

Business Ethics and Corporate Social Responsibility: Bridging the Concepts

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Abstract

The current market environment is characterized with fierce competition, which pressures all corporations to strive for more success capitalizing on every business strategy or tool to secure sustainability in the market. Therefore, due to the significant benefits of businesses in their environments, growing research in all areas of ethics and corporate social responsibility has been very active. It is in the aforementioned context that the present research work lies to explore the concepts of business ethics and corporate social responsibility with a perspective to clarify the relationship that may exist between them. This study is qualitative in nature based on the comparative content analysis of reported literature about both CSR and business ethics. The implications of the findings are crucial to support policy makers in organizations to consider the relationship between the two concepts as building blocks in their strategic initiative.

Keywords

Business Ethics, Corporate Social Responsibility, Difficulties in Implementing CSR, Relation

1. Introduction

In recent year, there is a growing trend toward the value of Ethical Business and Corporate Social Responsibility to a business.

The European Commission defines CSR as “a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment. In this way, CSR is “about how companies manage the business processes to produce an overall positive impact on society” [1]. Besides, according to The World Business Council for Sustainable Development in its publication “Corporate Social Responsibility is the continuing commitment by business to behave ethically

and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large”.

Business ethics is a “form of applied ethics or professional ethics that examines the ethical principles and moral or ethical problems which arise in a business environment” [2]. In the same vein, we find that ethics in business “involves a basic dislocation relating to phenomenal experiences arising when things are out of place” [1].

The role and the importance of Corporate Social Responsibility and Business Ethics are evident essentially in business development. It is expected in research works speaking about the major benefits these two concepts may bring to a business. For example, they may: 1) attract customers to the company’s products, thereby boosting sales and profits; 2) encourage employees to adhere to the business, reducing labor turnover and therefore increasing productivity; 3) attract more employees to the business, thus enabling the company to hire the most skilled employees; and 4) attract investors and keep the company’s share price high, thereby protecting the business from takeover [3].

The objective of this paper is to explore the Corporate Social Responsibility in the context of Business Ethics. It seeks to answer certain questions. The paper studies the CSR and Business Ethics as a concept and tries to identify the relation, which can exist between them.

The methodology persuaded by this study is qualitative in nature based on the comparative content analysis of reported literature about both CSR and business ethics. Therefore, based on the secondary data reported in books and journals, we intend to carry out our analysis to explore the relationship between CST and Business Ethics. Consequently, the next sections of this paper expose what CSR and Business Ethics are followed by addressing their relationship.

2. Corporate Social Responsibility (CSR)

There have been active efforts and discussions for the international standardization of CSR, such as the UN Global Compact. In 2000, the UN enacted the UN Global Compact as an international protocol, which establishes ten principles in four large areas: human rights, labor, environment, and anti-corruption and classifies CSR as an international norm. The International Standardization Organization (ISO) and the Organization for Economic Cooperation and Development (OECD) have also implemented measures to internationally standardize CSR. This work toward international standardization suggests that CSR may become the new trade barrier in the near future, requiring more active and strategic responses from firms.

As efforts toward international standardization are increasing and the environment and ethics of firms are becoming main issues domestically, a new perspective on CSR has become more prominent [4].

The concept of CSR has different terminology. It is called, social accounting,

corporate citizenship, corporate responsibility, sustainable business and finally corporate social and environmental responsibility; and corporate social performance [5]. It is interesting to observe that none of the definitions actually define the social responsibility of businesses, but rather describe it as a phenomenon. Many definitions call for a business to make a “commitment” to contribute to sustainable economic development, to work with society, and to contribute to a cleaner environment to improve quality of life without the need for coercion [6].

Corporate social responsibilities (CSR) is divided into economic, legal, and ethical responsibilities. Also, CSR is seen “as integrated corporate activities abiding by the legal regulations and going beyond compliance, and investing more in human capital, the environment and the relations with stakeholders; as the business pursuit of sustainable development and focus on economic, social and environmental aspects; and, as primarily concerned about the environmental protection and the wellbeing of employees, the community and civil society in general” [7].

