

Entrepreneurship, Ethics, And Corporate Social Responsibility

Ms. Mary Louisa, A.,
Patrician College

ABSTRACT

Social responsibility is an idea that has been of concern to mankind for many years. Over the last two decades, however, it has become of increasing concern to the business world. This has resulted in growing interaction between governments, businesses and society as a whole. In the past, businesses primarily concerned themselves with the economic results of their decisions. "Today, however, businesses must also reflect on the legal, ethical, moral and social consequences of their decisions". This paper will discuss the **concept of corporate social responsibility**. It will give the definition of the phrase, and identify some of the global factors that necessitate corporate social responsibility. It will discuss the importance of corporations setting up corporate social responsibility projects, and the impact these have on society. Social corporate responsibility and the maintenance of high ethical standards is not an option but an obligation for all business.

Keywords: CSR, ethics, multi corporations, sustainability, society,

INTRODUCTION

Corporate Social Responsibility means the way in which **business firms integrate** environmental, economic and social concerns into their culture, values, strategy, decision making and operations in an accountable and transparent manner and, therefore, leading to better creation of wealth, an improved society and better *practices in the business organization*. Activists, the media and governments all over the world have become adept by holding their organizations or enterprises to account for the social impacts of their actions. It is in this response that the use of Corporate Social Responsibility (CSR) has emerged to be one of the inescapable top priorities for various business leaders or managers all over the globe. However, the fact remains that many current approaches to Corporate Social Responsibility are quite disconnected from the initial strategy of various companies or firms using it. In order for business enterprises to contribute significantly towards their key competencies, then they should treat Corporate Social Responsibility as something that is central and vital towards their business strategy.

Corporate social responsibility is no longer defined by how much money a company contributes to charity, but by its overall involvement in activities that improve the quality of people's lives. Corporate Responsibility has come up as a significant subject

matter in the international business community and is progressively becoming a mainstream activity. There is mounting recognition of the momentous effect the activities of the private sector have on *the workforce, clientele, the society, the environment, competitors, business associates, investors, shareholders, governments and others groups*. It is also becoming progressively clear that organizations can contribute to their individual wealth and to overall community wealth by taking into account the effect they have on the entire globe when making decisions.

Ethics of multi-corporations involves actions that are morally upright. It is common knowledge that most of the activities corporations are engaged in may not meet the required ethical standards. This is because, many businesses tend to focus on profit making rather than any other thing. Business ethics is an upcoming issue mainly due to the sheer number of persons involved. The actions of a few persons may seem safe on a small scale but on a large scale, such actions could be devastating. An example of such situations that may be considered unethical is the firing or employees to keep the profit margin of a company high. In the wake of the financial breakdown, many people lost their jobs. Most of the persons who lost their jobs included civil servants who are middle class persons. In order to ensure that the corporations save some money, most of these

workers were laid off. Such an action is considered unethical. This is because; even though the companies are somehow at a loss, the firing of all those employees means that so many people are going to suffer. The multi-corporations could definitely live with the loss incurred but would rather avoid that by firing a number of their workers.

Businesses are an essential part of the society within which they operate. Excellent executives are aware that their long-term prosperity is founded on sustained good associations with a broad range of persons, groups and organizations. Intelligent organizations know that businesses can never be prosperous if they operate within societies that are unsuccessful. This is regardless of whether the society is failing due to social, governance or environmental challenges. Furthermore, the common public has lofty expectations of the private sector with regard to responsible and ethical behavior. Consumers expect goods and services to mirror socially and environmentally accountable business conduct at reasonable prices. Shareholders also are seeking improved financial performance that interlinks social and environmental elements, as regards the opportunities they present .

There are several factors which explain the growing interest in corporate social responsibility. The first factor is the new concerns and expectations of citizens, consumers, public authorities globalisation and industrial change. The second factor is the increasing influence of social criteria on the investment decisions of individuals and institutions, as investors or consumers. The third factor is the growing concern about environmental degradation. This is a particularly important concern given the fact that **environmental conservation** has become an **increasingly significant** for everyone in society today. With multi-corporations raking in millions, it is only justified that they give back to the community. The wanton disregard of the environment by a few companies when it comes to handling of industrial waste, the use of recyclable paper or sheer indifference when it comes to environmental protection is shocking. As aforementioned, corporate social responsibility involves activities that give back to the community, or ensure fairness in the running of activities (Crowther and Rayman-Bacchu 69).

