ETHICAL DIMENSIONS IN THE CONDUCT OF BUSINESS: BUSINESS ETHICS, CORPORATE SOCIAL RESPONSIBILITY AND THE LAW. THE "ETHICS IN BUSINESS" AS A SENSE OF BUSINESS ETHICS

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Abstract

Business ethics is a system of moral principles applied in the commercial world. It is a whole new scientific area because it combines law theory and politics as much as philosophical and historical documents. Ethics become a term very flexible and have many different aspects. Business ethics provide guidelines for acceptable behaviour by organizations in both their strategy formulation and day-to-day operations. An ethical approach is becoming necessary both for corporate success and a positive corporate image. Especially nowadays ethics in business are obligated because many businessmen are only interested in making money despite the ethical costs or the harm they would probably cause to people or even to nature (environmental pollution). Corporate social responsibility defines all the cases of ethics that businessmen can follow effectively. Many organizations are choosing to make a public commitment to ethical business by formulating codes of conduct and operating principles. In doing so, they must translate into action the concepts of personal and corporate accountability, corporate giving and corporate governance.

Key Words: Business ethics, corporate social responsibility, ethics in business, corporate governance, ethics of sales and marketing, ethics of production, ethics of technology, general business ethics and international business ethics.

1 Business Ethics

1.1 Introduction

The term “business ethics” is used in a lot of different ways.

Business ethics is a form of applied ethics (Broni, 2010) that examines ethical principles and moral or ethical problems that arise in a business environment (Solomon, 1991). It applies to all aspects of business conduct (Baumhart, 1968; Ferell - Fraedrich, 1997; Singer, 1991) and is relevant to the conduct of individuals and business organizations as a whole (Bernard, 1972; Donaldson, 1982:36).

Applied ethics is a field of ethics that deals with ethical questions in many fields such as technical, legal, business and medical ethics (Preston, 1997:6-11).

Business ethics consists of a set of moral principles and values (Jones - Parker - Bos, 2005:17) that govern the behavior of the organization with respect to what is right and what is wrong (Badiou, 2001; Seglin, 2003). It spells out the basic philosophy and priorities of an organization in concrete terms (French, 1979; French, 1995). It also contains the prohibitory actions at the workplace (Collier - Esteban 2007:19; Duska, 1999). It provides a framework on which the organization could be legally governed. With time, certain moral philosophies have helped in the evolution of four basic concepts of ethics. They are deontologism, relativism, egoism, and utilitarianism (Kotsiris, 2003). The paper examines basic principles of business ethics and sheds light on the aforesaid concepts.

Business ethics is the behavior that a business adheres to in its daily dealings with the world (Borgerson - Schroeder, 2008). The ethics of a particular business can be diverse (Solomon, 1983). They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer (Solomon, 1991).

Many businesses have gained a bad reputation just by being in business (Carr, 1968). To some people, businesses are interested in making money, and that is the bottom line (Solomon, 1983). It could be called capitalism in its purest form (Antoniou, 2008). Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior (Maitland, 1994).

Good business ethics (American Psychological Association, 1992, 1999, 2001) should be a part of every business (Preuss, 1997). There are many factors to consider (Michalos, 1995). When a company does business with another that is considered unethical, does this make the first company unethical by association (Kahnewan - Kentsch - Thaler, 1986; Velasquez, 1983)? Some people would say yes, the first business has a responsibility (Michalos, 1995) and it is now a link in the chain of unethical businesses (kanungo - Mendoca, 1996:81).

Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics (Maitland, 1994). Many major brands have been fined millions for breaking ethical business laws (Cory, 2005:9). Money is the major deciding factor (Seglin, 2003).

If a company does not adhere to business ethics and breaks the laws, they usually end up being fined (Drucker, 1981). Many companies have broken anti-trust, ethical and environmental laws and received fines worth millions (Velasquez, 1983). The problem is that the amount of money these companies are making outweighs the fines applied (Green, 1991). The profits blind the companies to their lack of business ethics, and the money sign wins (De George, 1999).

A business may be a multi-million seller, but does it use good business ethics and do people care (French, 1979)? There are popular soft drinks, fast food restaurants, and petroleum agencies that have been fined time and time again for unethical behavior (Harwood, 1996). Business ethics should eliminate exploitation, from the sweat shop children who are making sneakers to the coffee serving staff who are being ripped off in wages. Business ethics can be applied to everything from the trees cut down to make the paper that a business sells to the ramifications of importing coffee from certain countries (Aiken, 1991).

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In the end, it may be up to the public to make sure that a company adheres to correct business ethics (Clarke, 2004). If the company is making large amounts of money, they may not wish to pay too close attention to their ethical behavior (Behrman, 1988). There are many companies that pride themselves in their correct business ethics (Stark, 1993), but in this competitive world, they are becoming very few and far between (Knight, 1980).

In the increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions (known as ethics) is increasing (Donaldson, 1982:36). Simultaneously, pressure is applied on industry to improve business ethics through new public initiatives and laws (e.g. higher tax for luxurious vehicles). Businesses can often attain short-term gains by acting in an unethical fashion (Sunstein, 2002); however, such behaviours tend to undermine the economy over time (Velasquez, 1983:1).

Business ethics can be both a normative and a descriptive discipline (Abrams, 1954). As a corporate practice and a career specialization, the field is primarily normative. In academia descriptive approaches are also taken. The range and quantity of business ethical issues reflects the degree to which business is perceived to be at odds with non-economic social values. Historically, interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia (Cory, 2005:11). For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings (e.g. ethics codes, social responsibility charters). In some cases, corporations have redefined their core values in the light of business ethical considerations (e.g. BP’s “beyond petroleum” environmental tilt).

1.2 History

Construed broadly as moral reflection on commerce, business ethics is probably as old as trade itself (DeGeorge, 2005, with details). If law is a rough guide to widely-held moral intuitions the Code of Hammurabi (1700s B.C.), prescribing prices and tariffs

