

# PRI-AIN806

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## **BUSINESS LAW AND ETHICS**

### **Executive Summary**

CSR is an essential aspect that helps businesses to grow and develop in competitive business market. CSR plays a critical role in improving companies overall productivity and performance influenced by effective stakeholder's engagement. This study has highlighted concept of CSR stating that CSR effectiveness or impact on businesses need to ensure that initiatives in different theatres form a platform that is unified. Critical evaluation of the development approach in the relevant organisational system is discussed.

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## 1. Introduction

In the essay, the rules regarding the formation of a contract are going to be discussed with a brief evaluation of the rules. The main business structures in UK are going to be discussed as they will be needed at the time of advising clients on the business structures to choose. Concepts of CSR are to be evaluated in this report explaining all the concepts and importance of it. Explanation of the CSR being taken seriously as it is one of the main factors. When talking about the importance the failure of CSR is also explained in this report. At last, the development approach in the relevant organisational systems is discussed briefly in the report.

## 2. Assignment 1: Individual essay

### 2.1 Rules regarding the Formation of a Contract

**Offer.** Offer is the first and initial step towards building a contract as there will be no contract without the offering of one party and acceptance by the other party. As mentioned by Utz *et al.* (2019), the offer should be very clear and transparent so that the accepting party can have a clear understanding. Offer is a statement which binds the two parties to make an agreement of signing the contracts. In order to bind the contract the offeree needs to accept the offer as it will not be applicable when the offer is not accepted.

**Acceptance:** After the acceptance both parties cannot change the contract that has been bound. The terms of the contract cannot be changed after the acceptance of it. As per views of Maestre-Andrés *et al.* (2019), there are two types of acceptance, the first one is implied and the second one is expressed. When the offeree takes an action that states the acceptance of the contract is an implied acceptance. On the other hand, when a statement of affirmation is given by the offeree to accept the terms and conditions of the contract is known as express acceptance. Both words and actions are being used in accepting the contract however actions are more useful. Once the offer is revised the original offer gets cancelled for example, if a person offers to sell his bike for £100 but the other person counteroffers £ 50 then the original offer is no longer valid.

**Consideration:** Consideration is the promise by both parties to give their form of contribution to the contract. As mentioned by Wilkinson *et al.* (2020), it can include money, property, goods and services in the consideration. As an example, when an employer recruits an

employee the employer promises to give money as a salary at the end of the month. The employee accepts the offer and takes it into consideration. It is not always financial investments but non-financial investments can also take place. In some of the cases, the courts do not take this as an important matter because of its adequacy.

***Intent of creation of legal relations:*** In order to legally bind the contract for both parties, they need to show the intent of creating legal relations. As suggested by Tien *et al.* (2019), intention of legal relations should be created in order to know the seriousness of both parties in the contract that comes with merits and demerits of its own. In order to bind the contract both parties must accept each and every term mentioned in the contract. As mentioned by López-Pintado *et al.* (2022) in case one party does not accept a term then the contract cannot be bound. Written contracts have more weightage than verbal contracts as they can be accepted in the courts as well.

***Capacity and authority:*** The contract judges assess the capability of the parties so that there is no issue afterwards. As opined by Fatmawatie and Endri, (2022), a few points like the legal age of both the parties, mental capability of them and strengths or weaknesses are assessed before binding the contract. Legal documents are essential at the time of binding the contract. A contract is valid only when these documents or factors are in the right place. In case one party does not have the required criteria or documents then the contract will be not valid.

***Certainty:*** In order to make a contract, it should include a few certain terms that state the specific things in a contract. As per the views of Roelofs, (2019), contracts should have terms stated very clearly and with transparency so that a person should understand them while reading them. In case the terms are not stated clearly they will not be accepted by the court. The contract judge will not pass the contract if the details and terms are not clear. When the idea of a contract is brought into mind the terms and conditions follow as well. In case the parties are not clear about the contract details then also it will be stated as void.

## **2.2 Rules appear to favour the ‘freedom to contract’ approach or not**

Rules in the formation of a contract stated above have 6 rules that should be applied while binding a contract. As mentioned by Gobbi *et al.* (2021), the contract will not be able to be bound in case there are not these rules involved. The Offer, acceptance, consideration or bargain, intent of creating legal relations, capacity and authority and certainty are the rules

that need to be followed at the time of binding a contract. Rules are to make a contract valid and to make sense when bound.

The Offer rule says that no contract can be bound without making an offer it is the initial stage of the formation of the contract. This rule supports the freedom to contract as it gives the parties all the authority to make the contract according to their need and requirements. Similar to the offer, acceptance is also in favour of the freedom to contract as says that when the offeree accepts the offer then the offer is valid. Without getting the acceptance by the offeree it is not possible to move forward with the contract. As it can be stated that the contract can be accepted verbally or written. As opined by Davies, (2019), consideration is not in full favour of the freedom to contract as it may be not applicable in the courts in case the consideration or bargain is done verbally. The intent of creating legal actions is not in favour of the freedom to contract as it involves the legal authorities where both parties need to get to follow rules and regulations. The contract judge has the power to make the contract null and void if the terms are not clear in the contract. Thus the capacity and authority rule does not favour the freedom to contract. As opined by Halonen, (2019), in the certainty rule, it is stated that clear and transparent terms are important in the contract otherwise the court will not pass the contract. The certainty rule also does not support or favour the freedom to contract as well.

