

Corporate Social Responsibilities and Unethical Decisions—Do Cultural and Social Values and Political Philosophies Make a Difference?

Horacio De La Cruz Jr.

Keiser University, Fort Lauderdale, FL, USA

Email: H.DeLaCruz3@student.keiseruniversity.edu

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Abstract

In recent years, the frequent occurrence of corporate scandals in Chinese companies has upturned the question of why top management teams in a country with collectivist values, which stress a group-oriented outlook, would make decisions that do not consider everyone affected by them. Previous literature suggested that cultural values and political ideology influence top corporate managers' choice of Corporate Social Responsibility (CSR) strategy for their firms through their CSR mindset. Reviewing environmental issues and cases in countries with different cultural, social, and political identities and philosophies, this study investigates the validity of these arguments. The study has adopted the traditional literature review approach to developing a discussion about the influence of cultural values, philosophies, and socio-political systems on CSR. Nineteen scholarly articles were consulted to establish the connection between CSR and cultures, with eleven selected for this paper, much of which reached conclusions based on interviews. The use of the framework presented here can potentially improve our understanding of the collectivist and individualist philosophies and how they influence CSR and top managers' ethical decisions. However, much work remains to be done. Specifically, new theory development work and empirical research are both necessary.

Keywords

Corporate Social Responsibility, Collectivism, Individualism, Unethical Management, Cultural Influence, Decision-Making

1. Introduction

The concept of Corporate Social Responsibility (CSR) is not new; it goes almost

as far back as the French Revolution of 1789-1799, which brought about a significant turning point in the history of western democracy (Idowu, 2012). According to Idowu (2012), modern corporate entities have a social responsibility towards society to a certain degree, and even its most adamant opponents agree with this viewpoint. Corporate entities are now taking different courses to demonstrate that they are conscious of their irresponsibility to society. There are, however, several different opinions and paradigms on what these responsibilities may entail. Some scholars believe and argue fervently that an entity's sole social responsibility is to increase its profits while operating within the confines of the law (Idowu, 2012).

1.1. Cultural Influence in Decision-Making

Li et al. (2019) claimed that cultural differences in judgment and decision-making between Chinese and Americans could be described as *Holistic* vs. *Analytic* thought. According to Li et al. (2019), Holistic decision-making involves attention to the context and the field, and it's inclined to make predictions based on the relationship between the object of focus and its context (Li et al., 2019). Holistic decision-making relies more on experience-based knowledge than on abstract logic. On the other hand, according to Li et al. (2019), analytical decision-making detaches from the context, being inclined to predictions and explanations based on rules relying on formal logic. Chinese decision-makers are holistic or field-dependent and employ less formal logic; they adjust toward the most recent events (Li et al., 2019), making them heuristic decision-makers. American counterparts are more analytic in judgment and decision-making, paying more attention to the focal object, whereas Chinese individuals are more sensitive to contextual information.

1.2. Socialist Society's Views of Corporate Social Responsibility

Socialism embraces those members of society who should cooperate to fulfill their dreams and wishes since people live in harmony through cooperation in socialism (Ivy, 2022). Socialist ideology does not recognize individuals' efforts because the government manages its resources centrally. Individuals work for government-owned companies that distribute the produced goods equitably to other members of society (Ivy, 2022) created in a planned economy. However, according to András and Rajcsányi-Molnár (2015), planned economy corporations operate with a very low-efficiency rate since they are not liable for sustainable and efficient operations. It is known that a socialist society fulfills many CSR-type social functions since schools, doctors' offices, vocational schools, sports facilities, holiday facilities, etc. are an integral part of the socialist factory and foster small communities ensuring employment for everyone. Only two countries remain pure socialist (Stalinist), Cuba and North Korea, where scarcity and necessity have turned them into ecological examples (Baden & Wilkinson, 2014).