Normative ethics is the branch of philosophical ethics that investigates the set of questions that arise when we think about the question “how ought one act, morally speaking?” Normative ethics is distinct from meta-ethics because it examines standards for the rightness and wrongness of actions, while meta-ethics studies the meaning of moral language and the metaphysics of moral facts. Normative ethics is also distinct from descriptive ethics, as the latter is an empirical investigation of people’s moral beliefs. To put it another way, descriptive ethics would be concerned with determining what proportion of people believe that killing is always wrong, while normative ethics is concerned with whether it is correct to hold such a belief. Hence, normative ethics is sometimes said to be prescriptive, rather than descriptive. However, on certain versions of the meta-ethical view called moral realism, moral facts are both descriptive and prescriptive at the same time. Broadly speaking, normative ethics can be divided into the sub-disciplines of moral theory and applied ethics. In recent years the boundaries between these sub-disciplines have increasingly been dissolved as moral theorists become more interested in applied problems and applied ethics is becoming more profoundly philosophically informed. Traditional moral theories were concerned with finding moral principles which allow one to determine whether an action is right or wrong. Classical theories in this vein include utilitarianism, Kantianism, and some forms of contractarianism. These theories offered an overarching moral principle to which one could appeal in resolving difficult moral decisions. In the 20th century, moral theories became more complex and were no longer concerned solely with rightness and wrongness, but were interested in many different kinds of moral status. This trend may have begun in 1930 with W. D. Ross in his book, The Right and the Good. Here Ross argues that moral theories cannot say in general whether an action is right or wrong but only whether it tends to be right or wrong according to a certain kind of moral duty such as beneficence, fidelity, or justice (he called this concept of partial rightness prima facie duty). Consequently, philosophers have questioned whether even prima facie duties can be articulated at a theoretical level, and some philosophers have urged a turn away from general theorizing altogether, while others have defended theory on the grounds that it need not be perfect in order to capture important moral insight. In the middle of the century there was a long hiatus in the development of normative ethics during which philosophers largely turned away from normative questions towards meta-ethics. Even those philosophers during this period who maintained an interest in prescriptive morality, such as R. M. Hare, attempted to arrive at normative conclusions via meta-ethical reflection. This focus on meta-ethics was in part caused by the intense linguistic turn in analytic philosophy and in part by the pervasiveness of logical positivism. In 1971, John Rawls bucked the trend against normative theory in publishing A Theory of Justice. This work was revolutionary, in part because it paid almost no attention to meta-ethics and instead pursued moral arguments directly. In the wake of A Theory of Justice and other major works of normative theory published in the 1970s, the field has witnessed an extraordinary Renaissance that continues to the present day.

The website article titled as A History of Business Ethics authored by Richard T. De George of Santa Clara University (web page version of DeGeorge, Richard. 2005, “History of Business Ethics”, paper delivered at “The Accountable Corporation”, the third biennial global business conference sponsored by the Markkula Center for Applied Ethics at Santa Clara University) http://www.scu.edu/ethics/practicing/focuseareas/business/conference/presentations/business-ethics-history.html as available on May 31, 2010-observes, on the origin of business ethics discourse, The Second World War was over, the Cold War was ever present, and the War in Viet Nam fostered a good deal of opposition to official public policy and to the so-called military-industrial complex, which came in for increasing scrutiny and criticism. The Civil Rights movement had caught the public imagination. The United States was becoming more and more of a dominant economic force. American-based multinational corporations were growing in size and importance. Big business was coming into its own, replacing small and medium-sized businesses in the societal image of business. The chemical industry was booming with innovation, and in its wake came environmental damage on a scale that had not previously been possible. The spirit of protest led to the environmental movement, to the rise of consumerism, and to criticism of multinational corporations ... Corporations, finding themselves under public attack and criticism, responded by developing the notion of social responsibility. They started social responsibility programs and spent a good deal of money advertising their programs and how they were promoting the social good. Exactly what “social responsibility” meant varied according to the industry and company. Richard T. De George tracing history of business ethics draws our attention to origin of Business Ethics. He observes, “roughly the early 1970s, when the term ‘business ethics’ came into common use in the United States”, however, the idea was still nascent. He also states, “In 1982 the first single-authored books in the field appeared: Richard De George, Business Ethics; and Manuel G. Velasquez, Business Ethics: Concepts and Cases. The books found a ready market, and courses in business ethics both in philosophy departments and in schools of business developed rapidly. As they did, the number of textbooks increased exponentially”. Business ethics, emerged into a university paper only after 1982-1983. De George writes, “by the mid-1980s there were at least 500 courses in business ethics taught across the country to 40,000 students. Not only were there at least twenty textbooks in the area and at least ten casebooks, but there were also societies, centers and journals of business ethics”. The Society for Business Ethics was started in 1980. The discipline of business ethics got established as a discipline in late 1980s and early 1990s. European Business schools adopted business ethics as a course after 1987 commencing with establishment of European Business Ethics Network (EBEN), which held its first meeting in 1987.
and laying down both rules of commerce and harsh penalties for noncompliance, evidence some of civilization’s earlier attempts to establish the moral contours of commercial activity. Aristotle’s Politics (300s B.C.) addresses explicitly commercial relations in its discussion of household management. Judeo-Christian morality, as expressed in, e.g., the Talmud (200 A.D.) and the Ten Commandments includes moral rules applicable to commercial conduct (DeGeorge, 2005).

As a discrete, self-conscious academic discipline, business ethics is roughly four decades old.

Raymond Baumhart’s (1961, 1963, 1968) groundbreaking studies in the 1960s are generally understood to be early contributions to business ethics.

Richard DeGeorge (2005) dates academic business ethics to the 1970s, identifying Baumhart as a forerunner to a self-conscious academic business ethics.


Although academic instruction explicitly devoted to the relationship between ethics and commerce can be found in U.S. business schools as early as the first three decades of the 20th century, particularly in Catholic colleges and universities, creation of academic positions dedicated explicitly to business ethics in U.S. business schools tracks closely waves of corporate scandal from the 1980s to the present.

Academic business ethicists address questions that range across the functional areas of business, giving rise to various recognized specialties in business ethics (e.g., marketing ethics, finance ethics, accounting ethics). But despite the wide range of questions pursued, the bulk of the academic literature and discussion is focused more closely on (and much of the function-specific work is connected closely to) the large corporation whose ownership shares are traded on public exchanges.

In this broad sense ethics in business is simply the application of everyday moral or ethical norms to business (Bennett, 2005; Boylan, 1995). Perhaps the example from the Bible that comes to mind most readily is the Ten Commandments, a guide that is still used by many today (DeGeorge, 2005). In particular, the injunctions to truthfulness and honesty or the prohibition against theft and envy are directly applicable. A notion of stewardship can be found in the Bible as well as many other notions that can be and have been applied to business. Other traditions and religions have comparable sacred or ancient texts that have guided people's actions in all realms, including business, for centuries, and still do.

If we move from religion to philosophy we have a similar long tradition (Capaldi, 2006). Plato is known for his discussions of justice in the Republic, and Aristotle explicitly discusses economic relations, commerce and trade under the heading of the household in his Politics. His discussion of trade, exchange, property, acquisition, money and wealth (Aristotle, Politics) have an almost modern ring, and he makes moral judgments about greed, or the unnatural use of one’s capacities in pursuit of wealth for its own sake, and similarly condemns usury because it involves a profit from currency itself rather than from the process of exchange in which money is simply a means (Velentzas - Broni, 2010c:45-56). He also gives the classic definition of justice as giving each his due, treating equals equally, and trading equals for equals or "having an equal amount both before and after the transaction" (Velentzas - Broni, 2010c:23-44).

