



The Role of Ethics in Corporate Social Responsibility

Dr. Rizwana Atiq¹, Prof. (Dr.) Aftab Alam²

¹Assistant Professor, Department of Business Management, Integral University, Lucknow, INDIA

²Dean, Faculty of Management & Research, Integral University, Lucknow, INDIA

ABSTRACT

Corporate social responsibility or CSR is an umbrella term under which the ethical rights and duties existing between companies and society is debated. CSR is generally seen as the business contribution to sustainable development which has been defined as “Development that meets the needs of the present without compromising the ability of the future generations to meet their own needs and is generally understood as focusing on how to achieve the integration of economy, environment and social imperatives.

The globalisation has not only opened the doors for any companies to make their territory border less but also to adopt the practices being practised by different companies in different cultures, and CSR is one of them

Some argue that it is an attempt to pre empts the role of governments as a watchdog over powerful multinational corporations. CSR is more than philanthropy – or “giving back to the society” as some corporate see it. The role that companies should play in the development of the society and the economy, in which these exist, differ substantially. But what remains the bottom line is that all the companies are responsible for taking required step for the welfare of the societies and the economies.

The time has changed the financial goal of the company, from “maximization of profit”, to “optimization of profit”. Now, not only listed companies are taking initiatives to adopt CSR practices but mid size companies are not left behind in this race, which is becoming a major marketing tool for them.

Keywords--- Ethics, Conflicting interests, Future generation, Ethicism, Stakeholders, Consumerism

I. INTRODUCTION

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality

of the life of the workforce and their families and of the society at large.

Corporate social responsibility requires performance of one's obligations to stakeholders of a business.

There has been an increase in the awareness as well implementation of the corporate social responsibility concepts on the part of the organizations in the recent past. This initiative has led to the concern whether this should be the responsibility of the organizations or there should be some efforts on the part of the government.

Many organizations have started implementing CSR practices as a part of long term survival and growth strategy. They have been taking various measures towards their stakeholders and thus trying to uplift the society in which they do business and improve the quality of life, at large.

II. ETHICS

The word “Ethics” has originated from the word “ethos” which implies character or manners. Ethics is, thus, a science of morals, a treatise on rule of conduct which may be referred as “Moral Principles, in the context of business, “ethics” may be defined as the **study of good and evil, right and wrong, or just and unjust action of businessmen and the corporations.**”

If dishonesty is considered unethical and immoral in society, then any businessman, who is found to be dishonest with his or her stakeholders, is an unethical person.

Corporate ethics refers, to a set of rules of conduct applied to business which is acceptable to society at large without any hitch/reservation. In practice, however, the term ‘business ethics’ is used to describe do’s and don’ts for business.

III. CORPORATE SOCIAL RESPONSIBILITY

The World Business Council for Sustainable Development defines corporate responsibility as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community and society at large.

Corporate Social Responsibility is also called corporate citizenship. Under this one studies why organizations should take interest in society. This is contended on the ground that implementing Corporate Social Responsibility is not obligatory on the part of organization and more over, it is the duty of the government to take care of the country and its citizen. Some feel that CSR distracts from the fundamental economic role of businesses.

Organizations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. The challenge of CSR includes the following:-

- a) HRM Practices
- b) Consumer Protection
- c) Community Development
- d) Environmental Protection
- e) Labour Protection Supplier Relation
- f) Stake holder right

IV. CSR AND ETHICS

CSR is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment. Ethicism i.e. the demand for more ethical business processes and actions is increasing at an unprecedented rate because of growing consumer awareness.

Business ethics can be both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. In academia descriptive approaches are also taken. Historically, interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings.

CSR and ethical policies

As part of more comprehensive compliance and ethics programs, many companies have formulated internal policies pertaining to the ethical conduct of employees. These policies can be simple exhortations in broad, highly-generalized language (typically called a corporate ethics statement), or they can be more detailed policies, containing specific behavioral requirements (typically

called corporate ethics codes). They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical problems that might arise in the course of doing business. It is hoped that having such a policy will lead to greater ethical awareness, consistency in application, and the avoidance of ethical disasters.

An increasing number of companies also require employees to attend seminars regarding business conduct, which often include discussion of the company's policies, specific case studies, and legal requirements. Some companies even require their employees to sign agreements stating that they will abide by the company's rules of conduct.

Many companies are assessing the environmental factors that can lead employees to engage in unethical conduct. Not everyone supports corporate policies that govern ethical conduct. Some claim that ethical problems are better dealt with by depending upon employees to use their own judgment.

The historical and global importance of religious views on business ethics is sometimes underestimated in standard introduction to business ethics. In Asia and the Middle East, religious and cultural perspectives have a strong influence on the conduct of business and the creation of business values. The examples are, Islamic banking, associated with the avoidance of charging interest on loans.

CSR and Ethics training

Increasingly, companies are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and business simulations can play a part in this

Business ethics is also related to political economy, which is economic analysis from political and historical perspectives. Political economy deals with the distributive consequences of economic actions. It asks who gains and who loses from economic activity, and is the resultant distribution fair or just, which are central corporate social responsibility issues.

CSR and Globalization

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes labour exploitation are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets. It helps them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. Multinational corporations are under pressure not to

examine their own labor practices, but those of their entire supply chain, from a CSR perspective.

MNCs are also under pressure as they have to follow the Corporate Social Responsibility in different countries in a different manner and they can not formulate a universal Corporate Social Responsibility of their home country. This demands that the CSR policy has to be aligned to the host country practices and the necessary modifications are required to be carried out.

CSR and Laws & regulation

Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social well, including people and the environment. CSR critics argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct them responsibly.

V. CONCLUSION

Corporate responsibility is achieved when a business adapts all of its practices to ensure that it operates in ways that meet, or exceeds, the ethical, legal, commercial and public expectations that society has of business. To be considered effective, corporate responsibility must be an integrated part of day-to-day business, engaging all stakeholders and including strategies to support individual managers to make socially responsible decisions, conform to ethical behavior and obey the law.

Focus on Corporate Social Responsibility can provide a clear competitive advantage and stimulate corporate innovation. Corporate Social Responsibility is no more an option but an imperative for business corporations. The integrity of the corporation, financial institutions and markets is necessary for the health and stability of the economy. In the era of globalization, Corporate Social Responsibility has become indispensable

“The proper Responsibility of the company will become as crucial to the world economy as the proper governing of countries...strong feeling of corporate Social Responsibility produces good social progress. The two go together.”

The ultimate goal of financial management state that all the action which led to increase in the value of shareholder should be undertaken by the company and others which don't add value for the shareholders, should be discouraged. There are some people as well as organization which feel that Corporate Social Responsibility is all about choice i.e. companies should have choice in following the practice of Corporate Social Responsibility. Given this view, it will be very difficult to have this practice implemented and companies will not take any initiative to implement it.

The above discussion has tried to highlight the role of ethics in corporate social responsibility. This term has gained the momentum in last two decade and there are number of the reasons responsible for the growth of the concept in the business. Right now we are in a position to quote the name of the companies which are following CSR practices, but 10 years down the line it will be very difficult to name any company which is NOT following CSR principles. It will become just like any other thing such as having safety measures, conveyance facility, and compliance to various laws.

REFERENCES

- [1] Corporate Governance by P.V. Sarma S. Rajam, Kanishka Publishers, Distributors, New Delhi
- [2] Corporate Governance by Anthony Williams
- [3] Ethics and conduct of business by John R. Boatright
- [4] Corporate governance by Dr. S. Singh

Links

- [1] www.oecd.org
- [2] www.Encycogov.com