

4. Ethics and Social Responsibility

- ▶ **Meaning & Definition of CSR, History & Evolution of CSR.**
- ▶ **Concept of Charity, Corporate Philanthropy, Ethics Relating to Environment Protection, Ethics relating to consumer protection** Social Responsibility & Business Ethics. Arguments for and against Social Responsibility.
- ▶ CSR through Triple Bottom Line and Sustainable Business, -Relation between Corporate Responsibility & Business Ethics.

Corporate Social Responsibility (CSR)

- ▶ Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public.
- ▶ By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.
- ▶ To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them.

Understanding Corporate Social Responsibility (CSR)

- ▶ Corporate social responsibility is a broad concept that can take many forms depending on the company and industry.
- ▶ Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.
- ▶ As important as CSR is for the community, it is equally valuable for a company.
- ▶ CSR activities can help forge a stronger bond between employees and corporations, boost morale and help both employees and employers feel more connected with the world around them

A Brief History of Corporate Social Responsibility (CSR)

- ▶ For decades, companies have been using corporate social responsibility (CSR) to give back to society while bolstering brand reputation. This management concept as we know it today is mainly a product of the twentieth century, taking shape in the early 1950s.
- ▶ However, the history of corporate social responsibility is one that actually spans over two centuries.

The 1800s and the Birth of Responsible Organizations

While there has been a recent spike in the popularity of CSR, evidence of businesses' concern for society can be traced back to practices originating from the Industrial Revolution. In the mid-to-late 1800s, there was growing concern about worker wellbeing and productivity among industrialists.

Growing criticisms of the emerging factory system, working conditions, and the employment of women and children were being brought to light, especially in the United States.

The consensus among reformers was that current employment practices were contributing to social problems, including poverty and labor unrest. However, industrial betterment and welfare movements at the time were viewed as a combination of humanitarianism and business acumen

The Catalyst for Modern Corporate Social Responsibility

- ▶ Although responsible companies had already existed for more than a century before, the term Corporate Social Responsibility was officially coined in 1953 by American economist Howard Bowen in his publication *Social Responsibilities of the Businessman*. As such, Bowen is often referred to as the father of CSR.
- ▶ However, it wasn't until the 1970s that CSR truly began to take flight in the United States. In 1971, the concept of the 'social contract' between businesses and society was introduced by the Committee for Economic Development. This contract brought forward the idea that companies function and exist because of public consent and, therefore, there is an obligation to contribute to the needs of society.
- ▶ By the 1980s, early CSR continued to evolve as more organizations began incorporating social interests in their business practices while becoming more responsive to stakeholders.

A Brief History of Corporate Social Responsibility

The history of CSR dates back many years and in one instance can even be traced back 5000 years in Ancient Mesopotamia around 1700 BC, King Hammurabi introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others, or major inconvenience to local citizens.

In Ancient Rome senators grumbled about the failure of businesses to contribute sufficient taxes to fund their military campaigns, while in 1622 disgruntled shareholders in the Dutch East India Company started issuing pamphlets complaining about management secrecy and “self enrichment”.

With industrialisation, the impacts of business on society and the environment assumed an entirely new dimension. The “corporate paternalists” of the late nineteenth and early twentieth centuries used some of their wealth to support philanthropic ventures.

By the 1920s discussions about the social responsibilities of business had evolved into what we can recognise as the beginnings of the “modern” CSR movement. “The phrase Corporate Social Responsibility was coined in 1953 with the publication of Bowen’s Social Responsibility of Businessmen”.

The evolution of CSR is as old as trade and business for any of corporation. Industrialization and impact of businesses on the society led to a complete new vision. By 80’s and 90’s CSR was taken into discussion, the first company to implement CSR was Shell in 1998.

The Concept of Charity

- ▶ Charity is the act of extending love and kindness to others unconditionally, which is a conscious act but the decision is made by the heart, , without expecting a reward.
- ▶ When Charity is carried out selflessly, it is a one-way act where a person gives but asks for nothing in return.
- ▶ It is due to this act of nature that makes it precious and soulful. There are people who believe charity should begin at home but others believe it should originate from the heart.
- ▶ However, charity originates from the heart as you feel the urge of giving, begins from home, ultimately extending to others in the society.

Charity begins with the inward recognition of a need to show compassion to others whether consciously or unconsciously.

Everyone has problems, troubles, and griefs of some sort in life but charity starts with those who learn to downplay their own problems, in order to extend compassion, kindness, and love to help others.