In the West, after the fall of Rome, Christianity held sway, and although there were various discussions of poverty and wealth, ownership and property, there is no systematic discussion of business except in the context of justice and honesty in buying and selling. We see this, for instance, in Thomas Aquinas’s discussion (Summa Theologiae) of selling articles for more than they are worth and selling them at a higher price than was paid for them and in his discussion of, and, following Aristotle’s analysis, his condemnation of usury. Nonetheless he justified borrowing for a good end from someone ready to lend at interest (DeGeorge, 2005).

Marx claimed that capitalism was built on the exploitation of labor. Whether this was for him a factual claim or a moral condemnation is open to debate; but it has been taken as a moral condemnation since ‘exploitation’ is a morally charged term and for him seems clearly to involve a charge of injustice. Marx’s claim is based on his analysis of the labor theory of value, according to which all economic value comes from human labor (Marx, 1867). The only commodity not sold at its real value, according to Marx, is human labor. Workers are paid less than the value they produce. The difference between the value the workers produce and what they are paid is the source of profit for the employer or the owner of the means of production. If workers were paid the value they produced, there would be no profit and so capitalism would disappear. In its place would be socialism and eventually communism, in which all property is socially (as opposed to privately) owned, and in which all members of society would contribute according to their ability and receive according to their needs. The result would be a society (and eventually a world) without exploitation and also without the alienation that workers experience in capitalist societies (DeGeorge, 2005).

Marx’s notion of exploitation was developed in Lenin in Imperialism (Lenin, 1917): The Highest Stage of Capitalism, in which he claims that the exploitation of workers in the developed countries has been lessened and the workers’ conditions have improved because the worst exploitation has been exported to the colonies. His criticism has been adapted by many contemporary critics who claim that multinational corporations derive their profits from the exploitation of workers in less developed countries (DeGeorge, 2005).

Marx appealed to the workers of his time and helped start the labor movement, which improved the situation of the workingman. Marx’s collaborator, Frederick Engels, saw the world as divided (1878) between those who follow Marx and those who follow religion, and the Marxists sought the hearts and minds of the workers. Refusing to yield the moral high ground, Pope Leo XIII in 1891 issued the first of the papal encyclicals on social justice, Rerum Novarum. As opposed to Marx, it justified private property, while seeking the answer to exploitation in the notion of a just wage, which was one sufficient “to support a frugal and well-behaved wage-earner”, his wife and his children. Later popes followed Leo’s example. Pope Pius XI in 1931 wrote Quadragesimo Anno, 3

3 In 1987 in the midst of the insider trading scandal on Wall Street, former Securities and Exchange Commission head John Shad gave the Harvard Business School over $30 million for the purpose of starting a business ethics program there. Subsequent philanthropy from a number of sources financed the creation of prominent endowed chairs at the University of Virginia’s Darden School, the University of Pennsylvania’s Wharton School, and other business schools. Today, academic positions in business ethics, whether endowed chairs or ordinary faculty positions, are found frequently in U.S. business schools and in philosophy departments, as well (DeGeorge, 2005).
which morally attacked both Soviet socialism and laissez-faire capitalism, a theme continued by Pope John Paul II in Laborem Exercens (1981) and Centesimus Annus (1991). The U. S. Catholic Bishops in 1984 issued a Pastoral Letter on the U.S. Economy along the same lines, although more open to the U. S. free enterprise system. The aim of the encyclicals was not to propose any particular economic system but to insist that any system should not be contrary to Christian moral principles and should improve the conditions of the masses of humanity, especially of the poor and the least advantaged. Hence although the popes were critical of existing economic structures, the emphasis in the pulpits was still primarily on individuals living up to the demands of morality, including the giving of charity to those in need (DeGeorge, 2005).

The same is true of the Protestant tradition as of the Catholic, even though there is no central authority to issue documents such as the encyclicals6.

The idea of ethics in business continues until the present day. In general, in the United States (Darcy, 1999) this focuses on the moral or ethical actions of individuals. It is in this sense also that many people, in discussing business ethics, immediately raise examples of immoral or unethical activity by individuals. Included with this notion, however, is also the criticism of multinational corporations that use child labor or pay pitifully low wages to employees in less developed countries or who utilize suppliers that run sweat shops. Many business persons are strongly influenced by their religious beliefs and the ethical norms that they have been taught as part of their religion, and apply these norms in their business activities. This strand of the story is perhaps the most prominent in the thinking of the ordinary person when they hear the term business ethics. The media carries stories about Enron7 officials acting unethically (Dembinski - Lager - Cornford - Bonvin, 2006; Elliott - Schroth, 2002) and about the unethical actions of Arthur Andersen or WorldCom (Cook, 2005) and so on, and the general public takes this as representative of business ethics or of the need for it. What they mean is the need for ethics in business (Sethi, 1995).

1.3 Fields

1.3.1 General Business Ethics

This part of business ethics overlaps with the philosophy of business, one of the aims of which is to determine the fundamental purposes of a company (De George, 1987). If the company’s main purpose is to maximize the returns to its shareholders (Heath, 2006), then it should be seen as unethical for a company to consider the interests and rights of anyone else (Marcoux, 2003).

Corporate social responsibility or CSR (Frederick, 1986; Frederick, 1994a; Frederick, 1994b; Hoffman - Frederick - Schwartz 2000) works as an umbrella term under which the ethical rights and duties existing between companies and society is debated (Donaldson - Dunfee, 1994).

1.3.2 Ethics of finance

Fundamentally finance is a social science discipline (Dobson, 1997:xvii). The discipline shares its border with behavioural science, sociology (Cetina - Preda, 2005), economics, accounting and management. Finance being a discipline concerned technical issues such as the optimal mix of debt and equity financing, dividend policy, and the evaluation of alternative investment projects, and more recently the valuation of options, futures, swaps, and other derivative securities, portfolio diversification etc., often it is mistaken to be a discipline free from ethical burdens (Dobson, 1997:xvii). However frequent economic meltdowns that could not be explained by theories of business cycles alone have brought ethics of finance to the forefront. Finance ethics is overlooked for another reason: issues in finance are often addressed as matters of law rather than ethics (Boatright, 1999). Looked closer into the

6 Perhaps the most influential protestant figure in this regard was Reinhold Niebuhr whose trenchant critique of capitalism in Moral Man and Immoral Society (1932) became the basis for courses in seminaries and schools of theology. In 1993 the Parliament of the World's Religions adopted a Declaration of a Global Ethic that condemned “the abuses of the Earth's ecosystems,” poverty, hunger, and the economic disparities that threaten many families with ruin.

