that are typically made concerning an action (Harris, 1997). An action can be morally obligatory, morally forbidden, or morally permissible. It is also possible that an action can be morally supererogatory. Morally obligatory actions are those it is right to do (from the standpoint of a particular moral theory) and wrong not to do. Morally forbidden actions are those it is wrong to do and right not to do. Morally permissible actions are those where any option in a situation will not violate the moral standard associated with the particular moral theory. They can be regarded as morally neutral. Supererogatory actions are those it is admirable to do but morally permissible not to do, or

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the reverse (admirable to not do but morally permissible to do). Supererogatory actions are never morally obligatory, but people who engage in them tend to be lauded by those who know of the action. These judgments become very important to understand, considering that individuals may mean different things when making determinations of what is "ethical". We begin by examining in more depth the "good ethics equals good business" phrase.

Good ethics equals good business

The "good ethics is good business" phrase expresses the basic idea that if a manager is deemed to be ethical in her/his transactions with other actors in the economic marketplace, the manager's firm will show improved long run economic results; that is, results that are more than acceptable to financial analysts. People who make this argument usually believe that if the focus is on making ethical decisions, the profits will take care of themselves. However, the usually unstated but obvious corollary to this is that if managers focus their thinking on increasing long-term profit, the result will be ethical decisions – in order to be profitable, managers must make decisions based on ethics. Therefore, "good ethics is good business" can be and is interpreted as a statement that the invisible hand of capitalism forces managers to make decisions that society sees as ethical. Those managers that do not make ethical decisions will punished by the market.

However, it is also important to note that under this argument, ethical behavior is a necessary but not sufficient condition for absolute profitability. To be profitable, managers must behave in a manner that society (specifically, the consumers in a society) deems morally acceptable. However, simply behaving in that manner will not guarantee that managers achieve profitability deemed acceptable or better by financial analysts and shareholders. Obviously, if a firm is ethical but for various reasons incurs expenses greater than its revenues, it is not profitable. Reasons could include the lack of appeal of a firm's product, catastrophic failure/loss, or inefficiency in production, among a myriad of business possibilities. But the argument stated here is that, all things being equal, the firm whose managers behave ethically will be more profitable than the firm whose managers do not behave ethically.

Additionally, given the current business ethics literature, we could rephrase "good ethics is good business" to read, "If you deal well with stakeholders, your profit will increase over time." From this ethical perspective, we can examine what this means in terms of the well-known groups of stakeholders.

- If employees are treated well, their productivity will rise.
- If suppliers are treated well, they will respond with favorable prices and long-term contracts.
- If customers are treated well, they will be more loyal than otherwise.
- If investors and creditors are treated well, they will buy more stock or give increased access to funding and relatively low interest rates.
- If government (to use a general term) is treated well, it will respond with favorable decisions regarding regulation.

In general, a good reputation (what might be called a high level of "reputational capital") attained from the ethical management of the relationships described above will lead to higher revenues and lower costs.

Philosophical arguments

Philosophically, the "good ethics is good business" view has the support of classical economic tradition. Adam Smith would have endorsed this view as the proper working of the marketplace. Given equivalent information, multiple sellers within easy reach of buyers, and other factors that lead toward a general equilibrium, managers who make decisions in line with society's expectations will prosper more than managers who do not. To the extent that a Smith-type market is at work, this view will be closer to reality; to the extent that the marketplace differs from Smith's ideal, particularly to the extent that information asymmetries and barriers to entry exist, this view will be further from reality. Other theories based in business, for example stakeholder theory, also

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support this view for different reasons (Donaldson and Preston, 1995). However, as stakeholder theory is approached from different philosophical bases, it is more appropriate to examine the underlying philosophical arguments.

The "good ethics is good business" idea is less easy to support from a strict application of moral theory, particularly if good ethics must *always* be good business to satisfy such theories. For example, in classical economic theory, with perfect information and many choices, a manager's tendency to behave ethically may not be enough – one incident may sway a consumer toward a competitor, and there would have to be a reason to switch back to the original firm. Under a less rigorous model, however, a tendency to engage in ethical behavior might satisfy actors overall in the economic marketplace.

But in moral theory, the question of whether a tendency toward morality is enough to make a person moral typically does not arise. Many moral theories are theories of right action, and each action is judged individually. A person operating under those theories would be expected to act according to the theory in every situation. Other theories focus on character, and a person of good character would not commit an immoral act knowingly. As spectators judging actions, however, perhaps we would not expect individuals to act morally every single time, and we might be willing to forgive the occasional moral lapse by an otherwise-moral person.