Hence some people set aside their own pains to relieve the pain of others.

Purpose of Charity

- ▶ Charity is essential and therefore meant to be done for public benefit, relief and to provide assistance to people at times of need in any part of the world, especially who are the victims of war, natural disaster, catastrophe, hunger, disease, poverty, orphans by supplying them with food, shelter, medical aid and other fundamental needs.
- ▶ Such charitable purposes can gain momentum from advancing the education of young people for the public benefit by making grants and awards to students in full-time education.
- ▶ When considering poverty in the developing world, people feel deep sorrow but seem to put no effort whatsoever to reduce or eradicate the problem. Poverty in today's world has turned out to be sinister and we lay passive towards the problem, therefore such attitude has made us powerless to stop it.

Corporate Philanthropy

- ▶ **Corporate philanthropy** involves the act of donating to a charity or a foundation whose mission is to fight a cause and deliver social impact.
- ▶ The donations can consist of monetary help as well as in-kind contribution.

Breaking Down Corporate Philanthropy

- ▶ The term philanthropy comes from ancient Greece and literally means “love for the humankind”.
- ▶ In the past, this practice was narrowed down to moguls’ big donations.
- ▶ Those had the primary goal of showcasing the donor’s good heart and sensitiveness.
- ▶ Over time, the concept broadened until including corporate social initiatives, growing from a donation-based notion to a richer and deeper framework.

While philanthropy can employ different techniques, one way most companies donate to charity is through matching gift programs.

The latter consists of acknowledging how much the employees are donating. And then matching the amount, doubling or tripling it.

Collective imagery sees **corporate philanthropy** as an activity that can have a positive impact on the organization's brand image. Also, it can be a powerful point of differentiation. Nevertheless, it's important to underline that the pure act of donating profit shares is not enough.

Big and successful companies need to truly believe in the **causes** they are supporting. They must show interest and raise their voices. Moreover, stakeholders are interested to see how they can integrate donations and grants with their overall business model.

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In summary, **philanthropy** nowadays is not pure charity anymore. It needs to showcase the company's own identity and mission in order for it to be effective and praised.

Why is corporate philanthropy different from CSR?

- ▶ We often use both concepts in the same way. But there are some differences.
- ▶ Corporate philanthropy is meant to be driven by a desire to make a social change. The company just makes donations of property or money to have an impact and improve their brand image. But it isn't involved in the corporate main activities.
- ▶ Corporate social responsibility, on the other hand, is really integrated into the company's activities and identity.

Ethics Relating to Environment Protection

- ▶ Environmental ethics is a branch of ethics that studies the relation of human beings and the environment and how ethics play a role in this.
- ▶ Environmental ethics believe that humans are a part of society as well as other living creatures, which includes plants and animals. These items are a very important part of the world and are considered to be a functional part of human life.
- ▶ Therefore, it is essential that every human being respected and honor this and use morals and ethics when dealing with these creatures.

- ▶ *“In environmental philosophy, environmental ethics is an essential philosophy “which reconstructs the essential types of argument protecting natural entities and the sustainable use of nature.”*
- ▶ *The main competing paradigms are anthropocentrism, physicalism (as well), and theocentrism.*
- ▶ *Environmental ethics exerts influence on a large range of fields including environmental law, environmental sociology, ecotheology, ecology, and environmental geography.”*

- ▶ Global warming, global climate change, deforestation, pollution, resource degradation, the threat of extinction are few of the issues from which our planet is suffering.
- ▶ Environmental ethics are a key feature of environmental studies that establishes the relationship between humans and the earth. With environmental ethics, you can ensure that you are doing your part to keep the environment safe and protected.
- ▶ Every time that a tree is cut down to make a home or other resources are used, we are using natural resources that are becoming more and more sparse to find.
- ▶ It is essential that you do your part to keep the environment protected and free from danger. It is not as difficult to do as you may think so long as you're willing to make a few simple and easy changes.

With the rapid increase in the world's population, the consumption of natural resources has increased several times. This has degraded our planet's ability to provide the services we humans need. The consumption of resources is going at a faster rate than they can naturally replenish.

Environmental ethics builds on scientific understanding by bringing human values, moral principles, and improved decision making into conversation with science.

It was Earth Day in 1970 that helped to develop environmental ethics in the US, and soon thereafter, the same ethics were developed in other countries, including Canada and North America. This is important because the ethics of the environment are of major concern these days.

