

Admas University
School of Postgraduate Program

**Business Ethics and Corporate Social
Responsibility**

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Course Objectives

After completing this course students will be able to:

A) explain the relationship between **social values, morals, normative systems** and 'ethics' in business decisions;

B) Analyze the stages of **moral development and moral character** in the motives that underpin business activities;

C) State the difference between the major **ethical approaches and theories** in ethics and analyze the domains of their application;

D) Explain the economic expectations, legal duties and ethical responsibilities of a business firm and evaluate the relationship between these domains of corporate responsibility under given fact situations;

- E) **Apply ethical standards** in employment relations and the **work setting**;
- F) Explain the normative and ethical practices in the area of **operations/production, pricing, promotion, marketing, fair competition and consumer protection**;
- G) Discuss the bottom-line objectives of **corporate social responsibility: profit, people and the natural environment**;
- H) Discuss ethical standards, guidelines and codes of practice in international business.;
- I) Explain the **manifestations** and the potential means of combating corruption.

Chapter One

Definition and introductory concepts: Ethics, the 'good life' and the 'self'

Objective of the chapter

- Be able to interpret the meaning of CSR
- Be able to analyze the meaning of business ethics
- Define what life is; what ethics/moral is?

Brainstorming questions

- What do you think is ethics?
- What does life mean for you?
- What do you expect corporate social responsibility is?

What is ethics

- Most writers do not make a clear distinction between ethics and morality.
- The question of what is “right” or
 - “morally correct” or “ethically correct” or “morally desirable” in any situation
 - But all words and phrases are after the same thing: what act is “better” in a moral or ethical sense than some other act?
- Some see **morality** as something **personal** but view **ethics** as having wider **social** implications.
- Others see morality as the subject of a field of study, that field being ethics.

Continued

- Ethics would be morality as **applied to any number of subjects**, including journalistic ethics, business ethics, or the ethics of professionals such as doctors, attorneys, and accountants.
- **Morality** = A society's rules of conduct that people ought / ought not to do in various situations
- **Ethics** = Rational examination of morality
- Others use *ethics and morality as equivalent terms*.

Continued

- There are clearly differences in the kind of moral responsibility that we can fairly ascribe to corporations and nations.
- In talking about morality, we often use the **word *good***; *but that word can be* confusing.
 - If we say that Microsoft is a “good company,” we may be making a statement about the investment potential of Microsoft stock.
 - we may also be making a statement about **the civic virtue** and **corporate social responsibility** of Microsoft.
 - In the first set of judgments, we use the word *good* *but mean something other than* ethical or moral;
 - only in the second instance are we using the word *good* *in its* ethical or moral sense.

Continued

- A word such as *good* can embrace ethical or moral values but also non ethical values.
- If I like Daniel and try to convince you what a “good guy” he is, you may ask all sorts of questions: Is he good-looking? Well-off? Fun to be with? Humorous? Athletic? Smart? I could answer all of those questions with a yes, yet you would still not know any of his moral qualities.
- But if I said that he was honest, caring, forthright, and diligent, volunteered in local soup kitchens, or tithed to the church, many people would see Daniel as having certain ethical or moral qualities.
- We can conclude that ethics is the study of morality—“right” and “wrong”—in the context of everyday life, organizational behaviors, and even how society operates and is governed.

Difference between Morality and Ethics

Ethics	Morality
<p>1.Ethics is the study of framework such as standards, conduct or behavior, principles, rules or codes and traits for ensuring traits for ensuring right action .</p> <p>2. Ethics is the philosophical study of morality</p> <p>3. Ethics encompasses morality</p> <p>4. Ethics attempts to bring rationalization to morality</p> <p>5. Ethics tries to systemize morality</p> <p>6. Ethics legitimizes morality</p> <p>7. Ethics is covert as well as overt</p>	<p>Morality is right action, conduct or behavior.</p> <p>Morality is the subject matter of ethics</p> <p>Morality is the sub-field of ethics</p> <p>Morality gets rationalization through ethics</p> <p>Morality becomes systematic through ethics</p> <p>Morality gets legitimized through ethics</p> <p>Morality is overt</p>

What does it mean business and society?