7 Enron Corporation was an American energy company based in the Enron Complex in Downtown Houston, Texas. Before its bankruptcy in late 2001, Enron employed approximately 22,000 staff and was one of the world’s leading electricity, natural gas, communications and pulp and paper companies, with claimed revenues of nearly $101 billion in 2000. At the end of 2001 it was revealed that its reported financial condition was sustained substantially by institutionalized, systematic, and creatively planned accounting fraud, known as the “Enron scandal”. Enron has since become a popular symbol of willful corporate fraud and corruption. The scandal also brought into question the accounting practices and activities of many corporations throughout the United States and was a factor in the creation of the Sarbanes-Oxley Act of 2002. The scandal also affected the wider business world by causing the dissolution of the Arthur Andersen accounting firm. Enron had created offshore entities, units which may be used for planning and avoidance of taxes, raising the profitability of a business. This provided ownership and management with full freedom of currency movement and the anonymity that allowed the company to hide losses. These entities made Enron look more profitable than it actually was, and created a dangerous spiral in which each quarter, corporate officers would have to perform more and more contorted financial deception to create the illusion of billions in profits while the company was actually losing money. This practice drove up their stock price to new levels, at which point the executives began to work on insider information and trade millions of dollars worth of Enron stock. The executives and insiders at Enron knew about the offshore accounts that were hiding losses for the company; however the investors knew nothing of this. Chief Financial Officer led the team which created the off-books companies, and manipulated the deals to provide himself, his family, and his friends with hundreds of millions of dollars in guaranteed revenue, at the expense of the corporation for which he worked and its stockholders. In 1999, Enron launched EnronOnline, an Internet-based trading operation, which was used by virtually every energy company in the United States. Enron president and chief operating officer began advocating a novel idea: the company didn’t really need any “assets.” By pushing the company’s aggressive investment strategy, he helped make Enron the biggest wholesaler of gas and electricity, trading over $27 billion per quarter. The firm’s figures, however, had to be accepted at face value. Enron adopted mark to market accounting, in which anticipated future profits from any deal were tabulated as if real

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literature concerning finance ethics one can be convinced that as it is the case with other operational areas of business, the ethics in finance too is vehemently disputed.

1.3.2.1 Ethics of the finance paradigm

Conventionally economics is seen as a moral science and philosophy directed at a shared "good life" (Aristotle 1948:38 - For Aristotle, "the end and purpose of the polis is the good life"), which Adam Smith characterized in terms of a set of external material goods and internal intellectual and moral excellences of character (Smith, 1982:VI.i.15).

Smith in his Wealth of the Nations commented, "All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind" (Smith, 1982:III.vi).

However, a section of economists influenced by the ideology of neoliberalism (O'Neill, 1998:54), interpreted the objective of economics to be maximization of financial growth through accelerated consumption and production of goods and services (O'Neill, 1998:56). Under the influence of the neoliberal ideology, business finance which was a component of economics is promoted to constitute the core of the neoliberal economics.

Proponents of the ideology hold that financial flow, if redeemed from the shackles of "financial repressions", it can be put into service of the impoverished nations. It is held that the liberation financial systems would ensure economic growth through competitive capital market system ensuring promotion of high levels of savings, investment, employment, productivity, foreign capital inflows and thereby welfare (Hayek, 1976:15-30; O'Neill, 1998:56-60) along with containing corruption (Schaler, 2008).

In other words, it was recommended that governments of the impoverished nations should open up their financial systems to global market with the least regulation over the flow of capital. The recommendations however met with serious criticisms from various schools of ethical philosophy. For the pragmatically oriented ethicists, blind submission to the a priori claims, such as the claim of "invisible hand" which are merely ideological, could be ethically counterproductive (Duska, 2007:51-62). The welfare claim of the Laissez-faire finance is disputed because, welfare would be overridden given a conflict with liberty (O'Neill, 1998:55).

Further, history of finance does not suggest that firms always maintain principles of honesty and fairness under unregulated environments. The prudence and ethics of recommendations to the countries which were impoverished by the ravages of centuries of colonial exploitation, subsequent cold wars and subjection to imperial hegemony to unconditionally open up their economies to transnational finance corporations is fiercely contested by ethicists from various quarters (Cavanagh - Moborq - Velasquez, 1981). Further, the claim that deregulation and the opening up economies bringing down corruption too is contested (Atwood, 1998; Gitlow, 2005; Wolfenson, 1998).

The firm, within the finance paradigm, is seen as a complex network of contractual relations, mostly implicit, between various interest groups. "Within this finance paradigm, a rational agent is simply one who pursues personal material advantage ad infinitum (Collins-Chobanian, 2005). In essence, to be rational in finance is to be individualistic, materialistic, and competitive (Shaw - Barry, 2004).

Business is a game played by individuals, as with all games the object is to win, and winning is measured in terms solely of material wealth. Within the discipline this rationality concept is never questioned, and has indeed become the theory-of-the-firm's sine qua non" (Dobson, 1997:ix).

Ethics of finance is narrowly reduced to the mathematical function of shareholder wealth maximization. Such simplifying assumptions are necessary in the field of finance for the construction of mathematically robust models (Dobson, 1997:xvi). Such a mathematical chimera, it is observed, lets the experts in the field of finance into the vice of greed justification. However, the signaling theory and agency theory within the domain of finance reveal clearly the normative undesirability of wealth maximization (Dobson, 1997:xvi). Ethics seen from the stakeholder perspective is the privilege of the immediate and remote stakeholders as much as it is the obligation of the firms towards them.

1.3.2.2 Operational areas of financial ethics


1.3.3 Ethics of Human Resource Management

The ethics of human resource management (HRM) covers those ethical issues arising around the employer-employee relationship (Sennett, 1998), such as the rights and duties owed between employer and employee (Dessler, 2000; Pinnington, 2003; Walsh, 2007).

Discrimination issues include discrimination on the bases of age (ageism), gender (Einarsen - Hoel, 1999), race, religion (Tawney, 1926), disabilities, weight and attractiveness, employment law (Brodsy, 1976), occupational safety and health (Budd - Arvey, 1996).