What Causes Environmental Pollution

- ▶ The acts of humans lead to environmental pollution.
- ▶ The stronger demand for resources is also a factor that contributes to the problem as we all need food and shelter. When these things are so desired and need the natural balance of the environment is disturbed.
- ▶ Engineering developments are resulting in resource depletion and environmental destruction.

There are several environmental issues that have created havoc on our environment and human life. If ignored today, these ill effects are sure to curb human existence in the near future.

The major environmental issues include Pollution, Overpopulation, Industrial and Household Waste, Acid Rain, Climate change, Ozone Layer Depletion, Urban Sprawl, Genetic Engineering, Deforestation and Global Warming.

These environmental issues have taken a toll on our environment and we've already started seeing some disastrous effects in the form of the effect of health on humans, rise in sea level, depletion of non-renewable resources, melting of glaciers, extinction of species, polluted landfills, toxic dust, decreasing soil fertility, rise in air and water pollution and many more.

Human beings are considered to be the most intelligent species living on earth. This could be why it is the only species on earth that has civilized itself over the decades to a large extent. Today, human beings boast as being superior to all other animals, but what is the use of such great intelligence when environment ethics are not followed?

Cutting down trees is something that many humans do for their own benefit without any concern for the animals, which are dependent on trees for survival. Using fossil fuels erratically, industrialization, pollution, disturbing ecological balance, all these are attributable to human activities.

Environmental Ethics and Environmental Philosophy

Environmental ethics has produced around environmental philosophy. Many scientists have taken up the belief of the philosophical aspect of environmental hazards, thus giving rise to environmental ethics. Currently, environmental ethics has become a major concern for mankind.

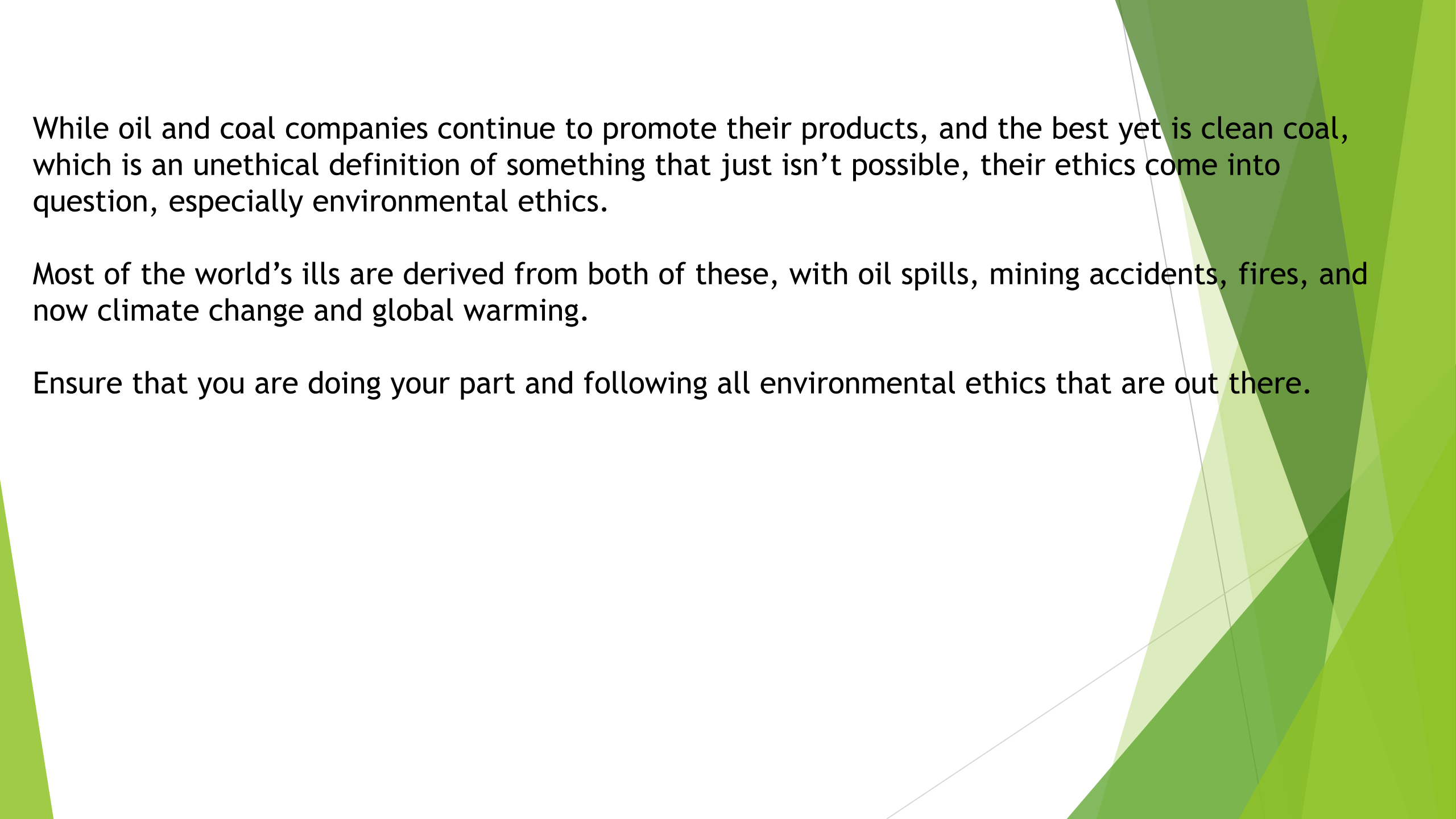
The industrialization has given way to pollution and ecological imbalance. If an industry is causing such problems, it is not only the duty of that industry but all the human beings to make up for the losses. But how long an artificial and restored environment will be able to sustain?