- Business- the collection of private, commercially oriented (profit-oriented) organizations, **ranging** in size from one-person proprietorships (such as Gibson's Men's Wear) to corporate giants (such as Coca-Cola, Dell Inc.).
- Society may be defined as a community, a nation, or a broad grouping of people **having common** traditions, values, institutions, and collective activities and interests.
- when we speak of business and society **r/shp**, we may in fact be referring to **business and the local community**, business and the country as a whole, or global community, or business and a specific group of people (consumers, investors, minorities).
- Think of society as being composed of **numerous interest groups**, more or less formalized organizations, and a variety of institutions.

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- “Business ethics is rules, standards, codes, or principles which provide **guidelines for morally** right behavior and truthfulness in specific situations.” (Lewis)
- “Business ethics is the study of business situation, activities, and decisions where issues of right and wrong are addressed.” (Crane and Matten)
- “Business ethics refers to clear standards and norms that help employees to distinguish right from wrong behavior at work.” (The Ethics Resource Centre)

Continued

- “Business ethics is a study of moral standards and how these apply to the systems and organizations through which modern societies produce and distribute goods and services, and to the people who work within these organizations. Business ethics, in other words, is a form of applied ethics. It includes not only the analysis of moral norms and moral values, but also attempts to apply the conclusions of this analysis to that assortment of institutions, technologies, transactions, activities, and pursuits that we call business.” (Manuel Velasquez)

Continued

- It is concerned with good and bad or right and wrong behavior and practices within a business context.
- Concepts of right and wrong are increasingly being interpreted to include the more difficult and subtle questions of fairness, justice, and equity.
- Normative and descriptive ethics are two key branches of moral philosophy or ethics.
- Normative business ethics, therefore, seeks to propose some principle or principles for distinguishing ethical from unethical in the business context.
- It deals more with "what ought to be" or "what ought not to be" in terms of business practices.

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- *Descriptive ethics, by contrast, is concerned with describing, and studying the morality of a people, a culture, or a society.*
- *Descriptive* -also **compares** and contrasts different moral codes, systems, practices, beliefs, and values .
- We need to be ever mindful of this distinction between normative and descriptive perspectives.
 - It is tempting to observe the prevalence of a particular practice in business (for example, **deceptive advertising** or discrimination) and conclude that because **so many are doing it** (**descriptive** ethics), it must be acceptable behavior.
 - **Normative** ethics would insist that a practice be justified on the basis of **some ethical principle**, argument, or rationale before being considered acceptable.
 - Normative ethics demands a **more** meaningful moral anchor.

Operational Levels of Business Ethics

- **Individual Level**

- We all **experience** ethical challenges **at the individual** or personal level.
- These include situations we face in our personal lives that are generally outside the work context.

- **Examples**

- Should I tell the cashier that he gave me change for a \$50 bill when I gave him a \$10 bill?
- Should I notify my bank that it credited someone else's \$100 to my checking account?
- Should I cheat on my income tax return by inflating my charitable contributions?
- Should I return the extra merchandise that a store accidentally sent me?

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- **Organizational Level**

- People also confront **ethical issues** at the **organizational level** in their roles as managers or employees.
- these issues may carry **consequences** for the **company's reputation** and success in the community

- **Examples**

- Should I overlook the wrongdoings of my peers and direct reports in the interest of company harmony?
- Should I make this product safer than required by law, because I know the legal standard is grossly inadequate?

