Moral and Ethical issues-Corporate Social Responsibility

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Abstract

***Corporate social responsibility** is a business's concern for society's welfare. This concern is demonstrated by managers who consider both the long-range best interests of the company and the company's relationship to the society within which it operates. The newest theory in social responsibility is called **sustainability.** This refers to the idea that socially responsible companies will outperform their peers by focusing on the world's social problems and viewing them as opportunities to build profits and help the world at the same time. It is also the notion that companies cannot thrive for long (i.e., lack sustainability) in a world where billions of people are suffering and are desperately poor. Thus, it is in business's interest to find ways to attack society's ills. Only business organizations have the talent, creativity, and executive ability to do the job.*

Preamble: - CSR

The ideas of CSR can be discerned from the three words contained within its title phrase: 'corporate,' 'social,' and 'responsibility.' Therefore, in broader sense, CSR covers the responsibilities corporations (or other for-profit organizations) have to the societies within which they are based and operate. More specifically, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process.

Therefore, a business' 'society' within which it operates, which defines the number of stakeholders to which the organization has a

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'responsibility,' may be broad or narrow depending on the industry in which the firm operates and its perspective.

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically, contribute to economic development, improving quality of life of workforce, their family, local community and society, build a meaningful relationship between the corporate sector and the rest of the society. Business has to adopt practices that ensure ethical, legal, commercial and public expectations. It must be the integrated part of day to day business engaging all stakeholders, strategies to support individual managers to make socially responsible decisions conforming ethical behaviour and law.

Companies are obliged to comply with law, give the community a variety of financial and non-financial ways and take into account the environment and social context in which the business operates.

- Shrinking of government resources, distrust of regulations, demand for greater disclosures, increased customer's interests, investors pressure, competitive labour markets etc are some of the driving forces of CSR.
- The concept of CSR involves voluntarily adopted behaviour going beyond legal obligations, practices intrinsically connected to sustainable development and culture incorporated into core business strategies.

Accountability, transparency, conduct in conformity with laws, business ethics, good workplaces and labour relations practices, affirmative actions / good practices, customers loyalty and satisfaction, environmental benefits and company involvement with community are some of the components of CSR.

Triple Bottom line reporting on resources and market reputation, improved ability to understand business performance and risks, attract quality employees, greater profile for raising capital are few benefits of CSR.

The origins of CSR

CSR as an issue has been around since commerce began:

The history of CSR is almost as long as that of companies. Concerns about the excesses of the East India Company were commonly expressed in the seventeenth century. There has been a tradition of benevolent capitalism in the UK for over 150 years. Quakers, such as Barclays and Cadbury, as well as socialists, such as Engels and Morris, experimented with socially responsible and values-based forms of business. And Victorian philanthropy could be said to be responsible for considerable portions of the urban landscape of older town centers today.

In terms of activism aimed at companies perceived as acting against the general interest:

The first large-scale consumer boycott? England in the 1790s over slave-harvested sugar. (It succeeded in forcing the importer to switch to free-labor sources.)….In 1612, English jurist Edward Coke complained that corporations "cannot commit treason, nor be outlawed or excommunicated, for they have no souls."

Ethical Behavior in Business

Social responsibility and ethics go hand in hand. **Ethics** refers to the moral principles or values that generally govern the conduct of an individual or a group. Ethics can also be viewed as the standard of behavior by which conduct is judged. Standards that are legal may not always be ethical, and vice versa. Laws are the values and standards enforceable by the courts. Ethics consists of personal moral principles and values rather than societal prescriptions.

Defining the boundaries of ethicality and legality can be difficult. Often, judgment is needed to determine whether an action that may be legal is an ethical or unethical act. Also, judgment is required to determine if an unethical act is legal or illegal.

For example, the courts are still trying to determine the legality of various unethical acts committed by corporate executives at Global Crossing, Enron, WorldCom, and Tyco. On the other hand, the secretly arranged $139.5 million compensation package for Dick Grasso, former chairman of the New York Stock Exchange, was unethical but perhaps not illegal. It did, however, cost him his job. The new New York Stock Exchange Board of Directors and the New York State Attorney General are suing Grasso to recover the excessive payment.