Will it be able to take the place of natural resources? Environmentalists are trying to find answers to these difficult questions, and all these together are termed as environmental ethics.

It is the responsibility of all to ensure that environmental ethics are being met. It is somewhat difficult to make adjustments that are necessary to ensure that you are following all environmental ethics.

Ethics plays an important role in our society today, and environmental ethics and business ethics must be considered. This has become more prevalent in today's society.

Both oil and coal are bad, but not only for the environment, but for all living creatures, including plants and animals. Both are highly toxic in their natural raw state. They pollute the air and ground and water, and whether or not they are helping to create these natural disasters should be irrelevant. They are both finite and will not last forever, and the sooner we rid ourselves of the need for these two demons, the better.



While oil and coal companies continue to promote their products, and the best yet is clean coal, which is an unethical definition of something that just isn't possible, their ethics come into question, especially environmental ethics.

Most of the world's ills are derived from both of these, with oil spills, mining accidents, fires, and now climate change and global warming.

Ensure that you are doing your part and following all environmental ethics that are out there.

Environmental Ethics and Its Principles

- ▶ There are several approaches or principles to determine how we are to value our environment.
- ▶ It is such a huge field, and it is so vast that it is difficult for one principle to cover all the ground.
- ▶ Many theories have emerged over the years, and each one has stressed on various principles of environmental ethics.
- ▶ The list below states all the principles that have been predominantly found in those theories.

1. Anthropocentrism

It suggests that human beings are the most important beings. All other living beings are but accessories that would assist in their survival. Now, there are two further divisions of anthropocentrism. They are weak anthropocentrism and strong anthropocentrism.

While weak anthropocentrism believes that human beings are the centre because it is only through their perspective that environmental situations can be interpreted.

Strong anthropocentrism, however, believes that human beings are at the centre because they rightfully deserve to be there. Peter Vardy made this distinction.

2. Non-Anthropocentrism

As opposed to anthropocentrism, non-anthropocentrism, this principle gives value to every object, every animal in nature. It is a principle that believes in everything that sustains itself in nature.

3. Psychocentrism

Psychocentrism is the principle that believes that human beings hold more value in the environment since their mental capacities are better developed and far more complex than any other element in the environment.

4. Biocentrism

It is a term that holds not only an ecological but also a political value. It is a philosophy that imparts importance to all living beings. In terms of environmental ethics, biocentrism is the principle that ensures the proper balance of ecology on the planet.

5. Holism

Holism considers environment systems as a whole rather than being individual parts of something. It considers these environment systems to be valuable.

6. Resourcism

The principle of resourcism says that nature is considered to be valuable only because it has resources to provide with. Thus, nature ought to be exploited.

7. Speciesism

The principle of speciesism justifies the superiority of the human race. Thus, it also justifies the exploitation and maltreatment of animals by humankind.

8. Moral Considerability

This, too, is an important principle of environmental ethics. Intrinsic value is added to every being, which makes us consider being moral. Moral considerability towards a being means that we agree that all our interactions whatsoever with the being is bound by moral laws.

9. Instrumental Value

The instrumental value is the value imparted to a being as long as it can serve us with resources.

10. Intrinsic Value

Intrinsic value is the value attached to a being just for itself and not only for its resourcefulness.