Yet, in the effort to find a philosophical basis for the "good ethics is good business" argument, we should be wary of relying on a tendency. We would not want the phrase "murder is wrong" to be justified by a tendency. In the field of business ethics, "good ethics is good business" carries similar weight in that it is a fundamental statement of behavior within its context – a statement endorsing how people should or should not behave regarding a key aspect of the system.

Empirical evidence

Anecdotal evidence abounds on both sides of this question. For every Johnson & Johnson, there is a Levi Strauss, which has put into place a set of standards relating to overseas production of clothing but which has struggled in the marketplace. Many researchers (see Griffin and Mahon, 1997; Orlitzsky et al., 2003; Preston and O'Bannon, 1997; Roman et al., 1999 for specific citations) have tried to move beyond this anecdotal evidence. Much of the academic research bearing on this question comes in the form of studies attempting to show the connection between corporate social performance (CSP) and corporate financial performance, which typically is some return ratio or the firm's stock price. Some show little effect. For example, Waddock and Graves (2000) found that socially responsible investing does not penalize firms but does not reward them either. A recent monograph on this question, in which 95 studies were examined, found some positive relationship between CSP and firm financial performance (Margolis and Walsh, 2001), although it has been criticized for its methodology (Orlitzky, 2002). Another study (McWilliams and Siegel, 2000) found no relationship between CSP and financial performance once research and development spending was controlled for. Again, this study's methodology has been criticized. Meta-analysis (Orlitzky, 1998; Orlitzky et al., 2003) has shown in a more methodologically sound fashion some positive correlation between CSP and firm financial performance. However, generally the correlation coefficient is low (0.15 as found by Orlitzky et al., 2003), suggesting not only that CSP is a small part of financial performance, but also that often CSP is not related, or is even negatively related, to financial performance (Mattingly, 2004; Rowley and Berman, 2000; Surroca and Tribo, 2005). Waddock and Graves' (1997) result that causality may go both ways – that high levels of firm financial performance may lead to increased CSP as well as high levels of CSP leading to improved financial performance – provides evidence for an incentive-based model not unlike the classical economic model of "good ethics is good business." Other recent studies finding some relationship between a firm's social and financial performance include those of Hillman and Keim (2001), Hutton et al. (1998), Koys (2001), and Ruf et al. (2001), In general, however, the link between CSP and financial performance is small enough to support a philosophical argument that no necessary link exists between the two. In fact, Payne (2003) argues that the correspondence between CSP and firm financial performance, although it is stronger

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currently than in previous periods, still breaks down, and the best to expect is "a partial and somewhat unstable overlap" (p. 77) between the two. Also, little account is taken in such studies of the possibility that firms themselves are acting under the belief that good ethics is good business, a belief that allows actions taken in the interests of shareholders to be perceived as ethical.

Another concept that bears on this discussion is that of "reputational capital," defined as "that portion of the excess market value that can be attributed to the perception of the firm as a responsible domestic and global corporate citizen" (Petrick et al., 1999). The firm's reputational capital has been described as "the value of the company that is 'at risk' in everyday interaction with stakeholders" (Fombrun et al., 2000). In classical economic thinking, reputational capital would fluctuate according to the views of stakeholders responding to the firm's actions in the marketplace. Robust empirical results supporting this view would justify the "good ethics is good business" argument. Unfortunately, few studies have investigated this relationship, perhaps because of problems in finding databases that relate to the topic (Fryxell and Wang, 1994). Fombrun and Shanley (1990) did find reputation correlated with profitability, but not to such an extent that it would refute an opposing philosophical argument against the connection between good ethics and good business.

Bad ethics equals bad business

As might be expected, the basic idea expressed in the phrase "bad ethics is bad business" is the opposite of the idea expressed in "good ethics is good business". That is, if a manager is unethical in her/his treatment of actors in the economic marketplace, the manager's firm will suffer economically in the long term. The few people who make this argument focus on the unethical behavior and assume that it will be bad for business. The converse argument, that an action that deflates a firm's profits is clearly unethical, is more difficult to sustain, although if the long term is the perspective, one might justify the converse through the shareholders' property claims. Again, the invisible hand can be invoked as punishing a firm that does not act as society desires.

Under this argument, behaving unethically would seem to be a sufficient but not necessary condition for lower-than-expected profitability. That is, a firm whose managers engage in unethical behavior would automatically earn lower long-term profit than otherwise. However, firms whose managers behave ethically could also have lower-than expected profitability if they made poor decisions such as targeting wrong markets or acquiring companies that do not fit the firm's mission or business model. And unethical firms could be profitable in an absolute sense, although the profit would be smaller than they could have earned had they behaved ethically.

