



## Business Ethics and Corporate Social Responsibility Directing the Conduct of Individuals and Organizations

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### Abstract

*Business ethics is a system of moral principles applied in the commercial world. It is a whole new scientific area because it combines law theory and politics as much as philosophical and historical documents. Ethics become a term very flexible and have many different aspects. Business ethics provide guidelines for acceptable behavior by organizations in both their strategy formulation and day-to-day operations. An ethical approach is becoming necessary both for corporate success and a positive corporate image. Especially nowadays ethics in business are obligated because many businessmen are only interested in making money despite the ethical costs or the harm they would probably cause to people or even to nature (environmental pollution). Corporate social responsibility defines all the cases of ethics that businessmen can follow effectively. Many organizations are choosing to make a public commitment to ethical business by formulating codes of conduct and operating principles. In doing so, they must translate into action the concepts of personal and corporate accountability, corporate giving and corporate governance.*

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### Business Ethics

The term business ethic is used in a lot of different ways. Business ethics is a form of applied ethics (Broni, 2010) that examines ethical principles and moral or ethical problems that arise in a business environment. (Solomon, 1991). It provides a framework on which the organization could be legally governed. With time, certain moral philosophies have helped in the evolution of ethics. The paper examines basic principles of business ethics and sheds light on them.

Business ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse (Solomon, 1983). They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer (Solomon, 1991).

Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics. A business may be a multi-million seller, but does it use good business ethics and do people care (French, 1979)? There are popular soft drinks, fast food restaurants, and petroleum agencies that have been

finned time and time again for unethical behavior (Harwood, 1996). Business ethics should eliminate exploitation, from the sweat shop children who are making sneakers to the coffee serving staffs that are being ripped off in wages.

There are many companies that pride themselves in their correct business ethics but in this competitive world, they are becoming very few. In the increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions (known as ethicism) is increasing simultaneously; pressure is applied on industry to improve business ethics through new public initiatives and laws. Businesses can often attain short-term gains by acting in an unethical fashion; however, such behaviors tend to undermine the economy over time.

Business ethics can be both a normative and a descriptive discipline (Abrams, 1954). As a corporate practice and a career specialization, the field is primarily normative. In academia descriptive approaches are also taken. The range and quantity of business ethical issues reflects the degree to which business is perceived to



be at odds with non-economic social values. For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings (e.g. ethics codes, social responsibility charters

Business ethics emerged into a university paper only after 1982-1983. De George writes, "by the mid-1980s there were at least 500 courses in business ethics taught across the country to 40,000 students. Not only were there at least twenty textbooks in the area and at least ten casebooks, but there were also societies, centers and journals of business ethics". The Society for Business Ethics was started in 1980. The discipline of business ethics got established as a discipline in late 1980s and early 1990s.

As a discrete, self-conscious academic discipline, business ethics is roughly four decades old. Raymond Baumhart's (1961, 1963, and 1968) groundbreaking studies in the 1960s are generally understood to be early contributions to business ethics. Richard DeGeorge (2005) dates academic business ethics to the 1970s, identifying Baumhart as a forerunner to a self-conscious academic business ethics.

#### General Business Ethics

This part of business ethics overlaps with the philosophy of business, one of the aims of which is to determine the fundamental purposes of a company (De George, 1987). If the company's main purpose is to maximize the returns to its shareholders (Heath, 2006), then it should be seen as unethical for a company to consider the interests and rights of anyone else. Corporate social responsibility or CSR (works as an umbrella term under which the ethical rights and duties existing between companies and society is debated.

#### Ethics of finance

Fundamentally finance is a social science discipline. The discipline shares its border with behavioral science, sociology, economics, accounting and management. Finance being a discipline concerned

technical issues such as the optimal mix of debt and equity financing, dividend policy, and the evaluation of alternative investment projects, and more recently the valuation of options, futures, swaps, and other derivative securities, portfolio diversification etc., often it is mistaken to be a discipline free from ethical burdens.

#### Ethics of Human Resource Management

The ethics of human resource management (HRM) covers those ethical issues arising around the employer-employee relationship, such as the rights and duties owed between employer and employee and other discrimination issues.

#### Ethics of Production

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm.

#### Ethics of Intellectual Property, knowledge and skills

Knowledge and skills are valuable but not easily "own able" as objects. Nor is it obvious that has the greater rights to an idea: the company who trained the employee or the employee themselves?

#### Ethics and Technology

The computer and the World Wide Web (WWW) are two of the most significant inventions of the twentieth century. There are many ethical issues that arise from this technology.

#### International Business Ethics

While business ethics emerged as a field in the 1970s, international business ethics did not emerge until the late 1990s, looking back on the international developments of that decade. Cultural relativity of ethical values receives more emphasis in this field.

#### Ethics of Economic Systems

This vaguely defined area, perhaps not part of but only related to business ethics, is where business ethicists venture into the fields of political economy and political philosophy, focusing on the rights and wrongs of various systems for the distribution of economic benefits.

#### Law and business ethics



Very often it is held that business is not bound by any ethics other than abiding by the law.

## 2 Corporate Social Responsibilities

General remarks on Corporate Social Responsibility

One of an organization's primary goals is its obligation to operate in a socially responsible manner (Carroll, 1979). Corporate social responsibility has been a topic of academic study for several decades. Corporate social responsibility (CSR) can be defined as the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1996). The concept of corporate social responsibility means that organizations have moral, ethical, in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners, or stockholders (Decker, 2004). However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community (local self-government), state government, environmental groups, and other special interest groups. Collectively, the various groups affected by the actions of an organization are called "stakeholders."

Corporate social responsibility is related to, but not identical with, business ethics.

The economic responsibilities refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price. Organizations are expected to be efficient, profitable, and to keep shareholder interests in mind. The legal responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including

consumer and product laws, environmental laws, and employment laws.

The ethical responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way. This means that organizations are expected to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law.

## Conclusion

Finally, the discretionary responsibilities of corporations refer to society's expectation that organizations be good citizens. This may involve such things as philanthropic support of programs benefiting a community or the nation. It may also involve donating employee expertise and time to worthy causes. Corporate policy should state clearly, illegal actions in any form will not be condoned or tolerated by the company.

Much of the battle that goes between government, business, and society is a result of the conflict between their different views on economic and social responsibility goals.

Today, business cannot operate without contact and interaction with the government and its myriad of rules and regulations. The managers of the corporation who must take responsibility to fulfill their duties to their stockholders and to the at large by extending themselves further by making more personal contact among employees, business management, the academic community, and political groups. This in turn will permit corporate leaders to become influential in political affairs to an extent never before realized.

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