11. Aesthetic Value

Aesthetic value is imparted to a being by virtue of its looks or its beauty.

12. Animal Liberation or Animal Rights

As is evident from its name, animal liberation or rights try to secure animal life and ensure their welfare by enforcing certain laws.

13. Animal Welfare

It ensures that the animals are treated well and humanely.

Types of Environmental Ethics

With the emergence of several theories, several environmental ethics have emerged. While some protect human beings, others protect plants, animals and other elements of nature. The types include:

Social ecology, which is the study of human beings and their relation to their environment.

Deep ecology promotes that all beings have an intrinsic value.

Ecofeminism is a branch of feminism that helps us look at earth as a woman so that we can respect it in a better way.

Role of Business in Environmental Protection

- ▶ The environment is everything we depend on. Whether it be the trees that give us oxygen, the land we live upon and the rivers that provide us with water. The environment is crucial for the society and businesses together. We all have a responsibility to conserve and protect the environment.
- ▶ And whether it be governments, businesses, consumers, workers or other members of society, each must contribute to stop the environment from polluting further.
- ▶ Governments must initiate programs to ban the use of hazardous products such as plastic carry bags. Consumers, workers and society can support environmental protection by not using these hazardous products or other products that are not environmental friendly.

Business enterprises should take lead in solving environmental issues. It is their responsibility to check the consequences of their actions and also to protect environmental resources. Some initiatives which can be taken by business enterprises for environmental protection are:

- A sincere commitment by the top management of the business to cultivate, maintain and develop work culture for environmental protection and pollution prevention.
- To ensure that the commitment towards environmental protection is shared by all the employees of all the divisions of the business.
- Developing clear-cut policies and programmes for purchasing good quality raw material, using latest technology, using scientific techniques of disposal and waste management and to develop the skills of the employees for the purpose of pollution control.

- To adapt to the laws and regulations passes by the government for the prevention of pollution.
- Participation in government programmes relating to the management of hazardous substances, clearing up of polluted water bodies, plantation of trees and to reduce deforestation.
- Assesment of pollution control programmes in terms of costs and benefits to increase the progress with respect to environmental protection.

- Also businesses can arrange workshops and give training material and share technical information and experience with suppliers and customers to get them involved in pollution control programmes.
- Promoting green energy that reduces the use of fossil fuels.

The Ethics of Consumer Protection

CONSUMER—AN IMPORTANT STAKEHOLDER

Consumers are often given a raw deal by way of substandard products, increased prices through market manipulation, failed warranties, poor after-sale services and a host of other unfair trade practices.

This is in spite of the fact that the consumer is regarded as the king who through the market forces dictates the quality and quantity of goods, and leaders like Mahatma Gandhi consider him as the sole purpose for which an enterprise exists. Good business ethics should place the customer as one of the important stakeholders and should give the customer his or her due share.

Ethics relate to what is morally right and wrong and businesses have to make ethical decisions. How they treat their customers is part of the wider field of 'business ethics'. Other ethical issues include how businesses deal with their suppliers (Do they pay a fair price? What are the working conditions like in their overseas factories?) and their workers.

Many of the practices that consumer protection laws seek to ban are unethical. Giving false information about a product (e.g. claiming eggs to be free range when they are not or stating that a garment is 100% silk when it isn't), putting pressure on a consumer to purchase something or supplying poor-quality goods that break easily are all examples of unethical behaviour on the part of businesses.

Whether you're purchasing goods or services, or buying your first car, we as consumers expect honest negotiations in all aspects of our environment. Such expectations may be based on morals and values of common courtesy, but the concept goes much deeper than that. The development of consumer rights and protections in a wide range of industries and fields may be the difference between the success and failure of a business.

For example, topics involving privacy rights, safety, and product reliability are important parts of developing marketing and advertising plans.

Ethical issues surround nearly every aspect of the goal of any business: to increase stocks, backing, reputation, and most importantly, profit. While the pricing of products is an important part of sales and product placement, advertising and marketing

Consumers demand certain rights, from the expectation of honest and fair practices in the world of banking, to the warranties that cover our appliances and automobiles. We expect to be protected when signing a lease agreement or purchasing a product off a store shelf. We want to be protected against scams and rip-offs and to be able to report such behavior to the proper authorities. Nearly every aspect of our daily lifestyles involves some sort of reliance on ethical business practices, whether we realize it or not. We expect to pay a fair price for groceries and gasoline. We expect our privacy to be respected when we visit our doctor's office, and we expect honest and fair practices from mortgage companies and financial institutions.