### **2.3 Main business structures in the UK**

**Sole trader:** A sole trader is a person who owns 100% of the company and faces all the debts or enjoys all the profits on their own. As mentioned by Donovan and Park, (2022), being a sole trader means all the debts will be cleared from their own pocket. One of the significant merits of being a sole trader is that after tax all the profit is theirs. As per the views of Casson, (2022), a sole trader is the only decision-maker and runs the business on their own having full control. Some limitations of sole traders have to face all the losses by themselves. Sometimes it gets difficult to fund the business alone.

**Partnership:** A business which is formed by two or more people having all the responsibility of the business is called a partnership. As mentioned by Valenta *et al.* (2020), one of the emirates of having a partnership is when more partners are involved in the business it gets easy to fund the business in the long run. It gets easier to make business decisions because of different types of opinions. One of the demerits of partnership is disagreements in the

decision-making also come with the number of people involved in the business. Every partner has to pay their own tax as per laws of taxation.

**Limited liability partnership:** It is a partnership where two or more are partners who are not responsible for paying the debts of the business. Their liability is restricted to a certain amount according to investment in the business. A few of the merits of LLP is the debts of a company is not one partner including the business responsibility and finance problems. There is no limit to the number of partners in the company. As suggested by Cohen *et al.* (2020), a few challenges in LLP are Partners sometimes do not consult the other partners while making business decisions and this can arise issues. Some potential business customers see LLP as a non-credibility partnership type.

**Limited liability Company:** A limited liability company is established in order to run a business. Public limited companies and Private limited companies are two types of LLCs. Some of the merits of LLC are at the time of registration of the business it is registered on the name of the business address. The company can offer shares to their employees. Some of the demerits of LLC are keeping data records and accounting can be more difficult as accurate data is required to function a LLC. Information about the company, stakeholders and directors is available on the Internet or in public.

### **3. Assignment 2: Individual Report**

#### **3.1 Concept of CSR**

CSR is structured business models by which organisations make a concentrated effort for operating in ways that enhance either degrade society and environment. According to Le (2022), CSR supports companies to improve numerous aspects of society along with promoting positive brand image. The truth of CSR is that most of these programs are not strategic which is suitable for businesses. Consequently, as mentioned in Harvard business report, despite widely adopted ideal of shared value, CSR suggests that its norms are often not led by strategic decisions (Kasturi *et al.* 2015). Major part of enterprises practises a CSR version that is multifaceted and spans theatres ranging from environmental sustainability to pure philanthropy for explicit strategic development.



Global firms need to examine their existing programs in every theatre, eliminating or minimising those that are not addressing an essential environmental or social problem in keeping with firm's value. Businesses maximise CSR effectiveness or impact businesses need to ensure that initiatives in different theatres form a platform that is unified (Kasturi *et al.* 2015). Similarly, program goals vary with differences in theatres aligned with success definition. However, this does not mean that all essential initiatives in CSR address similar issues rather it means they are collaboratively forming and reinforcing a whole cogent. As mentioned by Kasturi *et al.* (2015), range of CSR purposes underline initiatives in various theatres and variation in ways those activities are managed, posing a critical barrier for companies. Henceforth, strategy development might be top-down or bottom-up aligned with ongoing communication is core essential. As argued by Chen *et al.* (2021), CSR and corporate image plays a significant role in eliminating market reputation issues of brands. Therefore, evaluating that application of CSR by firms is necessary for improving performance quality and brand image of global companies.

### **3.2 Importance of CSR for businesses**

CSR plays a critical role in a firm's brand perception, employees, talent retention, customer attractiveness, overall success of business, and investors. A business is capable of implementing four specific CSR efforts which are ethical practices of labour, environmental initiatives, volunteer projects, and charity work. As mentioned by Apaydin *et al.* (2021), importance of CSR strategically fits economic disruptions and downfall caused by COVID-19 pandemic impact. Additionally, relationship between corporate financial performance and CSR has attracted specific attention in recent years for focusing business development in alignment with social or environmental growth. For instance, community CSR helps improve CFP of hospitality sector, whereas environmental CSR does not (Apaydin *et al.* 2021). On other hand, embracing CSR enhances customer loyalty and retention along with facilitating employee engagement that improves brand image and attracts investment opportunities. For instance, IKEA has constructed its blueprints in top-down format during company's Steve Howard hiring its CSO in 2011 (Kasturi *et al.* 2015). A seven-person employee management group was appointed in IKEA implementing community CSR.

