

# BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY FOR BUSINESS SUCCESS AND GROWTH

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## Abstract

The concepts of ethical behaviour and corporate social responsibility have come to the fore in recent years in both developed and developing countries as a result of growing sense of corporate wrongdoing. These two concepts can bring significant benefits to a business. The idea that business enterprises have some responsibilities to society beyond that of making profits for shareholders. The paper addresses the concepts of business ethics and corporate social responsibility. The business ethics and social responsibility are very important for organizational growth and success. Specifically, they consider business ethics to lead to positive employee, customer and community relations. Not only that but also, they perceive better public image/reputation; greater customer loyalty; and strong and healthier community relations can inure to the benefit of corporations that are socially responsible.

**Key words:** Business ethics, corporate social responsibility, business success, economic responsibilities, etc.

## 1. Introduction

Ethical behaviour and corporate social responsibility can bring significant benefits to a business. The idea that business enterprises have some responsibilities to society beyond that of making profits for shareholders has been around for centuries. This partly accounts for the reason why the concept of corporate social responsibility has continued to grow in importance and significance. One of the core beliefs is that business organizations have a social and ethical responsibility, as well as, the economic mission of creating value for shareholders or owners of businesses. Whereas, the economic responsibilities of a business are to produce goods and services that society needs and wants at a price that can perpetuate the continuing existence of the business, and also satisfy its obligations to investors; ethical responsibilities are those behaviours or activities expected of businesses by society and other stakeholders such as employees. This paper seeks to answer the following: What are the perceptions of students in business schools on the benefits of CSR and ethics to corporations? What do the business community and organizations get out of CSR and ethical behaviour? That is, how do they benefit tangibly from engaging in CSR policies, activities and ethical practices?

## 2. Business ethics

Ethics are codes of values and principles that govern the action of a person, or a group of people regarding what is right versus what is wrong. Therefore, ethics set standards as to what is good or bad in organizational conduct and decision making. It deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility with respect to the external environment. The terms ethics and values are not interchangeable. Whereas ethics is concerned with how a moral person should behave; 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. In the business setting, being ethical means applying principles of honesty and fairness to relationships with coworkers and customers. Business ethics is a form of applied ethics that examines ethical principles, and moral or ethical problems that arise in a business environment. It is an umbrella term that covers all ethics related issues that come up in the context of doing business. Business ethics is defined as the rules, standards, codes, or principles that provide guidance for morally appropriate behaviour in managerial decisions relating to the operations of the corporation, and business relationship with the society. It applies to all aspects of business conduct and is relevant to the conduct of individuals and the entire organization. Furthermore, business ethics is the behaviour that a business adheres to in its daily dealings with its stakeholders.

## 3. Benefits of Business ethics

**Build customer loyalty:** A loyal customer base is one of the keys to long-range business success. If consumers believe they have been treated unfairly, such as being overcharged, they will not be repeat customers. Also, a company's reputation for ethical behaviour can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals.

**Retain good employees:** Talented individuals at all levels of an organization want to be compensated fairly for work and dedication. Companies who are fair and open in their dealings with employees have a better chance of retaining the most talented people.

**Positive work environment:** Employees have a responsibility to be ethical. They must be honest about their capabilities and experience. Ethical employees are perceived as team players rather than as individuals. They develop positive relationships with coworkers. Their supervisors trust them with confidential information.

**Avoid legal problems:** It can be tempting for a company's management to cut corners in pursuit of profit, such as not fully complying with environmental regulations or labour laws, ignoring worker safety hazards or using sub-standard materials in their products. The penalties if

caught can be severe, including legal fees and fines or sanctions by governmental agencies. The resulting negative publicity can cause long-range damage to the company's reputation that can even

#### 4. Levels of ethical standards

There are three levels of ethical standards: the law, policies and procedures, and moral standards of employees. The law defines for society as a whole those actions that are permissible and those that are not. The law merely establishes the minimum standard of behaviour. At the same time, actions that are legal may not be ethical. Therefore, simply obeying the law is insufficient as a guide for ethical behaviour. Organizational policies and procedures serve as specific guidelines for people or employees as they make daily decisions. The moral stance that employees take when they encounter a situation that is not governed by law or organizational policies and procedures. A company's culture can serve to either support or undermine its employees' concept of what constitutes ethical behaviour.