As with the previous argument, a simple restatement can lead to specific examples. The restatement in this case might be, "If you treat stakeholders badly, profit will suffer over time." Some of the following consequences might ensue if specific stakeholders are treated unethically.

- If employees are treated badly, they will have low productivity and there will be high turnover.
- If suppliers are treated badly, they will charge higher prices or terminate supply.
- If customers are treated badly, they will not buy the firm's products and may initiate lawsuits against the firm.
- If investors and creditors are treated badly, they may sell or refuse to buy stock, or increase rates or refuse to lend capital to the firm.
- If government (again using a general term) is treated badly, it will impose punitive regulations or begin civil or criminal proceedings against the firm.

In general, a bad reputation (what might be called a low level of "reputational capital") leads to lower revenues and higher costs.

Philosophical arguments

To the extent that this argument is viewed as connected to the "good ethics is good business" argument, again classical economics would tend to support it. The same arguments – easy availability of information, easy entry to markets, and so forth – that are used for one can be used for the other. In the case

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of the "bad ethics is bad business" argument, as information gets transmitted about a firm's ethical transgressions (meaning actions society does not condone), consumers will not patronize the firm, leading to profitability and even survival struggles. And as with the "good ethics is good business" argument, if assumptions about perfect information and barriers to entry do not hold and consumers do not have many perceived choices, the "bad ethics is bad business" argument is harder to maintain. Contrary to the "good ethics is good business" argument, however, a tendency toward unethical behavior may be enough to steer consumers away from a firm. Such a firm cannot realistically expect to keep consumers loyal when consumers will switch firms at the first sign of unethical behavior.

In fact, it might be more important with this argument than with the "good ethics is good business" argument to emphasize the importance of judging all actions. Conceptually, if a firm's managers have a tendency to behave ethically they can build reputational capital. But reputational capital can be spent just like any other form of capital. It seems quite possible that accumulating reputational capital and then spending it may very well allow the managers to survive an ethical lapse with few or no ill effects. Therefore, if managers understand this, they might build reputational capital with ethical actions, then at a time that seems appropriate to them commit an unethical action intentionally and spend the accumulated reputational capital to help ride out the storm. This type of cost/benefit analysis does not seem to be a course of action any moral theory would want to justify.

Overshadowing these arguments is the fact that most moral theories do not specify punishment for actions. This also is true for rewards, at least to some extent, but punishment seems more important in addressing the "bad ethics is bad business" statement. It is true that moral theories based in religious teaching (and here is meant not simply, for example, the Golden Rule but the entire framework of Christian ethics, however understood) specify punishment (as well as reward). But the punishment in these theories is handed out by an agent at least nominally outside human society, which is a different issue.

The fact that no human punishment for unethical behavior exists in most theories, other than the internal punishment that might occur at having acted unethically, separates moral theory in this case from economic theory. Most moral theories point to universal standards – even virtue theory, which can specify virtues that should always be exhibited in behavior. Economic theory, however, equates ethical behavior with what society wants, as indeed does the most-cited view of the nature of corporate responsibility (Carroll, 1979). If no punishment is mandated by moral theories for unethical actions, it can only be assumed (perhaps hoped) that society will have the same expectations as the moral theory and shame the person who acts unethically once the action is discovered. So the punishments (and the rewards) are indirect from the standpoint of moral theory but direct from the standpoint of economic theory. This does not take into account the reality that different people in the same society hold different moral standards to be correct, allowing some people to condemn an action while others do not and making "society's standards" difficult to pin down in some cases.

Empirical evidence

Much of the evidence cited under the "good ethics is good business" argument can also be cited in this section, just changing the area under study. If there is a small positive correlation between CSP and firm financial performance, then firms that exhibit low levels of CSP (and presumably thus engage in unethical behavior) would perform less well than firms that exhibit higher levels of CSP. And, following Waddock and Graves' (1997) findings, this low level of financial performance might itself lead to lower levels of CSP. Again, however, the small level of correlation does not give strong evidence supporting a philosophical argument. Frooman (1997), in a meta-analysis, specifically focused on whether socially irresponsible behavior affected shareholder wealth, but the focus of the meta-analysis was on events that affected stock price, not the broader consequences of such behavior. The same argument is valid for studies of reputational capital. Also, for every Arthur Andersen there is a Nike, where seemingly unethical behavior is not punished by the marketplace. Thus, the anecdotal evidence is as ambiguous with the "bad ethics is bad

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business" argument as it is with the "good ethics is good business" argument.