CSR also permits businesses to attract top talent and make differentiation for financials bottom-line. For instance, collaboration between cross-theatre, logistics managers analyse trucking fleets as an operational risk and appealed for a driving safety program that was later

expanded to health education (Kasturi *et al.* 2015). Ethical conflict takes place with an employee's personal collision of belief within firms causing negative consequences like absenteeism, increased turnover, and lack of commitment toward company. In this context CSR ensures establishment of collaborative or team working to achieve common organisational objectives. For instance, in 2015 Volkswagen represented an evident CSR failure (Forbes, 2015). The business willingly set out designs to circumvent emissions control with a strategy at high level with aim of providing firms an unfair advantage over competitors. In a broader view, on environment friendly supporting cars manufacturing, the business was poisoning environment.

### **3.3 Extent to which businesses undertake CSR seriously**

CSR in recent years is taken by various global companies to improve its environmental and social practices leading to enhanced brand reputation and customer attraction. According to a report by ICRS, the professional ethical body for managing and controlling sustainability and CSR in UK is the institute of corporate responsibility and sustainability ICRS (2023). The ethical body supports individuals to develop their career by setting standards of professionalism and qualifying their efforts. As quoted by Kong *et al.* (2020), CSR is essentially used by companies to improve its performance by creating a driving coalition. This helps organisations to improve overall productivity and performance along with deploying a positive image of conducting ethical business as compared to competitors. Global businesses seriously undertake CSR nowadays to improve their international and local market positioning, opening doors for improved financial performance attained through effective stakeholders engagement. As opined by Zhang and Yang (2021), CSR ensures attracting investors to improve business inclusivity and development. Thus, it has been demonstrated that businesses like Volkswagen and IKEA take CSR seriously in peasant times to improve operational effectiveness and business performance.

### **3.4 Failure of CSR**

CSR failures in past few decades have become common due to increasing market competitiveness and changing customer expectations regarding environment and social protection through business operations. In 2015 Volkswagen was embroiled in a massive scandal comprising emission testing of 11 million diesel cars (Forbes, 2015). Practising fair-trade, minimising carbon footprints and improving labour policies are some common

examples of CSR adopted by international companies. The rejection of <sup>1</sup>ethical standards in engineering has led to resignation of not only Volkswagen's CEO, but also head R+D of Audi and engine chief of Porsche (Forbes, 2015). This clearly resembles that CSR department of a company needs to know every minute detail of activities taking place at the workplace. On the contrary, as stated by López-Concepción *et al.* (2022), CSR failure results in disrupted stakeholder's engagement and SDG compliance issues. Moreover, <sup>2</sup>the chain of command leads to development of specific software lines that might put an engine into test mode and return it to dirty mode while being recorded by the firm. Volkswagen documented that the responsible person can be identified and CSR practices throughout Volkswagen might be identified (Forbes, 2015). Hence, it can be evaluated that failure of CSR in enterprise operations leads to overall disruption of company's operational performance and practices.

### **3.5 Critical evaluation of the approach in the relevant organisational system**

The approaches taken for the development of asset management organisations have helped in growing the business more. Financial regulators stated that the environmental, social and governance cannot help them to grow in terms of revenue. The mission of taking low carbon emission, sustainable development and ESG should be funded to make the environment hazard free. The US secretaries had consulted about funding all these ideas but Hester Piece, one of the SEC's commissioners did not support the idea. A total of 273 investors have joined together to make the net zero emission mission a success. Their aim is to cut down the CO2 emission by 50% which can lead to a 1.5 Celsius drop in the industrial zones. Interim targets like these have taken many asset managers to interpret the net zero emission managers to know about the framework that is applied to their business. Industrial zones tend to get very high temperatures because of the high emission of gases and heat. This leads to an unhealthy environment for all living things and pollutes the cities or mankind living nearby. Many people say that these things are impossible to achieve as making the fossil fuels in these companies cannot be converted to net zero emission. Blackrock's estimation of investing a quarter of its assets in corporate says that it has achieved the 50% of net zero emission however it is saying that it can be increased to 75% by 2030. Rival Vanguard says that it cannot merge net zero targets to its trackers because the funds were not decided in order to fund these. It has achieved it by attaching the net zero targets with the index trackers. The set targets by the asset managers will be accomplished in the sense they have the perfect people

with them. The brilliant minds that will be used to achieve the goal will make it fulfilled. It can be seen that asset managers are ambitious and learning to know from the net zero emission managers to achieve their goals which can help them grow as well.

#### **4. Conclusion**

In this study, it can be concluded that rules regarding the formation of a contract are essential in binding a contract. The contract cannot be bound avoiding these rules as without offer, acceptance, and consideration, the intent of creating legal relations, capacity & authority and certainty rules. A discussion has also been executed on the rules favouring freedom to contract or not. Business structures with their advantages and disadvantages are also discussed in this study. The concept of CSR, the importance of CSR and the extent to which CSR is seriously taken are discussed. Failure of CSR is stated in the study to know more about CSR in brief. At last, development approaches in the organisational system are discussed.

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