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8 Between 1970 and 1980, 11 percent of the largest American firms were convicted of lawlessness, including bribery, criminal fraud, illegal campaign contributions, tax evasion, or price-fixing. Well-known companies with four or more convictions included Braniff International, Gulf Oil, and Ashland Oil. Firms with at least two convictions included Allied, American Airlines, Bethlehem Steel, Diamond International, Firestone, Goodyear, International Paper, National Distillers, Northrop, Occidental Petroleum, PepsiCo, Phillips Petroleum, R.J. Reynolds, Schlitz, Seagram, Tenneco, and United Brands. The recent Union Carbide disaster in Bhopal is well-known, as is the E.F. Huttoniasco, the General Dynamics fraud, and of course, the Wall Street scandals involving Ivan Boesky, David Levine, and Michael Milken ... Unethical behavior in business more often than not is a systematic matter. To a large degree it is the behavior of generally decent people who normally would not think of doing anything illegal or immoral. But they get backed into doing something unethical by the systems and practices of their own firms and industries. Unethical behavior in business generally arises when business firms fail to pay explicitly attention to the ethical risks that are created by their own systems and practices." Cory, 2005:11.
1.3.4 Ethics of Sales and Marketing

Marketing, which goes beyond the mere provision of information about (and access to) a product, may seek to manipulate our values and behavior (Barry, 2000). To some extent society regards this as acceptable, but where is the ethical line to be drawn? Marketing ethics overlaps strongly with media ethics, because marketing makes heavy use of media (Atwood, 1998). However, media ethics is a much larger topic and extends outside business ethics (Nielsen, 1996).

Marketing Ethics is a subset of business ethics. Ethics in marketing deals with the principles, values and / or ideals by which marketers (and marketing institutions) ought to act (Brenkert, 1999:179). Marketing ethics too, like its parent discipline, is a contested terrain. Discussions of marketing ethics are focused around two major concerns: one is the concern from political philosophy (O’Neill, 1998) and the other is from the transaction-focused business practice (Marcoux, 2009).

On the one side, following ideologists like Milton Friedman and Ayn Rand, it is argued that the only ethics in marketing is maximizing profit for the shareholder.

On the other side it is argued that market is responsible to the consumers and other proximate as well as remote stakeholders as much as, if not less, it is responsible to its shareholders (Jones - Parker - Bos, 2005:3; Murphy, 2002:168-169).

The ethical prudence of targeting vulnerable sections for consumption of redundant or dangerous products / services (Fisher, 2003), being transparent about the source of labour (child labour, sweatshop labour, fair labour remuneration), declaration regarding fair treatment and fair pay to the employees, being fair and transparent about the environmental risks, the ethical issues of product or service transparency [being transparent about the ingredients used in the product / service (Murphy - Laczniak, et al., 2007) - use of genetically modified organisms, content, "source code" in the case of software (Välimäki, 2005)], appropriate labelling, the ethics of declaration of the risks in using the product / service (health risks, financial risks, security risks etc.) (Anand - Rosen, 2008), product / service safety and liability, respect for stakeholder privacy and autonomy, the issues of outsmarting rival business through unethical business tactics etc. (Brenkert, 1999) advertising truthfulness and honesty (Pearce - Doh, 2005), fairness in pricing & distribution, and forthrightness in selling etc. (Nelson - Quick, 2006), are few among the issues debated among people concerned about ethics of marketing practice (Murphy, 2002).

Ethical discussion in marketing is still in its nascent stage. Marketing Ethics came of age only as late as 1990s (Murphy, 2002). As it is the case with business ethics in general, marketing ethics too is approached from ethical perspectives of virtue, deontology, consequentialism, pragmatism and also from relativist positions (Baumhart, 1968). However, there are extremely few articles published from the perspective of 20th or 21st century philosophy of ethics.

One impediment in defining marketing ethics is the difficulty of pointing out the agency responsible for the practice of ethics (Machan, 2007). Competition, rivalry among the firms, lack of autonomy of the persons at different levels of marketing hierarchy, nature of the products marketed, nature of the persons to whom products are marketed (Sollars, 2002), the profit margin claimed, and everything relating the marketing field does make the agency of a marketing person just a cog in the wheel (Donalson - Dunfee, 1994). Deprived of agency, the hierarchy of marketing hardly lets one with an opportunity to autonomously decide to be ethical (Beauchamp - Bowie, 2004; Donaldson - Dunfee, 1999). Without one having agency, one is deprived of the ethical choices (Chonko, 1995).

Marketing ethics is not restricted to the field of marketing alone, rather its influence spread across all fields of life and most importantly construction of “socially salient identities for people” and "affect some people's morally significant perceptions of and interactions with other people, and if they can contribute to those perceptions or interactions going seriously wrong, these activities have bearing on fundamental ethical questions” (Borgerson - Schroeder, 2008). Marketing, especially its visual communication, it is observed, serve as an instrument of epistemic closure (Borgerson - Schroeder, 2008:89) restricting worldviews within stereotypes of gender, class and race relationships.

1.3.5 Ethics of Production

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm (Philips, 2008). Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process (Vandivier, 1983) and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies (Marcoux, 2009) or changing social perceptions of acceptable risk (Velentzas - Broni, 2010a).

Examples:
- Defective, addictive and inherently dangerous products and services (e.g. tobacco, alcohol, weapons, motor vehicles, chemical manufacturing, bungee jumping).

Ethical relations between the company and the environment: pollution9, environmental ethics, carbon emissions trading

9 The rapid and continuously growing standard of living is another prime cause of the increased pollution (Timbrell, 2000). Someone must pay for a clean environment. It is obvious that in the long run the customer pays for the improved environment in which he lives, so the question is how the customer should pay for it and which customers should pay for it? Pollution is a by-product of everyday living. Business and everyone else must be diligent and aware of what causes certain conditions and what can be done to hold them within tolerable limits (Velentzas / Broni, 2010b). Any list on major categories of pollution would contain at least: air pollution, water pollution, chemical pollution, solid waste pollution, noise pollution, visual pollution, and auditory pollution. Each of these main categories of pollution then has many subcategories under it. Moreover, the various forms of pollution are placed primarily in one category it does not mean that it has no impact on another category (for example, solid waste pollution has an impact on water pollution if the solid waste is dumped into the water). The population increase and the movement of people from the countryside to more central locations has intensified the environmental problems (Velentzas / Savvidou / Broni, 2009). It is a direct and indirect creator of pollution; through its expanded manufacturing facilities and increased energy consumption it directly creates air, water, chemical and noise pollution; through the increased manufacture of throw-away products, consumer chemical products (Velázquez, 1992), and artificial fertilizers it creates secondary increased pollution sources. Therefore, technology must find ways to keep from creating new and worse environmental problems (Turing, 1950). If the state subsidizes pollution abatement in any manner then the entire population will pay for the reduced pollution level through increased taxes. If the business pay the cost of the pollution abatement the customers (through higher product costs), the stockholders (through
Ethical problems arising out of new technologies: genetically modified food, mobile phone radiation and health.

Product testing ethics: animal rights and animal testing, use of economically disadvantaged groups (such as students) as test objects.

Marketing, which goes beyond the mere provision of information about (and access to) a product (Murphy - Laczniak, et al., 2007), may seek to manipulate our values and behavior (Brenkert, 1999:179). To some extent society regards this as acceptable (O'Neill, 1998), but where is the ethical line to be drawn (Murphy, 2002:168-169)? Marketing ethics overlaps strongly with media ethics (Brenkert, 1999:179), because marketing makes heavy use of media. However, media ethics is a much larger topic and extends outside business ethics (Murphy - Laczniak, et al., 2007).