Morals are the rules people develop as a result of cultural values and norms. Culture is a socializing force that dictates what is right and wrong. Moral standards may also reflect the laws and regulations that affect social and economic behavior. Thus, morals can be considered a foundation of ethical behavior.

Morals are usually characterized as good or bad. "Good" and "bad" have different connotations, including "effective" and "ineffective." A good salesperson makes or exceeds the assigned quota. If the salesperson sells a new stereo or television set to a disadvantaged consumer— knowing full well that the person can't keep up the monthly payments—is the salesperson stills a good one? What if the sale enables the salesperson to exceed his or her quota?

"Good" and "bad" can also refer to "conforming" and "deviant" behaviors. A doctor who runs large ads offering discounts on open-heart surgery would be considered bad, or unprofessional, in the sense of not conforming to the norms of the medical profession. "Bad" and "good" are also used to express the distinction between criminal and law-abiding behavior. And finally, different religions define "good" and "bad" in markedly different ways. A Muslim who eats pork would be considered bad, as would a fundamentalist Christian who drinks whiskey.

Morality and Business Ethics

Today's business ethics actually consists of a subset of major life values learned since birth. The values businesspeople use to make decisions have been acquired through family, educational, and religious institutions.

Ethical values are situation specific and time oriented. Nevertheless, everyone must have an ethical base that applies to conduct in the business world and in personal life. One approach to developing a personal set of ethics is to examine the consequences of a particular act. Who is helped or hurt? How long lasting are the consequences? What actions produce the greatest good for the greatest number of people? A second approach stresses the importance of rules. Rules come in the form of customs, laws, professional standards, and common sense. Consider these examples of rules:

- Always treat others as you would like to be treated.
- Copying copyrighted computer software is against the law.
- It is wrong to lie, bribe, or exploit.

The last approach emphasizes the development of moral character within individuals. Ethical development can be thought of as having three levels.

- *Preconventional morality,* the most basic level, is childlike. It is calculating, self-centered, and even selfish, based on what will be immediately punished or rewarded. Fortunately, most business people have progressed beyond the self-centered and manipulative actions of preconventional morality.
- *Conventional morality* moves from an egocentric viewpoint towards the expectations of society. Loyalty and obedience to the organization (or society) become paramount. At the level of conventional morality, an ethical marketing decision would be concerned only with whether it is legal and how it will be viewed by others. This type of morality could be likened to the adage "When in Rome, do as the Romans do."
- *Postconventional morality* represents the morality of the mature adult. At this level, people are less concerned about how others might see them and more concerned about how they see and judge themselves over the long run. A marketing decision maker who has attained a postconventional level of morality might ask, "Even though it is legal and will increase company profits, is it right in the long run? Might it do more harm than good in the end?"

Ethical Decision Making

How do business people make ethical decisions? There is no cut-and-dried answer. Studies show that the following factors tend to influence ethical decision making and judgments:

- *Extent of ethical problems within the organization:* Marketing professionals who perceive fewer ethical problems in their organizations tend to disapprove more strongly of "unethical" or questionable practices than those who perceive more ethical problems. Apparently, the healthier the ethical environment, the more likely that marketers will take a strong stand against questionable practices.

- *Top-management actions on ethics:* Top managers can influence the behavior of marketing professionals by encouraging ethical behavior and discouraging unethical behavior.
- *Potential magnitude of the consequences:* The greater the harm done to victims, the more likely that marketing professionals will recognize a problem as unethical.
- *Social consensus:* The greater the degree of agreement among managerial peers that an action is harmful, the more likely that marketers will recognize a problem as unethical.
- *Probability of a harmful outcome:* The greater the likelihood that an action will result in a harmful outcome, the more likely that marketers will recognize a problem as unethical.
- *Length of time between the decision and the onset of consequences:* The shorter the length of time between the action and the onset of negative consequences, the more likely that marketers will perceive a problem as unethical.
- *Number of people to be affected:* The greater the number of persons affected by a negative outcome, the more likely that marketers will recognize a problem as unethical.

