Business Ethics and Corporate Social Responsibility: Moral and Ethical Evaluation
(according to code of ethics and deontology)

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Abstract

Corporate Social Responsibility (CSR), is a form of corporate self-regulation integrated into a business model. CSR refers to companies taking responsibility for their impact on society. In A. Carroll's "Pyramid of Corporate Social Responsibility" a corporation has four types of responsibilities: The first and most obvious is the economic responsibility to be profitable. The second is the legal responsibility to obey the laws set forth by society. The third, which is very closely linked to the second, is the ethical responsibility. This is to do what is right even when business is not compelled to do so by law. The fourth is the philanthropic responsibility. This refers to contributions by the corporations toward social, educational, recreational and / or cultural purposes.

According to ethical and moral principles in business affairs there are three categories of managers:

a. The moral managers, who are dedicated to high standards of ethical behavior, both in their own actions and in their expectations of how the company's business is to be conducted.

b. The immoral managers, who are actively opposed to ethical behavior in business and will-fully ignore ethical principles in their decision making.

c. The amoral managers, who appear in two forms: the intentionally amoral manager and the unintentionally amoral manager.

Keywords: Corporate social responsibility (CSR) • Management morality • Pyramid of corporate social responsibility • Business ethics • Marketing ethics

Introduction

Every scientific occupation with ethics is related to humanity [1]. The steps of humanity today are not stable. It is clear that we exist in a fluid world, without symmetry and rhythm, full of falls, ups and downs, where nothing seems to triumph; law and order also change. If once crimes were committed by peoples who still raised the flags of religion, today crimes are committed in the name of law, humanity and distinctive solidarity [1]. The Leviathans decide what is right and wrong, and give the Law any flexibility, speed, power or purpose. select and replace the class. New or old does not matter. The game is only this one: Change it. You can do it. Everyone knows why.

The meaning of business ethics

Business ethics is a form of applied ethics [2] that examines ethical principles and moral or ethical problems [3] that arise in a business environment [4]. It applies to all aspects of business conduct [5-7] and is relevant to the conduct of individuals and business organizations as a whole [8], Donaldson, 1982. Applied ethics is a field of ethics that deals with ethical questions in many fields such as technical, legal, business and medical ethics [9-10]. Business ethics (also known as corporate ethics) must be distinguished from business philosophy, the branch of philosophy that deals with the philosophical, political and ethical foundations of business and economics [3]. Business ethics is a form of applied ethics that examines the ethical principles and ethical problems that arise in a business environment. Applied ethics is a field of ethics that deals with ethical issues in various fields such as e.g. business law and ethics [1]. This part of business ethics coincides with the philosophy of business. It mainly includes [3,9].

• Corporate social responsibility or corporate social response: a general term that refers to the moral rights and obligations between business and society.
• Issues related to the ethical rights and obligations between a company and its shareholders.
• Issues of leadership ethics (the ethical leader).
• Corporate governance.
• Ethical issues concerning the relations between the various companies: e.g. aggressive takeovers, industrial espionage, ethical concerns in advertising, unfair competition, unfair commercial practices.

The use of business ethics as a tool -implementation of the goals- of marketing.

Business ethics is the behavior that a business adheres to in its daily dealings with the world [11]. The ethics of a particular business can be diverse [12]. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer [4].

The meaning of corporate social responsibility

Corporate social responsibility (CSR) [13], is a corporation's obligation to its stakeholders [14], Velentzas / Broni, 2017, which are any groups / people that have a stake or interest in a company's success and products (K. Al-Khater / K. Naser, 2003; Th. Clarke (Ed), 2004). Corporate social responsibility includes customers, employees, suppliers, investors and the communities surrounding the business [15]. Stakeholders have varying needs to be met [16-17]. Whereas a customer's greatest concern may be the safety of a company's products, an employee's need might be for a fair wage and safe working conditions [18-19]. An investor may be concerned with profits and the bottom line, while the community may care about a business limiting the pollution it causes [20]. Thus, corporate social responsibility means maximizing the good and minimizing the bad effects your company has on these stakeholders' diverse interests [21-22].
Four types of corporate social responsibility: the pyramid of corporate social responsibility