- **Industry Level**

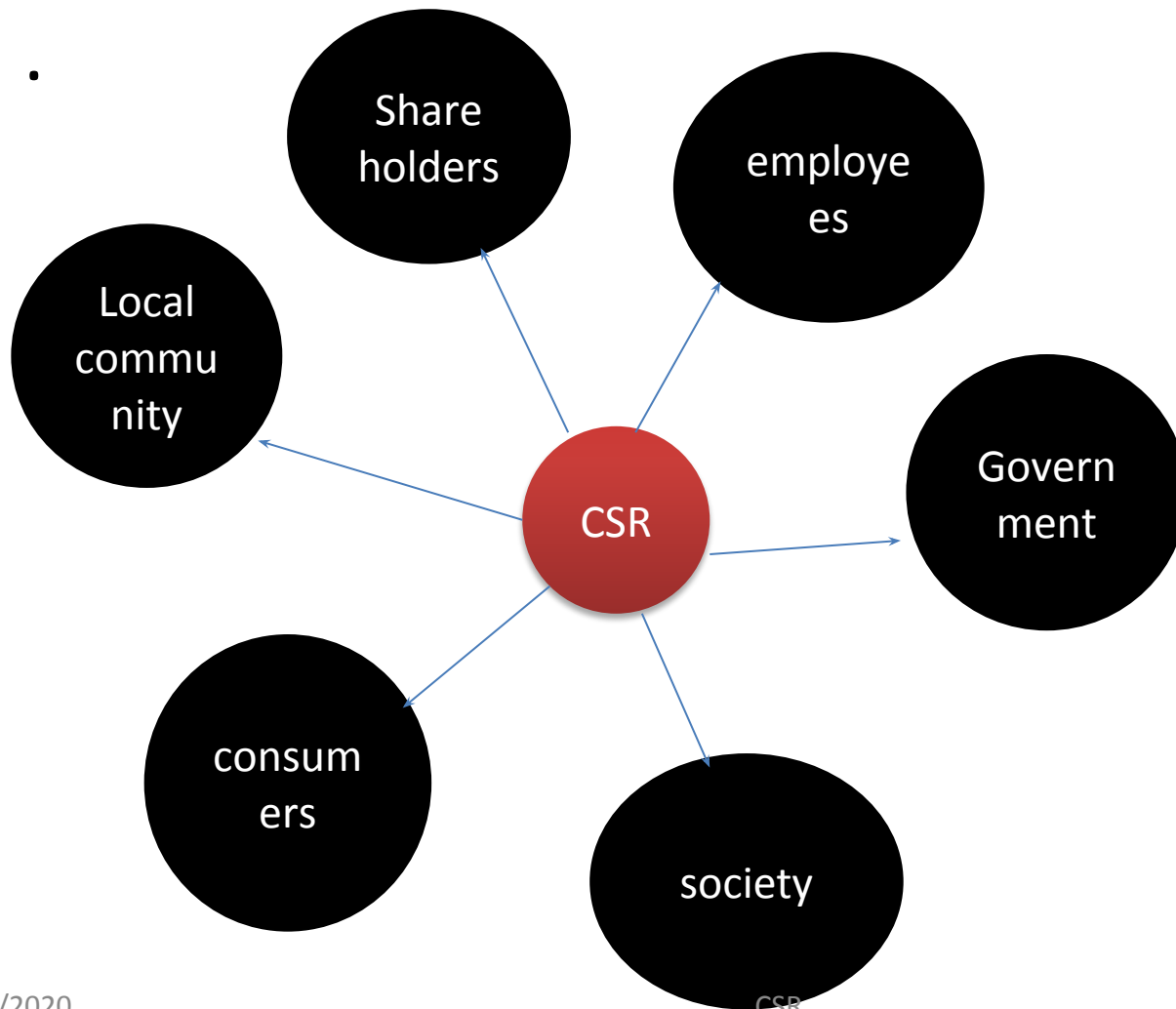
- An **organization or manager also might influence business ethics at the industry level.**
- The industry might be insurance, stock brokerage, manufactured homes, real estate, automobiles, or a host of others.

- **Example**

- Is this standard contract we condominium sellers have adopted really in keeping with the recently strengthened financial disclosure laws?
- Is this practice that we stockbrokers have been using for years with prospective clients really fair and in their best interests?

What is corporate social responsibility (CSR)?

- The r/ship b/n a corporation and the local society in which it resides or operates
- The r/ship b/n a corporation and its stakeholders
- EU commission (2002) defines it as
 - a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis
- CSR simply refers to
 - Strategies of corporations or firms **conduct their business in a way that is ethical and society friendly.**
 - CSR can involve a range of activities such as **working in partnership with local communities**, socially sensitive investment, developing relationships with employees, customers and their families, and involving in activities for **environmental conservation and sustainability.**
- CSR is also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity



Stakeholders Approach to CSR

- **1. Responsibility towards Customers**
 - The firm must always remember that its ultimate success is dependent on its capacity of satisfying its customers.
- **2. Responsibility towards Shareholders**
- The stockholders are the owners of the business who have invested their money in the firms. Hence organizations have a responsibility to the stockholders/shareholders/owners.

Continued

- **3. Responsibility towards Employees**
- The efficiency and success of business heavily depends on the workers managed and handled to get their willing cooperation and to make them carry out their tasks with their maximum ability and interest.
- **4. Responsibility towards Suppliers**
- Responsibility towards the suppliers emanates from the fact that their survival and growth (partly or wholly) is dependent upon your survival-and growth

Continued

- **5. Responsibility towards community**
- Apart from the specific society segments with whom the firm interacts in the course of conducting its business, an organization also has responsibility towards his surroundings and the people living in the vicinity of his factory and office.

