

# Relevance of Ethics with Corporate Social Responsibility in Global Business Environment

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**Abstract**—*In the era of globalised business environment, business ethics have become a critical issue that has attracted business and management research scholars to engage on crucial debates and discussion at both domestic as well as international forum. According to International Ethical Business Registry, “There has been a dramatic increase in the ethical expectation of businesses and professionals over the past 10 years. Increasingly, customers, clients and employees are deliberately seeking out those who define the basic ground, rules of their operations on a day today.” This is because of globalization; it has brought about business uncertainties, changing demographics, and a push for diversity that has resulted into corporate business cultures that are less homogeneous and increasingly competitive.*

*This paper therefore finds its relevance in the day-to-day violations of business ethics in the globalised business environment and contends that business organizations must take responsibility of these violations or omit at their own risk. The malpractices that we continue to see in business world are centered upon the self-pitying, introspective and myopic perspectives of the business organizations that are not able to transform their thoughts to consider all possible perceptions and ramifications of their actions. Despite the diverse ideals of philosophies geared towards finding solutions to ethical dilemmas at global level, we contend that they are much far away from the solution. The barrier of global business ethics is the fact that, unlike established laws whose violation is directly punishable in a court of law, business ethics is self-regulatory. What remains difficult is to determine exactly what is ethical or not ethical. As the process of globalization has increased its pace and depth, the problem and need for international business ethics has only intensified. With falling communication and transaction costs that are encouraged by telecommunication and computer technology advances, the global market has recently become a truly global marketplace.*

**Keywords:** *Ethical Dilemmas, Globalization, Self-pitying, introspective.*

## 1. INTRODUCTION

According to, N. Craig Smith, INSEAD Chaired Professor of Ethics and Social Responsibility, Academic Director of the

CSR & Ethics Research Group, “Today, we live in a smaller, more interconnected world where businesses are constantly exposed to scrutiny. This ‘goldfish bowl’ reality means that companies are increasingly operating with a clear regard to ethics and sensitivity to social and environmental concerns. The best companies go further by not only protecting their reputations but also seizing opportunities to advance the business through close attention to ethics and corporate responsibility.”

Corporate Social Responsibility is not a new idea; that business has societal obligations was evident as early as the nineteenth century. However, CSR has never been more prominent on the corporate agenda than today, and it is essential that business leaders address it. Terminology also varies; some prefer the term corporate citizenship while others use the term sustainability to refer to corporate social and environmental responsibilities. While some companies use these terms to refer to philanthropic activities.

The companies failing to satisfy their stakeholders’ ethical and social requirements are being sanctioned through regulatory actions and marketplace sanctions, including consumer boycotts. Conversely, companies that better address stakeholder expectations often find they benefit in a variety of ways, not least through an enhanced corporate reputation and strengthened brand value. It is often in the economic interest of business to give importance to corporate responsibility and ethics. Good ethics is good business, and companies that do the right thing often do better as a result.

## 2. BUSINESS ETHICS

As we know that Ethics are the rules that help us tell the difference between right and wrong and encourage us to do the right thing. They can help people decide on the best course of action in situations where they aren’t sure what to do. Ethics are important for getting along with others, living with yourself, and having a good character. Ethical behavior is

based on values such as trustworthiness, respect, responsibility, caring, justice, and good citizenship, and on adherence to moral rules. Our values tell us what we think is important and this, in turn, helps us make decisions about right and wrong. For example, a person who values trustworthiness is unlikely to betray a friend. Morals are the rules we use to decide what's good and what's bad. For example, one moral rule might be that stealing is bad because it harms the person you steal from. As a society, we tend to judge people more on their morals than their values. In fact, some of the most difficult decisions to make are the ones in which our personal values conflict with our moral rules. When we make decisions that run counter to our values and morals, and do things that our individual beliefs and social standards define as being bad or wrong, we are demonstrating unethical behavior.