Professor Dr. A. B. Carroll a business management author identifies four areas that make up a corporate social responsibility pyramid (Carroll, 1998): legal, economic, ethical and philanthropic. This pyramid has become widely used and is meant to explain the main areas that a business's duties to its stakeholders fall under (Carroll, 1998). The idea behind corporate social responsibility is that companies have multiple responsibilities to maintain [23-25]. These responsibilities can be arranged in a pyramid, with basic responsibilities closer to the bottom. As a business meets lower-level responsibilities that obligate it to shareholders and the law, it can move on to the higher level responsibilities that benefit society [26-27].

Economic responsibilities: Be profitable: A company's economic responsibilities include being profitable in order to provide a return on investment to owners and shareholders, to create jobs in their communities and to contribute useful products and services to society (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Part of being economically responsible means streamlining processes to find the most efficient ways to run your business and innovating your product offerings and marketing to increase revenue (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). A company's first responsibility is its economic responsibility (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004) -that is to say, a company needs to be primarily concerned with turning a profit. This is for the simple fact that if a company does not make money, it won't last, employees will lose jobs and the company won't even be able to think about taking care of its social responsibilities. Before a company thinks about being a good corporate citizen, it first needs to make sure that it can be profitable[28].

Legal responsibilities: obey the law: A company's legal responsibilities are the requirements that are placed on it by the law (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Next to ensuring that company is profitable, ensuring that it obeys all laws is the most important responsibility, according to the theory of corporate social responsibility. Legal responsibilities can range from securities regulations to labor law, environmental law and even criminal law (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Corporations must ensure that their business practices are legal (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Obeying regulations helps protect consumers, who rely on a business to be truthful about the products it sells, and investors, who stand to lose profits if a company is penalized or shut down because of illegal practices.

Ethical responsibilities: be ethical: Economic and legal responsibilities are the two big obligations of a company (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). After a company has met these basic requirements, a company can concern itself with ethical responsibilities (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Ethical responsibilities are responsibilities that a company puts on itself because its owners believe it's the right thing to do (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004) -not because they have an obligation to do so. Ethical responsibilities could include being environmentally friendly, paying fair wages or refusing to do business with oppressive countries, for example (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Beyond abiding by the letter of the law, an organization's ethical responsibilities include managing waste, recycling and consumption. These areas are sometimes regulated by city, state or federal governments, but often a company can go further than what the law requests and institute policies that help sustain the environment for future generations [28]. Other ethical responsibilities come in the form of advertising, as in not stretching the truth to a customer just to get them to make a purchase, and treatment of employees. A company can provide more than minimum wage and minimum safety precautions for employees; it can provide excellent benefits, insurance and invest resources in building a clean and safe workplace where employees will be happy to come each day (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004).

Philanthropic responsibilities: be a good corporate citizen: If a company is able to meet all of its other responsibilities, it can begin meeting philanthropic responsibilities (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). Philanthropic responsibilities are responsibilities that go above and beyond what is simply required or what the company believes is right [29]. They involve making an effort to benefit society -for example, by donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004). This part of the philanthropic responsibility corporations face is to promote the welfare of humans and to spread goodwill, which helps fight hunger in vulnerable communities around the globe (Carroll 1998, Carroll / Buchholtz 2012, Carroll 2004).

Five dimensions of corporate social responsibility

Traditionally, companies have had one responsibility (Dahlsrud, 2008): to make a profit [30]. But the concept of corporate social responsibility holds that companies should be responsible to more than just their owners [31]. Corporate social responsibility holds that there are multiple dimensions that should affect a company's actions [32]. Understand these dimensions when planning your own company's corporate social responsibility efforts [33].

Environmental: The environmental dimension of corporate social responsibility refers to your business's impact on the environment. The goal, as a socially responsible company, is to engage in business practices that benefit the environment. For example, you might choose to use recycled materials in your packaging or use renewable energy sources like solar power to your factory [34].