Continued

- **6. Responsibility towards the Environment**
- All companies – regardless of size or sector – can have positive and negative impacts on the environment. Negative impacts arise through the direct or indirect consumption of energy and resources, the generation of waste and pollutants and the destruction of natural habitats.
- The institutional environmental policies, organization structure for environmental impact and sustainability management; policy and practices for minimization of the usage of materials resources, reuse and recycling policies and practices and so forth are the performance indicators that can show the institutional performance level with respect to environmental issues.

Life

- In our early search for understanding of ourselves and our world, we were well aware of the **complexes** of meaning and normative requirements in which we live.
- We developed a theory about such phenomena.
- LDC- our value **materialism** has perverted the culture, deranged the modern mind, and set modern Western civilization on a self-destructive course.

- We need a radical humanistic cultural reformation,
- we would generate a humanistic civilization in contrast with our modern materialistic culture that has been generated by our preoccupation with the acquisition of **wealth, power, and possessions**.
- At some point, we find acts and projects meaningful by being an integral part of one's life.
- If **one's life loses its meaning**, all the acts and project that are part of it lose their meaning and one suffers what Leo **Tolstoy** called a **"life arrest"**.

- History- a wonderful lady who had a good life. When her life was disrupted by the sudden death of her husband, she lost all interest in things.
- The primary mission of religion is to affirm and to cultivate a sense of the meaningfulness of life, especially in the face of situations that threaten it, such as death.

- Life is a web of experiences,
 - thoughts, plans,
 - actions, memories, anticipations,
 - social relationships,
 - projects, presuppositions, assumptions,
 - and the like, all tied together and governed by a self-concept that embraces a normative constitution that is grounded in one's nature as a human knower-agent, plus an individually authored life plan.
- The whole complex is grounded in and energized by a particular human body.

What is the good life?

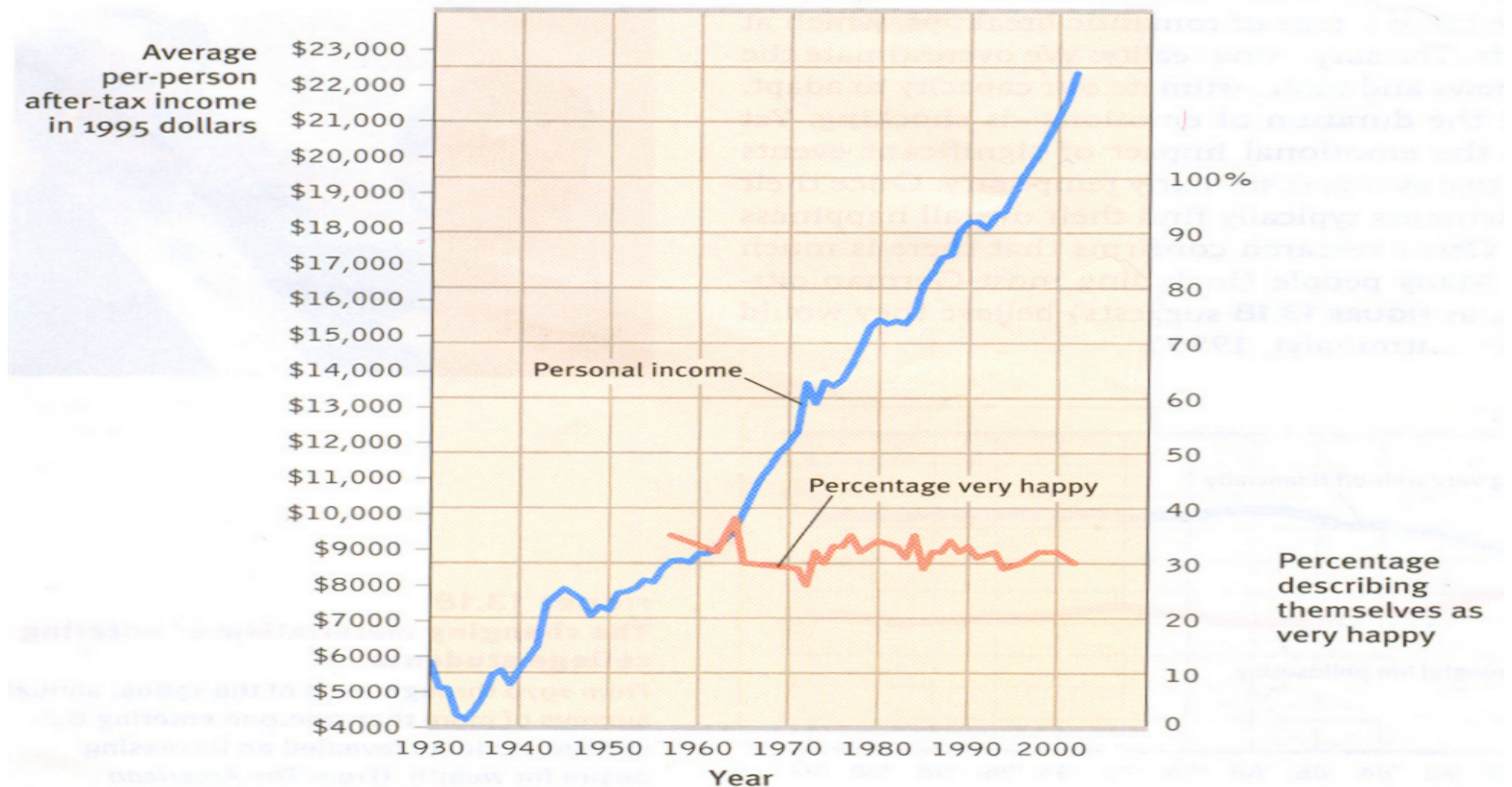
- People have different ideas of what constitutes the good life.
- Different philosophers have different views
 - read more about these philosophers
- The **way we define life** has an implication on our business ethics
 - A person who defines good life in terms of having much money has a higher likelihood of committing unethical business