1.3. Capitalist Society's Views of Corporate Social Responsibility

It is now standard practice for organizations in the industrialized capitalist world to install environmentally friendly machinery; use recyclable raw materials; rehabilitate sites that their previous actions may have damaged; treat employees equally regardless of sex, race, religion, etc.; respect conventions on human rights; disassociate themselves from suppliers of products made with child labor; make donations for charitable purposes; and a host of other socially responsible actions which modern corporations in many capitalist states now embark on to demonstrate responsibility (Idowu, 2012); thought careful consideration of these environmentally friendly actions reveals that they are not influenced by a desire to be ecologically conscious per se, but by some resulting benefits that may flow from them afterward (Idowu, 2012).

1.4. Unethical Decisions and Corporate Social Responsibility.

A clear and definite definition of Corporate Social Irresponsibility (CSI) is yet to emerge. Sulphey (2017) reviewed the existing scholarly literature and cited a few researchers that attempted to conceptualize CSI. For this paper's purpose, the CSI is defined as "unethical executive behavior that shows disregard for the welfare of others, that at its extreme is manifested when executives seek personal gain at the expense of employees, shareholders, and other organization stakeholders, and even society at large" (Sulphey, 2017). However, Sulphey (2017) claimed that this definition limited CSI to executive behavior, focusing purely on them and their unethical behavior for personal gratification. But scientists have focused on various perspectives on CSI's causes, including philosophy, psychology, business, etc. Philosophy looked at the role of standards and moral behavior, business science focused on the agent's perspective, and psychology was more on individual differences. Through organizational leadership tends to influence and sometimes determine irresponsible behavior toward CSR, Sulphey's (2017) study suggested that CSI depends on factors other than executives' greed. Sulphey (2017) identified industry pressure as one of the critical predictors of CSI since Industrial scenarios offer pressure and the opportunity to either involve in or refrain from CSI. Sulphey (2017) identified the strain theory as another possible cause for firms to engage in CSI. According to this theory, firms with higher performance aspirations or investor/public expectations tend to push boundaries or change goals and policies to achieve the desired aspirations or expectations (Sulphey, 2017).

Sulphey (2017) suggested that firms involved in CSI for factors ranging from degradation of societal standards, industry pressure, lax regulatory policies/bodies, unrealistic performance expectations, and the desire to maintain a respectable market position and leadership.

2. Discussion

Though many cross-cultural studies considered countries culturally homogene-

ous entities, studies have found that cultural characteristics, especially individualism and collectivism, vary within society at an individual and societal level (Kim et al., 2019). Individualism and collectivism are on opposite ends of a scale that reflects how individuals pursue self-interests rather than group interests (Kim et al., 2019). Individualism pertains to societies where everyone is expected to look after themselves and their immediate family. Collectivism relates to communities where people from birth onwards are integrated into cohesive solid in-groups from which they expect protection in exchange for unconditional loyalty (Kim, 1997). Conceptually communists have defined their political identities by an all-or-nothing commitment of the group (the society) to their party in exchange for protection from the “evils” of capitalism. This unconditional commitment of party leaders and members of the socialist societies to their party was responsible for hiding disasters like the one that occurred at the nuclear plant in Chernobyl in 1986, where reports of the accident were not released until the third day after the explosion despite the dangers the population was exposed to. Soviet authorities conducted emergency firefighting and clean-up operations but still chose not to disclose the accident or its scale (United Nations, n.d.). *Background/ International Chernobyl Disaster Remembrance Day* contempt the damage such delay could cause to the environment and its population.

Cuban socialist government’s dominant ideological discourse tends to minimize the adverse environmental consequences of socialist development policies. Despite the rhetoric, there has been substantial damage to the environment not divulged by the press to protect the communist party’s socialist agenda (Baden & Wilkinson, 2014). Among other ideas, dehydrating parts of the Zapata Swamp, Cuba’s most extensive wetlands and a virtual natural treasure due to its biological diversity was clearly at variance with the self-proclaimed environmental preservation principles of the socialist government, according to Baden and Wilkinson (2014).