Social: The social dimension of corporate social responsibility involves the relationship between your business and society as a whole [35]. When addressing the social dimension, you should aim to use your business to benefit society as a whole [36]. This could involve sourcing fair trade products, for example, or agreeing to pay your employees a livable wage. It could also involve taking on endeavors that benefit society, for instance using your resources to organize charitable fundraisers.

Economic: The economic dimension refers to the effect that corporate social responsibility has on the finances of your company. In an ideal world, where corporate social responsibility had no costs, there would be no reason to limit it. But in the real world it is important to recognize the financial impact that these actions have and to balance being a good corporate citizen with making a profit.

Stakeholder: The stakeholders are all of the people affected by your company's actions. These include employees, suppliers and members of the public. When considering the stakeholder dimension of corporate social responsibility, consider how your business decisions affect these groups. For example, you might be able to increase your output by having employees work more, but you should consider the impact it will have on them, not just your bottom line [37].

Voluntariness: Actions that fall into the voluntariness dimension are those that you are not required to do. These actions are based in what your company believes is the correct thing to do. They may be based in specific ethical values that your company holds [38]. For example, you may believe that using organic products is the right thing to do even if you are not required to do so.

Examples of social responsibility strategies

Voluntarily eliminating practices that could harm the public or environment effectively achieves corporate social responsibility [39]. Social responsibility is a form of self-regulation that businesses adopt as a part of their corporate conscience and citizenship [1]. Often referred to as corporate social responsibility, this policy spurs businesses to develop means to monitor the public's social perception of them as a responsible business [9]. The business goal of social responsibility is to encourage the company's actions toward the positive impact of consumer, community and employee responsibility [3].

Voluntary hazard elimination: Companies involved with social responsibility often take action to voluntarily eliminate production practices [40] that could cause harm for the public, regardless of whether they are
required by law [41]. For example, a business could institute a hazard control program that includes steps to protect the public from exposure to hazardous substances through education and awareness [42]. A plant that uses chemicals could implement a safety inspection checklist to guide staff in best practices when handling potentially dangerous substances and materials [43]. A business that makes excessive noise and vibration could analyze the effects its work has on the environment by surveying local residents. The information received could be used to adjust activities and develop soundproofing to lessen public exposure to noise pollution [44].

Community development: Companies, businesses and corporations concerned with social responsibility align with appropriate institutions to create a better environment to live and work [45]. For example, a corporation or business may set up a foundation to assist in learning or education for the public [46]. This action will be viewed as an asset to all of the communities that it serves, while developing a positive public profile.

Philanthropy: Businesses involved in philanthropy make monetary contributions that provide aid to local charitable, educational and health-related organizations to assist under-served or impoverished communities [29]. This action can assist people in acquiring marketable skills to reduce poverty, provide education and help the environment [47]. For example, the Bill and Melinda Gates Foundation focuses on global initiatives for education, agriculture and health issues, donating computers to schools and funding work on vaccines to prevent polio and HIV/AIDS.

Creating shared value: Corporate responsibility interests are often referred to as creating shared value or CSV, which is based upon the connection between corporate success and social well-being. Since a business needs a productive workforce to function, health and education are key components to that equation [46]. Profitable and successful businesses must thrive so that society may develop and survive. An example of how CSV works could be a company-sponsored contest involving a project to improve the management and access of water used by a farming community, to foster public health [42].

Social education and awareness: Companies that engage in socially responsible investing use positioning to exert pressure on businesses to adopt socially responsible behavior themselves [48]. To do this, they use media and Internet distribution to expose the potentially harmful activities of organizations [49]. This creates an educational dialogue for the public by developing social community awareness [50]. This kind of collective activism can be affective in reaching social education and awareness goals [51]. Integrating a social awareness strategy into the business model can also aid companies in monitoring active compliance with ethical business standards and applicable laws [52].