CSR’s ideas emerged after the awareness that there is a need for an economics of responsibility embedded in the business ethics of a corporation. Hence, the old idea of laissez-faire business gives way to determinism, individualism to public control, and personal responsibility to social responsibility. Utilitarian could also be taken synonymously with instrumental theories in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results [8]. Companies should not only be interested in profitability but also to the balance between trade and social responsibility.

Corporate social responsibility is a hard-edged business decision, not because it is a nice thing to do or because people are forcing us to do it, but rather because it is good for the business. Companies with a strategic outlook apply the idea of corporate social responsibility, which is reflected in their positive financial performance compared to those, which do not consider CSR as a tool to increase profits. Rochlin, Witter, Monaghan and Murray [9] contend that by building a business strategy that aligns social, environmental, and economic performance with long term business value, corporate responsibility becomes part of core business and is tied to long-term value creation for both business and society”.

Governments and customers are claiming more ethical behaviors from all the corporations. In fact, Hejase *et al.* have found in their research about consumers in Lebanon that “83.5% of the respondents agreed that CSR impacts their decision to buy products. Furthermore, 46.2% of the respondents will buy more as of quantity and 76% may go into the substitution of products because of CSR. 75.2% of the respondents mentioned that CSR also may impact their feelings towards products and will increase their loyalty to CSR-applying corporations” [9]. On the other hand, “The quality of relationships that a company has with its employees and other key stakeholders—such as customers, investors, suppliers, public and governmental officials, activists, and communities—is crucial to its

success, as is its ability to respond to competitive conditions and corporate social responsibility (CSR)” [10]. To fulfill these requirements, organizations integrate CSR as part of their business, mission statement, human resources strategies, laws relating to environment, norms and values as well as organizational culture in order to satisfying customer and other concerning parties. CSR trends and practices lead to the conclusion that social responsibility has both an ethical or moral component as well as a business component [11].

Issues of corporate social responsibility include fair wages, working time and conditions, health care, repetition and protection against arbitrary dismissal. For many US corporations, initiatives to insure the uninsured are fundamental to their CSR. In 2004, many US Starbucks Coffee outlets announced that they would pay the health care benefits for all those whom they employed for more than twenty days per month. Similar initiatives seem no longer adapted for British or German restaurant chains. Every British citizen is entitled to coverage under the National Health Service, and corporations, along with other taxpaying, contribute to this through taxation. In Germany, membership in a health insurance plan is mandatory for every employee, and the legal framework defines the value of the monthly insurance premium paid by the employer and the employee (normally a 50/50 split) [12].

3. Difficulties in Implementing CSR

In general, there are two main drivers of CSR, public policy and business strategy, but there are as many drivers as there are firms in existence. Because firms operate in and amongst society, it is only natural that they be aware of the public’s demands and interests. This means that businesses have greater expectations to do provide positive outcomes while mitigating the effects of negative outcomes, which would affect the public [6].

Since companies may operate in different geographic areas and multiple industries, social responsibility companies can vary from region to region and from industry to industry. This poses a major challenge for companies in their implementation of social responsibility. In this way, CSR and responsibility to the environment are themselves large and important matters for any company today. As a benefit for society and business, it is possible to deal with changing public needs and expectations, moral obligation, limited resources, better social environment, etc. [13].

Despite the importance of the Corporate Social Responsibility to business and society, some business owners do not accept to participate in social responsibility for many reasons [13], such as the need to maximize profit, the cost of social participation, lack of social skills, lack of accountability and inability of companies to make ethical choices.