#### 5. Establishing an ethical framework

The ethics of a business depends on the company's culture or moral behavior. The decision to do activities ethically is an example of moral behaviour. All corporations have to decide what to do and how to do it, in order to align their behaviour with their ethical values. An organization that places ethics at the center of all that it does has an ethical framework. To cope successfully with many potential ethical decisions they face, corporations, companies or entrepreneurs must develop a workable ethical framework to guide themselves and the organization.

**Step 1: Recognize the ethical dimensions:** Before making informed ethical decisions, it is important to recognize that an ethical situation exists. This enables the definition of the specific ethical issues involved. To have a complete view of decisions concerning ethics and to avoid ethical quagmires, it is important to consider the ethical forces at work in any situation, i.e. honesty, fairness, respect for the community, concern for the environment, and trust.

**Step 2: Identify the key stakeholders and determine how the decision will affect them:** The business can influence, and be influenced by a multitude of stakeholders. The demands of these stakeholders may conflict with one another, thus putting a business in the position of having to choose which groups to satisfy or not. Before making a decision, managers must sort out the conflicting interests of various stakeholders by determining which ones have important stakes in the situation.

**Step 3: Generate alternative choices:** When generating alternative courses of action and evaluating the consequences of each one. Asking and answering questions and ensuring a balance between the choices can ensure that everyone involved is aware of the ethical dimensions of the issue.

**Step 4: Choose the best and implement it:** At this point, there likely will be several ethical choices from which managers can pick. Comparing these choices with the ideal ethical outcome may help in making the final decision. The final choice must be consistent with the company's goals, culture, and value system as well as those of the individual decision makers. Although an ethical behaviour may not be profitable all the time, an unethical behaviour frequently generates substantial losses, especially on a long-term.

## 6. Corporate social responsibility

Companies are facing increasing demands that, they look beyond their own interests and prioritize those of the societies in which they operate. The notion that, business enterprises have responsibilities to society beyond that of making profits for shareholders has been around for centuries. This is because businesses host their operations within society, and in return, society expects business to show responsibility for aspects of their operations. It is no longer acceptable for a firm or corporation to experience economic prosperity in isolation from the stakeholders within its immediate and as well the wider environment. Accordingly, the quality of relationships that an organization has with its employees and other key stakeholders is crucial to its success. Corporate social responsibility can be understood as an integrative management concept, which establishes responsible behaviour within a company, its objectives, values and competencies, and the interests of stakeholders.

## 7. Importance of corporate social responsibility

It is important to perform in a manner consistent with maximizing earnings per share. It is important to be committed to being as profitable as possible. It is important to maintain a strong competitive position. It is important to maintain a high level of operating efficiency. It is important that a successful firm be defined as one that is consistently profitable. It is important to perform in a manner consistent with expectations of government and law. It is important to comply with various federal, state, and local regulations. It is important to be a law-abiding corporate citizen. It is important that a successful firm be defined as one that fulfills its legal obligations. It is important to provide goods and services that at least meet minimal legal requirements.

## 8. Stakeholders and corporate social responsibility

Corporate social responsibility as a business system can enable the production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices. Stakeholder theory posits that corporations gain competitive advantage by addressing important stakeholder demands. There are five major stakeholder groups that are recognized as priorities by most firms: owners, employees, customers, local communities, and the society-at large. The CSR embraces multiple stakeholders or partners in addition to shareholders and other investors.

## 9. Conclusion

Business ethics and social responsibility are important for organizational growth and success. Specifically, they consider business ethics to lead to positive employee, customers and as well community relations. Furthermore, they perceive better corporate image/reputation, greater customer loyalty; and a strong and healthier community as benefits that can inure to the benefit of corporations that are socially responsible. It is therefore, important that business schools and professionals in the corporate world turn their attention to these factors, since they are critical components in their training and practices.

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