1.3.6 Ethics of Intellectual Property, knowledge and skills

Knowledge and skills are valuable but not easily "ownable" as objects. Nor is it obvious who has the greater rights to an idea: the company who trained the employee, or the employee themselves? The country in which the plant grew, or the company which discovered and developed the plant's medicinal potential (Norman, 1999)? As a result, attempts to assert ownership and ethical disputes over ownership arise (Boldrin - Levine, 2008:10, 16-17).

1.3.7 Ethics and Technology

The computer and the World Wide Web (WWW) are two of the most significant inventions of the twentieth century. There are many ethical issues that arise from this technology (Turing, 1950). It is easy to gain access to information (Kallman - Grillo, 1996). This leads to data mining, workplace monitoring, and privacy invasion. Medical technology has improved as well. Pharmaceutical companies have the technology to produce life saving drugs. These drugs are protected by patents and there are no generic drugs available. This raises many ethical questions (Tichy, 2003).

1.3.8 International Business Ethics

While business ethics emerged as a field in the 1970s, international business ethics did not emerge until the late 1990s, looking back on the international developments (Denis - McConnell, 2003) of that decade.

Many new practical issues arose out (DeGeorge, 1993) of the international context of business (Enderle, 1999:1). Theoretical issues such as cultural relativity of ethical values receive more emphasis in this field (Braverman, 1999; Wartick, 1998).

1.3.9 Ethics of Economic Systems

This vaguely defined area, perhaps not part of but only related to business ethics (Lee, 2005), is where business ethicists venture into the fields of political economy and political philosophy, focusing on the rights and wrongs of various systems for the distribution of economic benefits.

John Rawls (1971) and Robert Nozick (1974) are both notable contributors.

1.3.10 Law and business ethics

Very often it is held that business is not bound by any ethics other than abiding by the law (Hasnas, 2005:39). Milton Friedman is the pioneer of the view (Friedman, 1962; Friedman, 1970). He held that corporations have the obligation to make a profit within the framework of the legal system, nothing more (Machan, 2007:88). Friedman made it explicit that the duty of the business leaders is, "to make as much money as possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom" (Friedman, 1970). Ethics for Friedman is nothing more than abiding by "customs" and "laws". The reduction of ethics to abidence to laws and customs however have drawn serious criticisms (DeGeorge, 1999).

Counter to Friedman's logic it is observed that legal procedures are technocratic, bureaucratic, rigid and obligatory where as ethical act is conscientious, voluntary choice beyond normativity. Law is retroactive. Crime precedes law (Shapiro, 1995). Law against a crime, to be passed, the crime must have happened. Laws are blind to the crimes undefined in it (Hasnas, 2005:15-18). Further, as per law, conduct is not criminal unless forbidden by law which gives advance warning that such conduct is criminal (Velentzas, 2005). Also, law presumes the accused is innocent until proven guilty and that the state must establish that guilt. As per liberal laws followed in most of the democracies, until the government prosecutor proves the firm guilty with the limited resources available to her, the accused is considered to be innocent (Velentzas, 2007). Though the liberal premises of law is necessary to protect individuals from being persecuted by Government, it is not a sufficient mechanism to make firms morally accountable (Coleman, 1987).

1.4 Conflicting Interests

Business ethics can be examined from various perspectives, including the perspective of the employee, the commercial enterprise and society as a whole. Very often, situations arise in which there is a conflict between one or more of the parties, such that serving the interest of one party is a detriment to the other(s).

For example, a particular outcome might be good for the employee, whereas, it would be bad for the company, society or vice versa. The principal role of ethics must be the harmonization and reconciliation of conflicting interests.

possible reduce dividends) and possible even employees (through possible reduced wages or smaller wage increases) will pay for the pollution level reduction.

10 Foreign countries often use dumping as a competitive threat, selling products at prices lower than their normal value (Newman, 1985). This can lead to problems in domestic markets. It becomes difficult for these markets to compete with the pricing set by foreign markets (Velentzas, 2005:302). In 2009, the International Trade Commission has been researching anti-dumping laws. Dumping is often seen as an ethical issue, as larger companies are taking advantage of other less economically advanced companies.

11 A thinker with wide-ranging interests, Robert Nozick is one of the most important and influential political philosophers, along with John Rawls, in the Anglo-American analytic tradition. His first and most celebrated book, Anarchy, State, and Utopia (1974), produced, along with his Harvard colleague John Rawls' A Theory of Justice (1971), the revival of the discipline of social and political philosophy within the analytic school. Rawls' influential book is a systematic defense of egalitarian liberalism, but Nozick's Anarch, State, and Utopia is a compelling defense of free-market libertarianism.
1.5 Ethical Issues and Approaches

Philosophers and others disagree about the purpose of a business ethic in society. For example, some suggest that the principal purpose of a business is to maximize returns to its owners, or in the case of a publicly-traded concern, its shareholders (Carroll, 1996; Clarkson, 1995). Thus, under this view, only those activities that increase profitability and shareholder value should be encouraged, because any other functions such as a tax on profits (Goodpaster, 1991). Some believe that the only companies that are likely to survive in a competitive marketplace are those that place profit maximization above everything else (Freeman, 2000). However, some point out that self-interest would still require a business to obey the law and adhere to basic moral rules, because the consequences of failing to do so could be very costly in fines, loss of licensure, or company reputation. The noted economist Milton Friedman (1970) is a leading proponent of this view.

Some take the position that organizations are not capable of moral agency. Under this, ethical behavior is required of individual human beings, but not of the business or corporation.

Other theorists contend that a business has moral duties that extend well beyond serving the interests of its owners or stockholders, and that these duties consist of more than simply obeying the law (Weber, 2006). They believe a business has moral responsibilities to so-called stakeholders, people who have an interest in the conduct of the business, which might include employees, customers, vendors, the local community, or even society as a whole (Heath, 2006:533; Goodpaster, 1991:53).

Stakeholders can also be broken down into primary and secondary stakeholders. Primary stakeholders are people that are affected directly such as stockholders, where secondary stakeholders are people who are not affected directly such as the government. They would say that stakeholders have certain rights with regard to how the business operates, and some would suggest that this includes even rights of governance (Wareing, 2002).