4. Business Ethics

Ethics symbolize codes of values and principles that govern the action of a per-

son or a group of people regarding what is right versus what is wrong. Therefore, ethics set standards pertaining to what is good or bad in organizational conduct and decision making [14]. It also deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility regarding the external environment. Furthermore, the terms ethics and values are not interchangeable. Nevertheless, ethics is concerned with how a person should behave morally, and the values are the inner judgments that determine how a person actually behaves. Values concern ethics when they pertain to beliefs about what is right and wrong. The aforementioned is confirmed by Jones and George who define ethics as “ethics are the inner guiding moral principles, values, and benefits that people use to analyze and interpret a situation and then decide what is right or the appropriate way to behave” [4]. However, “there are many definitions for business ethics; they all stress the fact that managers must balance the ideal against the practical, the need to produce a reasonable profit for the company’s shareholders with honesty in business practices, safety in the workplace, and larger environmental and social issues” [15]. Nowadays, business ethics has a considerable growth in organizations. It is a comprehensive term covering all ethical issues that arise in the course of doing business. It represents rules, standards, symbols or principles that provide guidance for ethically appropriate behavior in management decisions related to company operations, and working relationship with the community. It applies to all aspects of business behavior and is relevant to the behavior of individuals and the entire organization. Moreover, the main purpose of ethics in business is to lead businessmen and businesswomen to abide by the codes of conduct that would help them secure public confidence in the services and products they offer to the concerned stakeholders [16].

For companies, it is important that the strategies used in their operations are bound by the ethical standards of stakeholders, which are law, policies and procedures, as well as moral standards of employees. In fact, the law is defined for society as a whole of actions that are permissible or not. It merely establishes the minimum standard of behavior. At the same time, actions that are legal may not be ethical. Therefore, simply obeying the law is insufficient as a guide for ethical behavior. For organizational policies and procedures, they serve as specific guidelines for people or employees to make daily decisions; Finally, the moral stance that employees take when they encounter a situation is not governed by law or organizational policies and procedures [14]. Rather, a company’s culture can serve either to support or undermine its employees’ concept of what constitutes ethical behavior. Thus, it is clear that in its daily dealings with stakeholders, business ethics constitutes the conduct for companies.

The organization, as a legal entity and a collective of individuals, is seen as part of a larger context of living systems. One of the main basis of the normative stakeholder theory is the concept that an organization’s internal process affects its identified stakeholders and must be based on moral philosophy and ethics. All decision making has to take into account the impact on all its stakeholders

and must have moral worthiness of its own outside of the firm's financial profits [17].

5. Relationship between Business Ethics and CSR

To be implemented successfully, sound ethics policy is required for companies. Therefore, companies that adhere to the highest ethical policy must communicate clearly a strong and contemporary code of ethics to employees who are formally trained in it and invited to deal with ethical challenges.

The unethical and scrupulous practices always necessitate spirituality and ethical support from management. Ethics policy is concerned with providing the assurances essential to all trust-based relationships. It does not regulate only business conduct and personal acts, but also offers an important form of liability limitation. It constitutes implicit organizational promises of performance against the set standards whether inspirational or disciplinary. Because of their inherent concern with ethical norms and policies, these policies can foster legitimate dissent by those who are at odds with the organization's performance against its set standards. Managers and leaders need to understand that ethics and integrity policies that provide a crucial expression of the organization. Managers who want employees to behave ethically must exhibit ethical decision-making practices themselves. "A company's managers play an important role in establishing company's ethical tone. If managers behave as if the only thing that matters is profit, employees are likely to act in a like manner" [18].

Ethical standards necessarily have significant implication for their role as gatekeeper in relation to those standards. On the other hand, training staff and management to be ethical and spiritual is always a difficult task and comes with its limitations and disadvantages and shown in **Table 1** below [19].

Table 1. Limitations confronted with business ethics training.

Limitations confronted with business ethics training
1) Limited view regarding spirituality and management Professionals usually practices the mechanism of "insulation", keeping spirituality and management in two separate compartments, thus making it hard to implement.
2) The media create the erosion of true traditional values through the transnational culture.
3) It is a time taking and costly process for business to shift from market economies to the process of humanization.
4) The growing rate of inflation and recession at times forces people to adopt unethical practices for earning their living.
5) At times, it is also criticized on the ground of being vague and a form of delusion, which denies reality.
6) The criticism also extends to the practice of using authority and power by management and leaders to impose spiritual and religious beliefs on employees.
7) Lastly, it can also be used as a form of control through which management can manipulate their employees.