Good life...

- Possible ingredients of a good life
 - Keeping healthy
 - Enjoying bodily pleasures like food and drink
 - Making money and gathering possessions
 - Being good to yourself
 - Helping others
 - Personal freedom
 - Forming good relationships with others
 - Being part of a community
 - Appreciating beauty and wonder
 - Curiosity, exploration, and discovery
 - Using and developing your talents
 - Contributing to human knowledge about human beings and the world
 - Working to create and build things that will benefit humankind
 - Taking care of the natural world and other living things
 - Following god's will or religious texts.....

Good life...

- Some mention- An increase in personal freedom and gross domestic product (GDP).
- However-Money does not always buy happiness.



The Old Testament Idea of The Good Life

- David (1040 – 970 BC; shepherd, psalmist/poet, 2nd king of ancient Israel)
 - The Good Life (Psalm 23) is a life of
 - basic needs met (food, clothing, shelter)
 - abundance
 - safety, security
 - wisdom
 - peace, rest, quietness
 - beauty
 - moral goodness
 - meaningful work to don – etc.

The Good Life Is a Life of Fulfilled Needs

- Abraham Maslow
- American psychologist, 1908 – 1970
- Studied what motivates people, especially high-achieving, “exemplary” people, like Einstein
- .Maslow's famous hierarchy of needs: The Good Life is a life of (bottom to top)

Self-actualization

Esteem

Love

Safety

Physiological needs (fulfilled)

- One is not motivated to seek a higher level until the lower level is at least partially satisfied.

The Good Life Is a Life of *Eudaimonia*

- Aristotle: The Good Life is a life of *eudaimonia*.
- The highest end and greatest good Aristotle called *eudaimonia* (prosperity, happiness, well-being, vital well-being).

The Good Life might be a life of

1. sufficient food, clothing, and shelter, of adequate quantity and quality to sustain life;
2. wellness (good health), safety from physical, mental, or emotional harm, and security, both physical (overlapping safety) and financial;
3. love and belonging, mutual affection, intimacy, significant participation in fellowship, community;

4. accomplishment, the satisfaction of worthy challenges met, good work well done, struggle, suffering, and pain endured, problems solved, difficulties overcome;

5. rest from work and struggle, peace and tranquility for the exercise of wisdom, self-examination, etc.;

- The Good Life is a life of
6. knowledge obtained from a balance of authority, experience, reason, intuition, and divine revelation;
 7. beauty apprehended, appreciated, internalized, expressed;
 8. virtue: wisdom, courage, temperance/self-control, justice/righteousness, faith, hope, and love;
 9. transcendence, or, engagement with that which is bigger, which goes beyond, which pre-existed and will survive oneself; and

THANK YOU