Some theorists have adapted social contract theory to business, whereby companies become quasi-democratic associations, and employees and other stakeholders are given voice over a company's operations (Donaldson, 1982). This approach has become especially popular subsequent to the revival of contract theory in political philosophy, which is largely due to John Rawls' theory of Justice (1971) and the advent of the consensus-oriented approach to solving business problems, an aspect of the "quality movement" that emerged in the 1980s. Professors Thomas Donaldson (1989) proposed a version of contract theory for business, which they call Integrative Social Contracts Theory. They posit that conflicting interests are best resolved by formulating a "fair agreement" between the parties, using a combination of i) macro-principles that all rational people would agree upon as universal principles, and, ii) micro-principles formulated by actual agreements among the interested parties (Biressi, 2005). Critics say the proponents of contract theories miss a central point, namely, that a business is someone's property and not a mini-state or a means of distributing social justice.

Ethical issues can arise when companies must comply with multiple and sometimes conflicting legal or cultural standards, as in the case of multinational companies that operate in countries with varying practices (Barry, 2000). The question arises, for example, ought a company to obey the laws of its home country, or should it follow the less stringent laws of the developing country in which it does business? To illustrate, United States law forbids companies from paying bribes either domestically or overseas; however, in other parts of the world, bribery is a customary, accepted way of doing business (Jennings, 2000). Similar problems can occur with regard to child labor, employee safety, work hours, wages, discrimination, and environmental protection laws.

It is sometimes claimed that a Gresham's law of ethics applies in which bad ethical practices drive out good ethical practices (Phillips, 2008). It is claimed that in a competitive business environment, those companies that survive are the ones that recognize that their only role is to maximize profits.

1.6 Corporate Ethics Policies

As part of more comprehensive compliance and ethics programs, many companies have formulated internal policies pertaining to the ethical conduct of employees. These policies can be simple exhortations in broad, highly-generalized language (typically called a corporate ethics statement), or they can be more detailed policies, containing specific behavioral requirements [typically called corporate ethics codes (Cragg, 2005; Smets, 1992; Williams, 2000)]. They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical problems that might arise in the course of doing business (Jaffe, 1989). It is hoped that having such a policy will lead to greater ethical awareness, consistency in application, and the avoidance of ethical disasters (Turban, 1997).

An increasing number of companies also requires employees to attend seminars regarding business conduct (French, 1979:207), which often include discussion of the company's policies, specific case studies, and legal requirements. Some companies even require their employees to sign agreements stating that they will abide by the company's rules of conduct (MacDuffie, 1995).

Many companies are assessing the environmental factors that can lead employees to engage in unethical conduct. A competitive business environment may call for unethical behavior. Lying has become expected in fields such as trading. An example of this are the issues surrounding the unethical actions of the Saloman Brothers (Vandivier, 1983).

Not everyone supports corporate policies that govern ethical conduct (French, 1984). Some claim that ethical problems are better dealt with by depending upon employees to use their own judgment.

Others believe that corporate ethics policies are primarily rooted in utilitarian concerns, and that they are mainly to limit the company's legal liability, or to curry public favor by giving the appearance of being a good corporate citizen (Kotsiris, 2003). Ideally, the company will avoid a lawsuit because its employees will follow the rules. Should a lawsuit occur, the company can claim that the problem would not have arisen if the employee had only followed the code properly.

Sometimes there is disconnection between the company's code of ethics and the company's actual practices. Thus, whether or not such conduct is explicitly sanctioned by management, at worst, this makes the policy duplicous, and, at best, it is merely a marketing tool.

To be successful, most ethicists would suggest that an ethics policy should be (ISSE - SECURE 2007:141-142):
1. Given the unequivocal support of top management, by both word and example.
2. Explained in writing and orally, with periodic reinforcement.
3. Understood and performed by all employees.
4. Monitored by top management, with routine inspections for compliance and improvement.
5. Backed up by clearly stated consequences in the case of disobedience.

6. Remain neutral and nonsexist.

1.7 Related Disciplines

Business ethics should be distinguished from the philosophy of business (Anscombe, 1958), the branch of philosophy that deals with the philosophical, political, and ethical underpinnings of business (Bowie, 1999; Moriarty, 2005:453) and economics (Anscombe, 1958:33). Business ethics operates on the premise, for example, that the ethical operation of a private business is possibles (Bernard, 1972) -those who dispute that premise, such as libertarian socialists, (who contend that “business ethics” is an oxymoron) do so by definition outside of the domain of business ethics proper (Velasquez, 1998; Velasquez, 2002).

The philosophy of business also deals with questions (Capaldi, 2006:68) such as what, if any, are the social responsibilities of a business (Clarke, 2004); business management theory; theories of individualism vs. collectivism; free will among participants in the marketplace; the role of self interest; invisible hand theories; the requirements of social justice; and natural rights, especially property rights, in relation to the business enterprise (Badaracco, 1995).

Business ethics is also related to political economy, which is economic analysis from political and historical perspectives (Velentzas - Broni, 2010c). Political economy deals with the distributive consequences of economic actions. It asks who gains and who loses from economic activity, and is the resultant distribution fair or just, which are central ethical issues (Barry, 2000).

2 Corporate Social Responsibility

2.1 General remarks on Corporate Social Responsibility

One of an organization's primary goals is its obligation to operate in a socially responsible manner (Carroll, 1979; Colley - Doyle - Logan - Stettnius, 2004; Kotsiris, 2002). Therefore, the recognition that the vast power of the modern corporation (Carroll, 2000; Minzberg, 1983) carry with it an equally large responsibility to use that power responsibly is an important message for managers (French, 1995). Here, we examine corporate social responsibility and the related area of managerial ethics (Clarke, 2004; Crawford, C. J. (2007).

Corporate social responsibility has been a topic of academic study for several decades (Friedman - Ackerman - Bauer, 1976; Carrol, 1979; Davis, 1973; Frederick, 1978; Freeman, 1984; Miles, 1987; Preston - Post, 1975; Wartick - Cochran, 1985, Anderson 1989).

Numerous studies have tried to arrive at consensus definition of social responsibility (Feltus - Petit - Vernadat, 2009) but have failed to do so (French, 1984). Although it difficult to present a precise definition of social responsibility, much of the research attempts to identify various kinds of socially responsive activities (Haley, 1991), present the list of these activities to the business manager (Hoecklin, 1995), and then measure and tabulate the relative frequency of response to which the activities are practiced by those agencies or people being questioned (Collins, 1995). Moreover, the concept of social responsibility is a continually evolving concept and means different things to different people (Stange, 1994:461).