The connection between ethics and business

As previously mentioned, it seems that the connection between "good ethics is good business" and "bad ethics is bad business" is assumed by most people who write on the subjects. But this is not necessarily true. In fact, there are good arguments that can be constructed using both moral theory and economic theory that would point toward a disconnect between the two statements. If there is such a disconnect, the implications for teaching, research, and practice become important.

We must remember the types of moral judgment as we think of acts that in popular terminology would be "ethical" or "unethical". "Good ethics" is an external measure, a judgment made by (in this case) the general public. However, an act characterized by the general public as "ethical" could be morally obligatory, morally permissible, or supererogatory. An example could be levels of treatment of employees. For some moral theories simply not discriminating on any arbitrary basis would be morally obligatory, and any "higher" level of treatment would be supererogatory, while discriminating on some important basis would be morally permissible. Consider the case of providing day care for children of employees. Utilitarians might argue that such a service gives the greatest amount of happiness to the greatest number of people and so is morally obligatory. Social contract theory might see this as morally neutral, as it does not naturally derive from any fundamental right possessed by people. Kantians might classify it as supererogatory, as it might not be necessary in treating people as ends but it certainly would be treating people as ends.

It may be the case, then, that some people in society will view an action as morally obligatory, while others would view the same action as supererogatory and still others would view it as morally neutral. The question then becomes whether people would be willing to reward someone for an action that is deemed to be in any of those categories. If an action is not morally forbidden, is the actor rewarded no matter what other judgment may be made upon it? What type of reward is likely to accrue? Might it be different according to the moral judgment made (obligatory, permissible, supererogatory)? These questions easily could be answered that as long as an action is not forbidden, no rewards should be forthcoming to the actor, as the actor did her/his duty. This even presumes that rewards should be forthcoming, which as mentioned before is problematic from the perspective of moral theory. The question of punishment for unethical acts, as discussed more completely above, is also open, and in any case it is likely that what some in society view as morally forbidden, others will view as morally neutral, perhaps even morally obligatory. To the extent that rewards and punishment are forthcoming for acts of managers, then, it may be that the same act will be both rewarded and punished. It is not clear that an action will be rewarded or punished universally. If neither "good ethics is good business" nor "bad ethics is bad business" can be stated with certainty, it seems unreasonable for anyone relying on moral theory to make a mandatory connection between the two statements.

From the economic perspective, a more decisive argument can be made regarding the possibility of a disconnect between the two phrases. It is not certain that actors in the economic marketplace will correlate their responses perfectly to the level of morality exhibited by a firm's managers. In fact, it seems at least possible that the relationship is, far from being perfectly correlated, not even graphed on a straight line (as it would be if a tendency to act according to the two phrases was present, and which probably is assumed by those investigating the CSP/firm financial performance link). Instead, the relationship may be curvilinear (Figure 1), or one might show a relationship while the other shows no relationship. Actors might respond more to acts perceived as unethical than to acts perceived as ethical. It may be that actors expect managers to reach a particular moral floor. That floor may be behavior that conforms with the law, or it may be something else (and, as suggested by Payne (2003), variance could come from the individual or from society). If there is a moral floor, actors could respond to it in various ways. Actions by managers that fall below the moral floor, and thus by definition would be considered morally forbidden, probably would prompt actors to cease relations with the firm in question. Otherwise there would be no reason to have a moral floor in

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the first place. Such actions on the part of actors in the economic marketplace would correspond with the "bad ethics is bad business" argument.

However, actions by managers that meet or rise above the moral floor may be responded to in different ways. Some actors (say, some investors) may punish firms whose managers "waste resources" in actions that rise above the moral floor. Others may reward the same managers. It is possible that many actors will ignore the morality of decisions if they meet the moral floor. Instead, they will base decisions in the economic marketplace on such factors as price, loyalty, product features, and other more traditional economic factors. If this is the case and morally obligatory acts are all that are rewarded by society, then the "good ethics is good business" argument would not hold, and a disconnect between the two arguments would occur. It also may be the case that a tendency to act above the moral floor would allow managers to slip below it occasionally with no or few negative consequences, if the argument above about the accumulation and spending of reputational capital is valid. In this case the "bad ethics is bad business" argument would not hold completely, and again a disconnect would occur.

Implications of the ethics and business connection

What if there is no philosophical basis for arguing that "good ethics is good business" and "bad ethics is bad business" are connected? If there are no bases in moral philosophy for linking the ethicality of managerial behavior to corporate performance, either in total or in part, then we must find whether such a link can be justified (and not by classical economic theory, which has little relevance for our times in this particular discussion). That link could be conceptual or empirical. We will want to examine both. A wider examination of the possibilities is beyond the scope of this paper, but psychological, sociological, and economic theory seemingly can be used in such an examination.

