

Chapter Five: Issues in business ethics and CSR, an overview

- Objective

- Understand the link of social responsibility and economic performance
- Understand the employ right and duties: standards in working conditions and benefits ..
- Examine whistle blowing Vs employ loyalty

CSR in economic performance

- Arguments Against CSR
 - Arguments Pro CSR

CSR in economic performance

- Subsumed under the umbrella term CSR, the assumed duties of business in society have been an increasingly debated topic in academic research, business practice, politics and media.
- Especially within the scientific discussion, **two contradicting** positions can be distinguished:
 - one, there is the argument that resources spent on other than economic goals are an **illegitimate waste of resources**, because they are **contradictory to a firm's responsibility** to its shareholders
 - Others argue that CSR can come along with certain **benefits** that might outweigh its costs, they see CSR engagement as a necessity for business

Economic...

- Given the importance of this question, a significant amount of **research has been conducted** on the empirical link between a firm's social and its financial performance (CFP/CSP-link).
- In spite of its long-lasting tradition, however, this empirical **research has not conclusively proven the aspiration that engagement in CSR** unconditionally results in a win-win situation.
- In contrast, results of empirical studies have been very mixed so far.

- Balbanis,Phillips and Lyal (1998) studied the link between CSR and corporate performance.
- Economic performance included:
- **Financial Measures were** (return on capital employed, return on equity and gross profit to sales ratios);
- **Capital market performance** (systematic risk and excess market valuation).
- The results supported the conclusion that (past, concurrent and subsequent) **economic performance is related to both CSR performance** and disclosure. However, the relationships were weak and lacked an overall consistency.

- For example, past economic performance was found to partly explain **variations in firms' involvement in philanthropic activities**. CSR disclosure was affected (positively) by both a firm's CSR performance and its concurrent financial performance.
- Involvement in **environmental protection** activities was found to be negatively correlated with subsequent **financial performance**.

- Whereas a firm's **policies** regarding **women's** positions seem to be more rewarding in terms of positive capital market responses (performance) in the subsequent period.
- Donations to the Conservative Party were found not to be related to companies' (past, concurrent or subsequent) financial and/or capital performance.

- **Antonio Martos-Pedrero , Francisco Joaquín Cortés-García , and David Jiménez-Castillo (2019) studied on the The Relationship between Social Responsibility and Business Performance: An Analysis of the Agri-Food Sector of Southeast Spain**

- Drawing on stakeholder theory, they conceptualize CSR as a broad and multidimensional construct with seven dimensions: **employees, partners, customers, farmers, environment, community, and competition.**

Business performance were measured through tangible and intangible variables

- **Tangible variables** includes financial performance (FP) and export performance (EXP), and **intangible** variables includes namely image and reputation (IR) and the satisfaction of relevant stakeholders (SS).
- Survey was from a sample of 107 companies

- The results show that CSR has a positive effect on **financial performance**, improves the volume and **performance of exports**, positively affects the corporate **image and reputation**, and increases the level of satisfaction of relevant stakeholders.

- Positive impact of CSR on certain elements of the competitiveness of companies related to their FP, such as improving access to capital markets and reducing capital costs
- The improvement in the **efficiency of processes** ,
- The reduction and improvement of risk management,
- The improvements in **innovation and product development** . Most empirical studies suggest a positive relationship between both variables, i.e., **that higher levels of CSR lead directly to higher levels of FP.**

Legal aspects and ethics issues in employ rights and duties

- EMPLOYEE RIGHTS

- Does drug testing violate an employee's right to privacy?
- Should companies be able to fire employees without cause?
- Is there a right to a safe workplace?
- All of these questions revolve around the notion of employee rights, one of the most important in business ethics.
 - There has been so much regulation and so many assertions of rights, recently, that **some critics -see as an unwarranted proliferation of rights.**
 - Rights are secured either by nature, human laws or societal conventions, including UN declaration of human rights

The Rights of the Employee

Once hired, an employee certainly can claim rights such as:

- The right to a **safe and healthy work** environment
- The right to job security and due process in firing and promoting
- The right to **privacy**
- The right to **compensation** for injury
- The right to participation or voice in matters affecting workers
- The right to equal **treatment without** regard to race or gender

- The right to pension protection
- The rights to collective bargaining such as those established by the National Labor Relations Board
- The right to be free from harassment
- The right to a living wage.
- What do you think are the duties?
- NB- download and read the labor proclamation of Ethiopia

WHISTLE BLOWING AND EMPLOY LOYALTY

- **Dictionary meaning: - informant-** somebody who exposes wrongdoing, especially within an organization
- Norman Bowie defines whistleblowing as “the act by an **employee** of informing the public on the **immoral or illegal behavior of an employer or supervisor.**”
 - Is it right to report the shady or suspect practices of the organization one works for?
 - Is one a stool pigeon or a dedicated citizen?
 - Does a person have an **obligation** to the public that overrides his obligation to his employer or does he simply betray a loyalty and become a traitor if he reports his company?
- There are proponents on both sides of the issue—**those who praise whistle-blowers as civic heroes and those** who condemn them as “finks.”

WHISTLE BLOWING...

- whistleblowing” as an instance of disloyalty.
 - Norman Bowie,
 - Sisela Bok-ethicist
- In whistleblowing can prevent harm then it is **required under certain conditions**
- Simon, Power and Gunnemann set forth four conditions: **need, proximity, capability, and last resort.**

- 1) There must be a clear harm to society the can be avoided by whistleblowing.
 - We **don't blow** the whistle over **everything**.
- (2) It is the “proximity” of the whistleblower that puts him in the position to report his company in the first place.

(3) “Capability” means that he needs to have some **chance of success**.

- No one has an obligation to jeopardize himself to perform futile gestures.
- the whistleblower needs to have access to the press, be believable, etc.

(4) “Last resort” means just that.

- If there are others more capable of reporting, more proximate and they will, then one does not have the responsibility.

Edward Snowden.

- In 2014, World stood still with a shocking revelation from a computer analyst Edward Snowden.
- A computer analyst whistleblower who exposed top-secret NSA documents leading to revelations about US surveillance on phone and internet communications.

- During the time where “free internet”, rights of a “netizen”, “internet security” were hot topic for debates this kind of news and revelations created huge storm to the Government and trust worthiness of citizens of the country.

- As subject of controversy Snowden is variously called as a “traitor”, “hero”, a whistleblower and even as “patriot”. For some he is a traitor who worked for Dell broke the country’s security code to retrieve classified information. For some he is a hero who is courage's enough to pull those ‘black loops’ of the government and Nations Security Intelligence.

Dilemma?

- Is Edward Snowden who exposed the classified information to public media against the government authorities and law a “traitor”?
2. Is Edward Snowden who revealed a corporate crime that remind the public about the so called “internet security” By this Act do he resembles a “patriot” who stood for public interest?