Our expectations have become so ingrained that many business, retailers, and suppliers have had to adapt production and advertising methods to cater to these expectations.

When it comes to advertising and marketing, adherence to basic business ethics is essential for success. Unethical methods of advertising that include deceit, outright lies, or manipulation, may threaten the reputation and success of a manufacturer, a product, or service. Unfortunately, this does not mean that deceit does not occur.

Consumers must remember there's a big difference between deceit and manipulation and persuasion. One of the most common methods of manipulation is through deceit. However, sometimes manipulation is subtler, involving some sort of psychological threat or engendering fear in someone in order to get them to do what you want them to do. Such psychological manipulation instills fear, guilt, or anxiety into some aspect of the business transaction.

This type of marketing is prevalent today, and remains one of the focal points of the practice of business ethics. For example, watch the television on any given evening, and viewers are likely to be inundated with advertisements for everything from aspirin to heart medications. Playing on a person's ignorance or lack of understanding of certain medical conditions

Whether a product is toothpaste or a therapeutic heat patch, consumers are led to believe that one product is better or safer than anyone else's. Indeed, many experts believe that marketing and advertising agencies focus on target populations that are especially susceptible to such manipulation.

And what of manipulation? We all practice it to some degree in our daily lives. Playing on your son's guilt to take out the trash is a form of manipulation. Diet pills targeted toward women with less than perfect bodies is also a form of manipulation. When exactly does manipulation turn into unethical behavior?

Marketing practices that cater to the fears and anxieties of others can be considered unethical. For example, an auto dealer who pressures a single or divorced woman to purchase all sorts of add-ons when buying a car, including things like extended warranties and theft protection, while playing on her fears of

Business ethics is a complicated field and, because ethics relate to opinions, there is sometimes disagreement over whether a particular practice is unethical or not.

Marketing in particular can cause disputes in this area. For example, some stores display sweets at the checkout. This is regarded as unethical by some because it encourages 'pester power' (children repeatedly asking parents to buy the sweets for them). As sweets are unhealthy food, this practice can be seen as unethical. However, others argue that people have a choice whether they purchase them or not and it is up to parents to educate their children about healthy foods.

Some businesses have tried to reinvent themselves because their marketing has been labelled unethical. McDonalds 'supersize' was once a marketing winner, but with increased worries about people's weight problems, the campaign was dropped. McDonalds now focus a large part of their advertising and product development on healthier meals.

Ethics relating to consumer protection

In order to understand the correlation between consumer rights and business ethics, one looks once again to the Golden Rule. Consumers expect to be treated with courtesy and respect. Therefore, in order to encourage sales, business managers pay close attention to consumer opinion polls, feedback, and attitudes. This has evolved into basic understandings of consumer rights and protections that have been developed through the years in order to encourage a positive relationship between business management and consumer demand.

- The Right to Be Informed
- The Right to Choose
- The Right to Safety
- The Right to Be Heard
- The Right to Have Problems Corrected
- The Right to Consumer Education

Social Responsibility & Business Ethics

A global trend is the greater awareness of good Business Ethics and the performance of organisations against their Social Responsibility obligations.

Failing to understand and recognise the importance of these issues may prove to be a business killer, particularly when an organisation gets it wrong. The speed and transparency of modern media are unforgiving.

By contrast, greater public expectation and awareness of what is right and wrong, the basic foundation of the ethical principles, enables organisations which demonstrate solid ethical and responsible foundations to strengthen their reputation, and by so doing, increase their market share, improve staff retention and generally, get to feel good about themselves

Social responsibility

Like individuals, organisations have a responsibility towards the wider impact that decisions taken today will have on generations to come.

Short-term gains at the expense of longer-term problems is not acceptable.

Social Responsibility is a crucial part of business ethics. A responsible organisation considers and recognises the impact that its decisions and activities impact on society and the environment; and behaves in a manner that positively contributes to the sustainable development.

It is an expectation than organisations will not exploit people or the environment in the pursuit of profit, behaving and conducting business ethically and with sensitivity towards social, cultural, economic, and environmental issues.

This can entail designing products which are recyclable or energy efficient. It can be the adoption of lean manufacturing processes to eliminate waste or sustainably sourcing raw materials.

Revisiting safe working practices and ethically managing supply chains to eliminate abuse are simple steps towards improving social welfare.

Organisations that act responsibly and demonstrate social awareness should benefit from the support of the society which it helps to improve