Hence, and according to the vital role that represents ethics for business and for the corporate social responsibility, it is possible to distinguish a relation between business ethics and corporate social responsibility. Moreover, the interpretation of theory in business literature and society considers that both CSR and business ethics are the same. In fact, both corporate social responsibility and business ethics are part of the other, which means that business ethics are part of corporate social responsibility or *vice versa*. In addition, locating an organization's "pressure points" that highlight the need for CSR action is recommended. The first pressure point is "The firm's values and ethics" [20].

The concepts of work ethics and social responsibility are distinct. However, they are often used to refer to the same argument or symbol. The term business ethics is supposed to be "a combination of two very familiar words, business and ethics." [5].

Reiss in his interview with Rodney Martin, CEO, Voya Financial, a leading company that helps Americans plan, invest and protect their savings; and a 4-time World's Most Ethical Companies honoree, brings forward his interviewee comment, "Corporate responsibility includes key aspects of a company culture, such as ethics and transparency; diversity, inclusion and equality; environmental sustainability; governance; and volunteerism and philanthropy." [21].

The call to align business ethics and CSR in practice is mirrored by calls from scholars to better define the conceptual relationship between business ethics and CSR in the aim to better support theory development [22]. While still contested, most scholars interpret business ethics and CSR as having a close relationship. In support of the aforementioned argument, It suggested from an interviews with participants at various levels of board and management in petrochemical company which operates in Saudi Arabia, "that the majority of participants consider Corporate Governance (CG), whose aim is to engage the Board of Directors (BOD) in supervising CSR activities and the process of integrating these practices into the company's operations, is an essential foundation for sustainable CSR activities" [23]. The aforementioned provides a clear support to the relationship under investigation since Corporate Governance enforces transparency and ethical business behavior as well as CSR.

The normative stakeholder theory in CSR, which draws its philosophy from Ethics, affirms that business corporations are "morally" responsible to look after the concerns of a larger group of stakeholders, which could include owners, customers, vendors, employees and community rather than its stockholders *i.e.*, the owners of the business alone. The above is confirmed by stating, "a socially-responsible firm holds a holistic view of itself in relation to its stakeholders and measures its performance via a triple bottom-line: Economic, financial, environmental, and social. CSR seeks a path which advances all the three measures, none at the cost of the others" [17].

Corporate responsibility to stakeholders is described as a fundamental principle of business ethics, and corporate social responsibility is focused on beneficial outcomes for stakeholders. Broadly, defined work ethics include ethics,

Table 2. Meanings associated with BE and CSR.

	Narrow Definition	Broad Definition
CSR	Reduce harm to stakeholders	Doing good for society
BE	Complying with the law and corporate standards Incorporating, Ethics, integrity and values	

integrity and values, while a narrowly defined one focuses primarily on law and compliance. Corporate social responsibility stems primarily from management literature. Besides, while the early focus was on reducing harm to stakeholders, “it seemed to have shifted over time to the idea of” doing good “for society at large [22]. The meanings associated with business ethics (BE) and CSR are illustrated in the following **Table 2** [24].

6. Conclusion

Business Ethics and Corporate Social Responsibility have always been a preoccupation of research works and present topic of debates. The objective of this paper was to present a literature review about the concepts of CSR and Business Ethics and the main relationship that we should consider as a major factor of the development of business and society. Regardless of the summarized approach to justify the current study considered a limitation, this research does offer indispensable insight into how companies deal with CSR and Business Ethics besides it contributes to further understanding of how the relationship in fact is a fundamental requirement for organizations while transforming their strategic intent into an actual strategy seeking organizational sustainability. In this way, a new framework for strategic CSR implementation stress the above is presented. According to this framework, “there are four components that are essential to defining strategic CSR: First, that firms incorporate a CSR perspective within their strategic planning process; second, that any actions they take are directly related to core operations; third, that they incorporate a stakeholder perspective; and fourth, that they shift from a short-term perspective to managing the firm’s resources and relations with key stakeholders over the medium to long term” [25].

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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