The second possibility to be explored is whether there is any empirical basis – that is, whether a connection in fact exists in people's minds and is acted upon in the marketplace. Research questions are easily formulated from the arguments presented in this paper, for example:

- Do actors in an economic marketplace perceive a floor regarding the morality of actions of firms in that marketplace?
- If so, do those actors punish firms whose actions fall below that moral floor?
- If so, do the same actors reward firms whose actions rise significantly above the moral floor?

Empirical research can be conducted on these questions using experimental techniques that should provide insight into whether there is a disconnect, and in fact whether either argument is viable independent of the other. Such an experiment might involve having subjects read backgrounds of firms, then giving the subjects cases of ethical or unethical behavior (identified by a panel of experts in the field), and asking the subjects (both after they read the backgrounds and after they read the cases) how likely they would be to buy products of those firms. Instead of cases, an alternative experiment could have subjects witness actors exhibiting ethical or unethical behavior, and respond to what they have seen. Another aspect of such an experiment might be the use of a longitudinal case study, with the same firm exhibiting ethical and unethical behavior. This approach would test the impact of past observations of firm behavior on subjects' perceptions of the company's current business decisions. As evidenced by these examples, many variations on this theme could be explored.

The implications of results of such investigations would spread across teaching, research, and practice. Teachers would have a greater sense of whether to concentrate discussions of ethics on elimination of morally forbidden acts or encouragement of supererogatory acts. If a moral floor is all that is necessary, and that floor is defined as morally obligatory, then teaching the importance of supererogatory acts may do a disservice to students. After all, by definition, supererogatory acts are not required by moral theory; if there is no economic reason to engage in such acts, it is difficult to construct an argument in their favor. If, however, the moral floor merely is defined as morally neutral, and if actions that rise above the floor are not rewarded, then teachers of ethics must convince students of the importance of moral obligation in the face of economic disincentives. If there is no moral floor and no

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disconnect between the two arguments, then the focus of teaching could be on identifying ethical behavior and following through. Additionally, teachers could present cases and have the students discuss where a moral floor may exist. Thus, the concept in this paper could serve as a tool for structuring and guiding class discussions.

Research should investigate why other results do not always reflect the experimental results. For example, if the experimental results show a moral floor, why do some results show that good ethics is good business? Is it the result of sampling problems, methodology issues, or something else in either the experiments or the other studies? Research could also investigate empirically the tipping point, or the point at which increasingly ethical behavior no longer pays off for a firm's managers.

In practice, the implications of such a disconnect would be up to the practitioner. It would be hoped, of course, that managers would act ethically regardless of whether it affects the bottom line, but this probably means it would be hoped managers at least engage in morally obligatory actions. The question of supererogatory actions would be open to the practitioner, much as is the question of Carroll's (1979) discretionary responsibilities. More important might be the question of whether government regulation becomes more or less necessary because of the presence (or lack thereof) of a disconnect. If there is a disconnect, it might be argued that more regulation is necessary as fewer incentives to act in acceptable ways would exist. However, if a moral floor exists even with a disconnect, and actors in the economic marketplace punish those who fail to meet it, it could be argued that less regulation is necessary, and that the marketplace is functioning well. Regardless, the results should cause practitioners in business and government to think about their own attitudes about the connection of ethics and business, as well as their proper responses. Actors in different marketplace settings and industries could be surveyed also, to determine whether a moral floor has been set that meets the needs of the common good.

Conclusion

We can wish that all businesses acting morally are rewarded financially, such as Johnson & Johnson. We also can wish that all businesses acting immorally are punished financially, such as Arthur Andersen. But the reality is more complicated than that. It is difficult philosophically to support the "good ethics is good business" and "bad ethics is bad business" arguments. It is even more difficult to support the connection between the two arguments. But there is some possibility that a moral floor exists for actors in the economic marketplace – that they demand a certain level of moral behavior from managers and accept behavior at higher moral levels without necessarily rewarding managers who so act. Experiments can be formulated to test this proposition and find the tendencies of actors in the economic marketplace. Additionally, research in neuroeconomics, which is the combination of neuroscience and economics, may offer new avenues for examining issues in how the market judges managerial decisions (Camerer et al., 2005; Kahneman, 2003). For example, test subjects could evaluate different combinations of managerial acts while simultaneously doing so inside an MRI machine. By having a better understanding of what actors actually consider in making the decision, these tendencies can inform philosophical arguments, more practice-oriented teaching and actions, and better government policy-making. As the reality of today's business world becomes more complex, we need to understand both the philosophical arguments and the decision making of actors in the economic marketplace. It is hoped that this paper is a step toward such an understanding.

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