



# 21 Corporate ethics

## Getting started

Discuss this question in small groups. You can use ideas from the box if you wish.

What responsibilities do you think large companies have to ...

- their shareholders?
- their stakeholders (their customers, employees and suppliers)?
- society in general?

continuity   ethics   loyalty   profit   safety   tax

## Useful language

They have a duty to ...

One of their main/prime responsibilities is to ...

They must not, under any circumstances / on any account ...

An area of particular interest (to shareholders) is / would be ...

## Corporate Social Responsibility (CSR)

### Reading

- 1 Read the article on the opposite page about Corporate Social Responsibility carefully, ignoring the gaps for the moment, and note in just a few words the main idea of each paragraph. When you have finished, compare your notes with a partner.

Paragraph 1: Large companies must be socially

responsible, not just profitable.

- 2 Work in pairs. Looking *only* at your notes, speak together and reconstruct the argument of the article.
- 3 Complete the article by choosing one sentence (A–H) for each gap.
  - A Thus, making money serves a social purpose.
  - B They, at least, are accountable to voters.
  - C The problem is that the profits of private enterprise go exclusively to shareholders.
  - D One solution many companies have adopted is the appointment of so-called 'ethics managers'.
  - E The policy may in fact harm precisely those it is supposedly intended to help.
  - F However, the one thing that all these ideas have in common is that they are based on a faulty analysis of the capitalist system they are intended to cure.
  - G But that does not fully discharge the enlightened company's debt to society.
  - H Companies at every opportunity now express agreement with the principles of corporate social responsibility (CSR).

### Task tip

Paying careful attention to the subject of each paragraph (as you did when you took notes) should help you to choose the right sentence. Also, look at clues within the sentences which link to what comes before and after.



# CSR – worthy cause?

It will no longer do for a company to go quietly about its business, telling no lies and breaking no laws, selling things that people want and making money. That is so out of fashion. Today, all companies, but especially big ones, are expected to worry less about profits and be socially responsible instead. 1 *H...*

The practices that caring, progressive CEOs mention come in all shapes and sizes. Treat your employees well; encourage loyalty among your customers and suppliers; avoid investing in 'unethical' industries, or in countries where workers are paid low wages or denied decent benefits; take care to save energy and recycle used envelopes. 2 *.....*

Simply put, advocates of CSR work from the premise that basic capitalism fails to serve the public interest. 3 *.....* What about the public good? Only if corporations recognise

their obligations to society – to 'stakeholders' other than the owners of the business – will that broader social interest be advanced. Often, governments can force such obligations on companies, through taxes and regulation. 4 *.....* For that, one requires CSR.

The goal of a well-run company may be to make profits for its shareholders, but merely in doing that, the company is doing good works. Its employees willingly work for the company in exchange for wages; the transaction makes them better off. Its customers willingly pay for the company's products; the transaction makes them better off also. All the while, for strictly selfish reasons, well-run companies will strive for friendly long-term relations with employees, suppliers and customers. 5 *.....* The standard of living people in the West enjoy today is due

to little else but the selfish pursuit of profit. This is the very reason capitalism works.

Unfortunately, in the name of socially responsible conduct, some multinational firms have withdrawn from investments in developing countries where labour practices fall short of Western standards. 6 *.....* It deprives people in the poor countries concerned, who would have benefited either from employment at higher wages or from the knock-on economic effects of inward investment.

All things considered, there is much to be said for leaving social and economic policy to governments. 7 *.....* Lately, managers have found it a struggle even to carry out their obligations to shareholders, the people who are paying their wages. If they want to make the world a better place, they should concentrate on that.

From *The Economist*

## Vocabulary 1

Match the words and phrases from the article with their definition.

- |                    |   |
|--------------------|---|
| 1 benefits         | a idea or theory on which a statement or action is based  |
| 2 premise          | b indirect results of other events or situations  |
| 3 discharge a debt | c try very hard to make something happen  |
| 4 stakeholders     | d people such as employees, customers or citizens who are involved with an organisation and therefore have an interest in its success |
| 5 better off       | e richer  |
| 6 strive for       | f things such as medical insurance that employees receive in addition to money  |
| 7 fall short of    | g fail to reach a desired standard  |
| 8 knock-on effects | h pay a debt completely   |

## Talking point

Discuss these questions in small groups.

- Do you agree that ...
  - companies have a debt to society apart from paying taxes and obeying the law?
  - by concentrating on making profits, companies are contributing enough to society?
  - managers should concentrate on making profits rather than CSR?
- What relationship do you think there is between CSR and corporate culture?

## Vocabulary 2

- Study these adverbs and adverbial phrases from the article, which are used to signal how the argument is being developed. Then answer the questions below.

all the while   all things considered  
at least   merely   simply put  
supposedly   thus   unfortunately

Which adverb / adverbial phrase ...

- is used to emphasise that something is good in a bad situation?
- is used to emphasise that you mean exactly what you are saying and nothing more?
- is used to indicate what should happen, but in fact does not?
- means 'at the same time'?
- means 'for this reason'?
- means 'taking everything into account'?
- says 'I'm going to express something complicated in an uncomplicated way'?
- signals that the sentence which follows will express some bad effects of a situation?



**2 Complete these sentences using an adverb/adverbial phrase from the box on page 101. (In some cases, more than one answer is possible.)**

- 1 ..... , capitalism is a system based on the private ownership of property and the pursuit of profit.
- 2 He seemed to be an excellent team worker, but we didn't realise that ..... he was passing our company secrets to a competitor.
- 3 The government's job is to ensure that companies adhere to regulations. .... , there are too many companies which consistently try to evade their legal responsibilities.
- 4 Our financial results look remarkably healthy, ..... I mean, with the economic downturn and rising energy costs, it's surprising we managed to break even.
- 5 The government is ..... working for the benefit of its citizens, and not ..... to keep itself in power!
- 6 ..... our customers are happy, even if our employees complain!
- 7 We sold our factory in Hanover and ..... we were able to reduce our losses.

## Fair trade

### Talking point 1

**Discuss these questions in small groups.**

- 1 What does the logo on the right represent?
- 2 Which of these statements do you think companies should agree with?



We always look for the highest quality at the lowest price from our suppliers.

We like to work with our suppliers to improve the products they sell us.

If a provider's quality slips, we'll give them one chance to improve, then we'll drop them.

Our suppliers' economic situations interest us. Also, how much pay the farmers and workers receive and how they treat them.

Our duty is to our customers – to give them the best deal possible.

- 3 What is 'fair trade' and how does it break with conventional business models?



### Listening

You will hear an interview with Professor Bernard Hill on the subject of fair trade.

**13 1 Listen and take notes on the following.**

- 1 factors driving the growth of the fair-trade movement
- 2 benefits of fair trade for suppliers

**13 2 Listen again and choose the best answer, A, B or C, for these questions.**

- 1 How has the fair-trade movement benefited the Maraba region of Rwanda?
  - A Farmers get better prices from intermediaries.
  - B Farmers can raise money against future harvests.
  - C Farmers can buy equipment for schools.