After Berlin Wall fell on November 1, 1989 (Hasic, 2019), many socialist countries began a socioeconomic transformation, prioritizing equality with strong state regulation (Baden & Wilkinson, 2014), but turning their economy into market driven. After deep socioeconomic reforms, China is one of the socialist countries that experienced unprecedented growth, bringing opportunities for better salaries, better access to services for its citizens, and corporate profits that pulled Millions of families out of poverty. However, China’s fast economic growth, combined with the additional burden of a complex set of environmental problems, situated the law and policymakers of the country in the predicament of maintaining a balance between economic and ecological interests (Mahbub, 2016) since the company’s top management teams face pressure to sustain growth at for everyone’s benefit. Consequently, the top management team of Rongping Chemical Company made the terrible decision to cut costs and increase profits by dumping untreated chlorine into rivers, raising the level of chromium-6 (a tasteless, odorless compound that causes ulcers and cancer) to over 20 times na-

tional standards. Other organizations, like Luliang Chemical Company, have also compromised the health of citizens by displaying similar behavior. On the other hand, other Chinese companies focus their philanthropic efforts on what the government wants and provide it voluntarily. Still, many of the initiatives have been short-term projects, like tree planting or beach cleaning, because the needs of the central government can change rapidly (Mullich, n.d.).

Korea is another country where rapid economic development has contributed to individual-level cultural differences. According to Kim et al. (2019), Korea ranked 57 among the 68 most collectivistic countries at the societal level. Still, not all Koreans will have the same level of collectivism. Kim et al. (2019) tested the relationship between CSR expectation and CSR skepticism in culturally different countries. Interestingly, the connection between CSR expectation and CSR skepticism was positive in South Korea and negative in the USA. Kim et al.'s (2019) study suggested that in a society where the market economy of capitalism dominates, consumers expect companies to fulfill their obligation. However, due to growing concerns about the tremendous power of conglomerates in South Korea, consumers in South Korea tend to distrust companies to engage in CSR activities (Kim et al., 2019).

2.1. Managerial Implications

High-level or managerial decisions regarding CSR are typically taken under the “socially constructed standards” (Sulphey, 2017). When societal standards degrade, organizations feel the pressure and deviate from the set norms to stay competitive. Straying away from the specified criteria and the consequent misconduct and irresponsibility are also aided by loose regulatory policies and bodies. Therefore, companies must design and implement regulatory policies/bodies with the appropriate systematic controls to prevent managers and employees from engaging in irresponsible activities. Even in collectivistic societies where individuals are socially embedded and act by those rules associated with their membership in groups, some individuals serve as members of groups (Davis, 2003), but they still form their intentions individually.

2.2. COVID-19 Implications

This study found no available literature that computes and interprets data reflecting the influence of the pandemic on CSR.

3. Conclusion

Based on the above discussion, this study suggests that corporate unethical behavior toward their responsibility to society has roots beyond individuals' moral compass and societies' moral and political philosophies or ideologies. Analysis of most corporate crimes reveals a common thread pointing to the fact that these crimes have been committed not just by a single organization (Sulphey, 2017) or their executives but across the entire industry. Therefore, CSR shall not rely

upon subjective incentives or social and political philosophies (individualism, collectivism, Confucianism, Socratic, Buddhism, etc.) for compliance; it shall depend on objectivism because when regulatory guidelines are strict and systematically controlled, executives, managers, employees, (the entire firm) will stay away from reckless actions (Sulphey, 2017).

It is important to emphasize that this research has an exploratory character and aims to broaden the debates about whether cultural values, philosophies, and political ideology influence top corporate managers' choice of Corporate Social Responsibility strategy for their firms. In no way, do the authors of this paper intend to falsify the results of current research. However, studying cases of corporate social irresponsibility in countries with different cultures, philosophies, and socio-economic systems, could be an interesting path to analyzing other realities.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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