Business ethics and corporate social responsibility

Business ethics consists of a set of moral principles and values [53] that govern the behavior of the organization with respect to what is right and what is wrong [64, 20]. It spells out the basic philosophy and priorities of an organization in concrete terms [55-56]. It also contains the prohibitory actions at the workplace [57-58]. It provides a framework on which the organization could be legally governed. With time, certain moral philosophies have helped in the evolution of four basic concepts of ethics. They are deontologism, relativism, egoism, and utilitarianism (Kotsiris, 2003). Corporate social responsibility is the concept that a business needs to be concerned with more than just profit [59-62]. Protecting the environment is one aspect, is part of social responsibility in business; another is making an effort to address social problems such as poverty and hunger [83]. A business’ social responsibility also is expressed through its ethical standards -how it treats its various stakeholders, including vendors, employees and customers [64]. Consumers may choose to not do business with companies that have a reputation for being socially irresponsible [50]. Conversely, businesses that show a commitment to the community and the environment can attract customers who share these values [85]. The good the company does is part of the perceived value of its products and services and can result in higher customer satisfaction [66]. These satisfied customers are likely to continue to do business with the company [87]. Thus, a stable, loyal customer base is a valuable asset [68]. Companies that have ethical lapses such as ignoring environmental regulations or standards for how employees should be treated can suffer damage to their reputation when these lapses come to light in traditional or social media [69]. A company’s image affects its relationship with all of its stakeholders, and remaking a company’s troubled image into one of stability -sometimes referred to as damage control- can take time and draw managerial resources from the important tasks of building the company [3]. Customers who leave because they do not approve of the company’s image can be difficult to win back [70]. Ethical, socially responsible companies can avoid the cost of litigation and other problems that could have a negative effect on the company’s cash position [71]. The demand for more ethical business processes and actions (known as ethicism) is increasing (Donaldson, 1982). At the same time, pressure is applied on industry to improve business ethics through new public initiatives and laws. Businesses can often attain short-term gains by acting in an unethical fashion (Sunstein, 2002); however, such behaviours tend to undermine the economy over time [48]. Business ethics can be both a normative and a descriptive discipline (Abrams, 1954).

The categories of managers according to ethical and moral principles in business affairs

Three categories of managers [52] stand out with regard to ethical and moral principles in business affairs [72-89,48]:

a. The moral manager. Moral managers are dedicated to high standards of ethical behavior, both in their own actions and in their expectations of how the company’s business is to be conducted.

b. The immoral manager. Immoral managers are actively opposed to ethical behavior in business and willfully ignore ethical principles in their decision making.

c. The amoral manager. Amoral managers appear in two forms: the intentionally amoral manager and the unintentionally amoral manager. Intentionally amoral managers consciously believe business and ethics are not to be mixed because different rules apply in business versus other realms of life. Unintentionally amoral managers do not pay much attention to the concept of business ethics either, but for different reasons. They are simply causal about, careless about, or indifferent to the fact that certain kinds of business decisions or company activities have deleterious effects on others: They are simply blind to the ethical dimension of decisions and business actions.

Epilogue

Many businesses have gained a bad reputation just by being in business. To some people, businesses are interested in making money, and that is the bottom line [30]. It could be called capitalism in its purest form. Making money is not wrong in itself [30]. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior. Good business ethics should be a part of every business. There are many factors to consider. When a company does business with another that is considered unethical, does this make the first company unethical by association? Some people would say yes, the first business has a responsibility and it is now a link in the chain of unethical businesses. Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics. Many major brands have been fined millions for breaking ethical business laws. Money is the major deciding factor. If a company does not adhere to business ethics and breaks the laws, they usually end up being fined. Many companies have broken anti-trust, ethical and environmental laws and received fines worth millions. The problem is that the amount of money these companies are making outweighs the fines applied. The profits blind the companies to their lack of business ethics, and the money sign wins. A business may be a multi-million seller, but does it use good business ethics and do people care? There are popular soft drinks, fast food restaurants, and petroleum
agencies that have been fined time and time again for unethical behavior. Business ethics should eliminate exploitation, from the sweat shop children who are making sneakers to the coffee serving staff who are being ripped off in wages. Business ethics can be applied to everything from the trees cut down to make the paper that a business sells to the ramifications of importing coffee from certain countries. In the end, it may be up to the public to make sure that a company adheres to correct business ethics. If the company is making large amounts of money, it may not wish to pay too close attention to its ethical behavior. There are many companies that pride themselves in their correct business ethics, but in this competitive world, they are becoming very few and far between.

References