**A) What Role Should Ethics Play in Business?**

Ethics are based on both individual beliefs and standards in society. They vary from person to person, situation to situation, and culture to culture. Society's ethics are usually minimum standards for decency and respect of others. Individual ethics are personal beliefs about what is good and bad. Business ethics are tied to both society's ethics and the ethics of the individuals who work for, and buy products from, the company.

For example, suppose you work for a company that makes cyanide gas. You know this gas can be harmful to people. Is it unethical that you make this gas? After all, you aren't using it to poison people. Should you do it because it will help the company make a profit? Should you be concerned that workers might be exposed to toxic effects from working with the gas? In this situation, you must decide whether this work is unethical and whether you are willing to expose yourself to trouble with your boss by opposing it. How do you apply your personal beliefs in a business environment? Shouldn't you just do exactly what you are told to do? After all, the employer is paying you. Shouldn't the employer get to decide what you do? Would guidelines be helpful for making these decisions?

**Business Facts:** The City of Toronto adopted a corporate fraud policy in 2001. This policy prohibits any business operating in the city from bribing or otherwise influencing City employees. The policy also includes laws to protect whistle-blowers from losing their jobs or being punished by their employers. There is also a hotline for employees to report violations so that their employers don't know who blew the whistle.

**Unethical Behavior among Businesses**

- Dumping pollutants into the water supply rather than cleaning up the pollution properly.
- Releasing toxins into the air in levels above what is permitted by the Environmental Protection Agency.

- Coercing an injured worker not to report a work injury to workers' compensation by threatening him with the loss of a job or benefits.
- Refusing to give an employee a final paycheck for hours worked after the employee leaves the company.
- Not paying an employee for all of the hours worked.
- Incorrectly classifying an employee as an independent contractor and not as an employee in order to reduce payroll taxes and avoid purchasing unemployment and workers' compensation insurance.
- Refusing to honor a warranty claim on a defective product.

Now, question arises that:

**“What Happens When People Don't Behave Ethically?”**

Table-1 shows some examples of situations in which people don't behave in an ethical way, and others are harmed as a result.

**Table 1**

Unethical Behavior in Business	
Unethical Behaviour	Consequence
Fraud: A method used to deceive someone for personal gain	<ul style="list-style-type: none"> <li>▪ harm to the person who is deceived</li> <li>▪ loss of job and/or jail time</li> </ul>
Forgery: A form of fraud that could involve passing bad cheques by forging someone else's name	<ul style="list-style-type: none"> <li>▪ harm to the people whose signatures are forged or who accept bad cheques</li> <li>▪ loss of job and/or jail time</li> </ul>
Theft: Stealing someone's property	<ul style="list-style-type: none"> <li>▪ harm to the victim</li> <li>▪ loss of job and/or jail time</li> </ul>
Employer Theft: Could involve taking advantage of employees by not paying for overtime worked	<ul style="list-style-type: none"> <li>▪ harm to the employees that could result in people quitting</li> <li>▪ loss of job and/or jail time</li> </ul>
Misuse of Funds: Moving monies from one account to another without permission or direction	<ul style="list-style-type: none"> <li>▪ harm to the person or company whose funds are misused</li> <li>▪ loss of job and/or jail time</li> </ul>
Discrimination: Not hiring a person because of an issue not related to the person's ability to do the job (e.g., race, religion, gender, or disability)	<ul style="list-style-type: none"> <li>▪ harm to company because new employees aren't always the best people for the job</li> <li>▪ loss of job</li> </ul>
Environmental Violations: A company ignoring laws and regulations that involve toxic waste	<ul style="list-style-type: none"> <li>▪ harm to the environment and possibly to people and animals</li> <li>▪ fine and/or decrease in market val</li> </ul>
Tampering with Records: A form of fraud where records are altered in some way to deceive other persons	<ul style="list-style-type: none"> <li>▪ harm to the people who are being deceived</li> <li>▪ loss of job and/or fine and/or jail time</li> </ul>