The first comprehensive approach to modern era social responsibility was ushered in 1953 with the publication of Howard R. Bowen's book Social Responsibility of the Businessman. Bowen felt that public responsibility, social obligations, and business morality were synonyms for social responsibility and described the term social responsibilities of businessmen as:

- Social responsibility refers to the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society (Bowen, 1978).
- The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. (Archie, 2000; Kitson - Campbell, 1996).
- The fundamental idea of corporate social responsibility that business corporations have an obligation to work for social betterment. (Frederick, 1986)

2.1.1 The Classical View

Some observers, ranging from Adam Smith to Milton Friedman, have argued that social responsibility should not be part of management's decision making process. Milton Friedman (1970) has maintained that business functions best when it sticks to its primary mission - producing goods and services within society's legal restrictions. It sole responsibility is to attempt to maximize returns. Friedman states his theory about social responsibilities of business in the following passage from Capitalism and Freedom:

- In such an economy, there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.
- There are three major ideas in the argument that business should assume social responsibilities:
  - Society expects business to assume social responsibilities.
  - The long-run self-interests of business are best served when business assumes responsibilities.
  - The assumption of social responsibilities serves to reduce government regulation and public criticism.

2.1.2 The Contemporary View

The contemporary view is that business, as important and influential members of society, are responsible to help maintain and improve the society's overall welfare.

Keith Davis (1975), a strong advocate of corporate social responsibility, offered a classic definition of corporate responsibility proposing the following 5 propositions:
Proposition 1: Social responsibility arises from social power.
Proposition 2: Business shall operate as a two-way open system with open receipt of inputs from society and open disclosure of its operation to the public.
Proposition 3: Both the social costs and the social benefits of an activity, product, or service shall be thoroughly calculated and considered in order to decide whether or not to proceed with it.
Proposition 4: Social costs related to each activity, product, or service shall be passed on to the consumer.
Proposition 5: Business institutions, as citizens, have the responsibility to become involved in certain social problems that are outside of their normal areas of operation.

Many managers counter that the most socially responsible action a company can engage in is to maximize its profits. This view is founded on four related ideas (Stahl - Grigsby, 1997:100-101):
- Profit maximizing is the only legitimate purpose of business.
- Social responsibility subverts the market system.
- The roles of government and business will be confused.
- The pursuit of social programs as well as economic goals could make corporations too powerful.

Managers today feel that a once clear separation between public and private sectors has broken down (Ciulla, 2004a; Ciulla, 2004b). In order to respond effectively and efficiently to the major social issues and demands of the day, corporate social policy must be integrated into corporate strategy (Davis, 1973); at the same time many of these stakeholders feel that much of the business community has not and is not adequately dealing with many of these social problems of concern.

2.1.3 Social Responsibility and Corporation

In earlier times managers had only to concern themselves with the economic results of their decisions (Ostas, 2001). Today it is generally accepted that business firms have social responsibilities (Fuller - Tilley, 2005). Social responsibility is complex because must be made in a wide variety of areas (Mescon - Taylor, 1987).

Corporate social responsibility (CSR) can be defined as the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1996). The concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities (Kotsiris, 2002) in addition to their responsibilities to earn a fair return for investors and comply with the law (Capaldi, 2005). A traditional view of the corporation suggests that its primary, if not sole responsibility is to its owners, or stockholders (Decker, 2004).

However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community (local self-government), state government, environmental groups, and other special interest groups (Viswesveran - Deshpande - Milman, 1998). Collectively, the various groups affected by the actions of an organization are called "stakeholders." The stakeholder concept is discussed more fully in a later section.

Corporate social responsibility is related to, but not identical with, business ethics.

The economic responsibilities refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price (Decker, 2004). Organizations are expected to be efficient, profitable, and to keep shareholder interests in mind (McWilliams - Siegel, 2001). The legal responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace (Stange, 1994). Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws (Conry - Nelson, 1991). The ethical responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way (Broni, 2009a). This means that organizations are expected to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law (Velentzas - Broni, 2010a).

Finally, the discretionary responsibilities of corporations refer to society's expectation that organizations be good citizens (Kotsiris, 2002). This may involve such things as philanthropic support of programs benefiting a community or the nation (Collins, 1995; Mescon - Taylor, 1987). It may also involve donating employee expertise and time to worthy causes (Collier - Esteban, 2007).

Corporate policy should state clearly, Illegal actions in any form will not be condoned or tolerated by the company (Conger - Kanungo, 1998).

Much of the battle that goes between government, business, and society is a result of the conflict between their different views on economic and social responsibility goals (Cornuel - Kletz, 2003).

Today, business cannot operate without contact and interaction with the government and its myriad of rules and regulations (Price, 2006).

The managers of the corporation who must take responsibility to fulfill their duties to their stockholders and to the public (Green, 1994; Solomon, 1996) at large by extending themselves further by making more personal contact among employees, business management, the academic community, and political groups (Trevino - Nelson, 2004). This in turn will permit corporate leaders to become influential in political affairs to an extent never before realized (Bass - Steidlemeier, 1998; Broni, 2009b; Mendonca - Kanungo, 1998).

3 The ten principles of the UN Global Compact

The UN Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption enjoy universal consensus and are derived from (http://www.unglobalcompact.org/aboutthege/thetenprinciples/index.html, Velentzas - Broni, 2010c:121-123):

- The Universal Declaration of Human Rights
• The International Labor Organization's Declaration on Fundamental Principles and Rights at Work
• The Rio Declaration on Environment and Development
• The United Nations Convention Against Corruption
• The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

**Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

**Labour Standards**

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining:

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and


**Environment**

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

4 Conclusions

When business people speak about "business ethics" they usually mean one of three things:

(1) avoid breaking the criminal law in one's work-related activity;
(2) avoid action that may result in civil law suits against the company and
(3) avoid actions that are bad for the company image.

Businesses are especially concerned with these three things since they involve loss of money and company reputation.

In theory, a business could address these three things by assigning corporate attorneys and public relations experts to escort employees on their daily activities. Anytime an employee might stray from the straight and narrow path of acceptable conduct, the experts would guide him back. Obviously this solution would be a financial disaster if carried out in practice since it would cost a business more in attorney and public relations fees than they would save from proper employee conduct. Perhaps reluctantly, businesses turn to philosophers to instruct employees on becoming "moral." For over 2,000 years philosophers have systematically addressed the issue of right and wrong conduct. Presumably, then, philosophers can teach employees a basic understanding of morality will keep them out of trouble.

However, it is not likely that philosophers can teach anyone to be ethical. The job of teaching morality rests squarely on the shoulders of parents and one's early social environment. By the time philosophers enter the picture, it is too late to change the moral predispositions of an adult. Also, even if philosophers could teach morality, their recommendations are not always the most financially efficient. Although being moral may save a company from some legal and public relations nightmares, morality in business is also costly. A morally responsible company must pay special attention to product safety, environmental impact, truthful advertising, scrupulous marketing, and humane working conditions. This may be more than a tight-budgeted business bargained for. We cannot easily resolve this tension between the ethical interests of the money-minded businessperson and the ideal-minded philosopher. In most issues of business ethics, ideal moral principles will be checked by economic viability.

The more ambitious notion of Corporate Social Responsibility emphasizes the role played by firms in shaping legal rules and the outcomes of legal disputes.

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