Ethical Guidelines

Many organizations have become more interested in ethical issues. One sign of this interest is the increase in the number of large companies that appoint ethics officers—from virtually none five years ago to almost 25 percent of large corporations now. In addition, many companies of various sizes have developed a **code of ethics** as a guideline to help marketing managers and other employees make better decisions. In fact, a national study found that 60 percent of the companies maintained a code of ethics, 33 percent offered ethics training, and 33 percent employed an ethics officer.

Creating ethics guidelines has several advantages:

- It helps employees identify what their firm recognizes as acceptable business practices.
- A code of ethics can be an effective internal control on behavior, which is more desirable than external controls like government regulation.
- A written code helps employees avoid confusion when determining whether their decisions are ethical.
- The process of formulating the code of ethics facilitates discussion among employees about what is right and wrong and ultimately leads to better decisions.

Businesses, however, must be careful not to make their code of ethics too vague or too detailed. Codes that are too vague give little or no guidance to employees in their day-to-day activities. Codes that are too detailed encourage employees to substitute rules for judgment. For instance, if employees are involved in questionable behavior, they may use the absence of a written rule as a reason to continue behaving that way, even though their conscience may be saying no.

Although many companies have issued policies on ethical behavior, marketing managers must still put the policies into effect. They must address the classic "matter of degree" issue. For example, marketing researchers must often resort to deception to obtain unbiased answers to their research questions. Asking for a few minutes of a respondent's time is dishonest if the researcher knows the interview will last 45 minutes. Not only must management post a code of ethics, but it must also give examples of what is ethical and unethical for each item in the code. Moreover, top management must stress to all employees the importance of adhering to the company's code of ethics. Without a detailed code of ethics and top management's support, creating ethical guidelines becomes an empty exercise.

Ethics training is an excellent way to help employees put good ethics into practice. Raytheon, one of the world's largest defense contractors, requires all its employees to attend formal classroom ethics awareness training each year. In addition, all employees must complete online scenario-based ethics and business conduct training annually. At Niagara Mohawk, an electric and natural gas utility, an Ethics and Compliance Office manages a company-wide ethics program that includes a code of conduct detailing employee responsibilities to avoid conflicts of interest. Niagara Mohawk recently won the Better Business Bureau's International Torch Award for business ethics.

Relevance of CSR today

CSR as a strategy is becoming increasingly important for businesses today because of three identifiable trends:

1. Changing social expectations

Consumers and society in general expect more from the companies whose products they buy. This sense has increased in the light of recent corporate scandals, which reduced public trust of corporations, and reduced public confidence in the ability of regulatory bodies and organizations to control corporate excess.

2. Increasing affluence

This is true within developed nations, but also in comparison to developing nations. Affluent consumers can afford to pick and choose the products they buy. A society in need of work and inward investment is less likely to enforce strict regulations and penalize organizations that might take their business and money elsewhere.

3. Globalization

The growing influence of the media sees any 'mistake' by companies brought immediately to the attention of the public. In addition, the Internet fuels communication among like-minded groups and consumers—empowering them to spread their message, while giving them the means to co-ordinate collective action (i.e. a product boycott). These three trends combine with the growing importance of brands and brand value to corporate success (particularly lifestyle brands) to produce a shift in the relationship between corporation and consumer, in particular, and between corporation and all stakeholder groups, in general.

The result of this mix is that consumers today are better informed and feel more empowered to put their beliefs into action. From the corporate point of view, the market parameters within which companies must operate are increasingly being shaped by bottom-up, grassroot campaigns. NGOs and consumer activists are feeding, and often driving, this changing relationship between consumer and company. CSR is particularly important within a globalizing world because of the way brands are built—on perceptions, ideals and concepts that usually appeal to higher values. CSR is a means of matching corporate operations with stakeholder values and demands, at a time when these values and demands are constantly evolving. CSR can, therefore, best be described as a total approach to business. CSR creeps into all aspects of operations. Like quality, it is something that you know when you see it. It is something that businesses today should be genuinely and wholeheartedly committed to. The consequenes of ignoring CSR are too dangerous when it is remembered how important brands are to overall company value; how difficult it is to build brand strength; yet how easy it can be to lose brand dominance. CSR is, therefore, also something that a company should try and get right in implementation.

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