### 3. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Businesses exhibit corporate social responsibility (CSR) through their values, their ethics, and the contributions that they make to their communities. In other words, CSR has to do with “What you do, how you do it, and when and what you say.” A socially responsible business provides goods and services in line with society’s values. Socially responsible businesses are concerned about how they protect customers and treat employees and shareholders. For example, a business may discover that it can make a higher profit by closing a plant in one town and opening a new plant one hundred miles away. What should the people who run the business consider as they decide whether or not to open the new plant? What obligations do they have to their employees, to their shareholders, or to the community where their old plant is located? Will the new plant result in harm or benefit to people in the community where it is going to be built? According to a Globe Scan study, 56% of shareholders believe that socially responsible companies are more profitable and 18% say they have bought or sold shares because of the company’s social or environmental performance.

#### A) CSR Principles

In words of World Business Council For Sustainable Development “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 community and society at large”.

Keeping in mind the same CSR companies believe that it is important for businesses to be socially responsible to their employees, their customers, and their communities. These are the companies that actively support community projects, that provide money for children’s education, sports teams, or that develop innovative programs to keep their employees happy and healthy. Businesses that practice CSR make every effort to support their beliefs by adhering to the following CSR principles:

1. Providing a safe and healthy work environment
2. Adopting fair labor policies
3. Protecting the environment
4. Fair operating practices
5. Avoiding price discrimination
6. Donating to charity

In simple terms, CSR is about corporate citizenship & business sustainability. It is about giving back to the society which firm earns from the society resources.



Figure 1 CSR Principles

### 4. RELATION BETWEEN CSR AND ETHICS

How businesses respond to environmental concerns tells us about their ethics, that is, how they feel about doing what is right. Many businesses have contributed to environmental problems but, at the same time, many have committed resources to pursue solutions.

For example, in May of 2005 General Electric announced the beginning of an environmentally friendly initiative. Part of this initiative is dedicated to focus on clean technologies, and the company will commit US\$1.5 million per year. How important are environmental concerns to business?

Businesses have been described from time to time as appearing to resemble a three-legged stool. Each leg of the stool stands for a different goal of that business and these “legs,” or goals, are financial, environmental, and social. However, the problem with this image is that the amount of corporate resources spent on environmental and social goals is never equal to what is spent trying to generate profits (financial goals). This imbalance, in large part, is due to the obligation of managers to please owners and shareholders. The pursuit of profitability can put pressure on businesses to cut costs, for example, by moving production to locations where environmental regulations are less restrictive.

Ironically, the same person who cheats in their financial dealings or steals office supplies wants the corporations that they invest in to be straightforward, honest, and truthful in their dealings with them. But ethics have to apply at all levels of business, from the lowest-paid employee to the president and shareholders. Why should businesses practice and

business ethics engaged in corporate social responsibility? Here is a top-10 list of reasons why they may choose to do so.

#### Reasons for Business Ethics in CSR

1. Satisfy shareholder expectations
2. Protect the reputation of the business
3. Build trust with those groups with which they work
4. Guard against unethical employees and competitors
5. Establish a working environment that matches their core values
6. Ensure that the business is an equal opportunity employer
7. Maintain a safe working environment for employees
8. Engage actively with local communities as a partner
9. Maintain high standards of integrity
10. Adhere to the practice of full disclosure on the quality of goods and services

**Figure 2: Reasons for Business Ethics in CSR**

## 5. CONCLUSION

It is important to note that business ethics and CSR go hand in hand. In order to understand CSR, we must also understand ethics. Also, a socially responsible firm should also be an ethical firm and an ethical firm should also be a socially responsible firm.

However, one might wonder as to why business ethics and CSR receive so much importance. Researchers are making it increasingly clear that the two concepts are essential for long term sustainability of an organization. In today's highly competitive business environment, business ethics and CSR are no more an option but a necessary practice activity for all organizations. Therefore, business ethics and CSR continue to be important to organizations and strong ethical value shall take a organization a long way forward.

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