The protection of the environment has become the center stage of many humanitarian organizations. Most of these humanitarian organizations argue that the protection of the environment should be the key concern of any corporation. This is because; the environment is the only natural resource that is invaluable to the human race. The issue of handling industrial waste by many corporations has always been at the forefront of many environmental organizations. This is because; corporations are guilty on more than one accord of irresponsibly handling their waste. Evidence such as the *great pacific garbage patch* exists to show how many corporations are not handling the dumping of waste seriously. The great pacific garbage patch is a myriad of human waste that has found its way into the ocean after being improperly dumped. The great pacific garbage patch leads to problems such as loss of aquatic life and the contamination of the water not mentioning the introduction of many pollutants into the water (Werther and Chandler 55).

Corporate social responsibility makes it clear that it is certainly unethical for these corporations to be making profits at the expense of the environment and other aspects of the human life. Corporate social responsibility makes it clear that corporations should therefore find better ways to handle their waste disposal. Even though it is currently not clear on what is the best way to handle some waste such as hot water, responsibility means that before waste is disposed, it should pass some tests. The tests could ensure that the waste is safe for disposal and would not in any way harm human beings and other life. Corporate social responsibility is therefore viewed as a control mechanism to ensure that multi-corporations are responsible for their actions (Werther and Chandler 70).

The global financial meltdown uncovered many social norms previously unimagined. The number of people who lost their jobs due to the financial situation is appalling. Interestingly, this does not mean that multi-national corporations are necessarily suffering. Most of the established companies with branches all over the world took the excuse of the financial breakdown to benefit. All of a sudden, it was okay to lay off people on the pretext of financial gloom. This means that a few people were benefiting from the woes of a thousand more. The issue of corporate social responsibility presents itself in this

situation in that, the multi-corporations are run by a board of governors.

The board of governors is usually composed of a few individuals that call all the shots. It is common knowledge that these corporations employ a huge number of persons in many sectors of the economy. When the profits of these gigantic companies fail to reach a certain goal, the running costs of the business have to be checked. This is why, the few persons at the top, not wanting to lose, resort to firing some people. This is done so as to maintain the profits at a certain level. The problem is that when all of the multinational companies resort to firing a few employees, the net effect is that, a large number of persons end up losing their jobs.

Corporate social responsibility ensures that corporations the world over are engaged in other activities that give back to the community (Crowther and Rayman-Bacchu 172). Many activities that are considered helpful include; organizing activities that seek to involve the community in such events as fund raising for the needy, events that seek to help out the disadvantage in society and other similar activities. In the financial and corporate world, corporate social responsibility is given with a positive impact on performance. There are, however, several factors that show the need for corporate social responsibility. The first factor is population. The expanding population in developing regions will create larger markets dominated by younger individuals with questionable access to the developed world's standard of living. Statistics show that more than eighty five percent of the world's population will live in developing countries by 2025 (Crowther and Rayman-Bacchu 165). This presents a challenge to companies seeking to involve themselves in corporate social responsibility, since it is clear that a lot of financial support will be required for these populations.

The second factor is wealth. Despite the fact that global wealth is rising, the income gap has grown wider, threatening civil society. Seventy eight percent of the world can be classified as poor, with eleven percent in the middle class, and only eleven percent can be classified as rich. Each and every company should strive to be involved in attempting to balance this distribution of wealth. The trend of the rich growing richer while the poor grow poorer should be eliminated, since it is unethical for some people to have so much, and others to have nothing at all. The

third factor is nutrition. There are millions of people who are malnourished, amidst an abundance of food. Thousands die of hunger every year, while rich corporations blow millions on fancy holidays for their executives. It is crucial for each company to take time and reflect on the finances it spends on benefits for its executives, as compared to that spent on helping the needy in society. While these benefits are vital for employee motivation, they *should not be taken overboard* at the expense of the suffering masses.

Education is another critical factor that should be considered in the design of corporate social responsibility programs. Basic education is widespread, but opportunities for learning continue to elude many. Over one hundred million children are not in school, with ninety seven percent of these being in developing countries. One in every five adults globally is illiterate, which are staggering figures given the widespread opportunities to learn available today. Corporate are faced with the challenge of promoting education by setting up schools, and funding educational development programs. Education can also be encouraged by taking in interns and trainees and giving them an opportunity to learn the tricks of the job, which will enable them compete fairly in the corporate world (Crowther and Rayman-Bacchu 169).

Other suggested strategies to attain the GOAL 8 of UNDP framework, PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

Roles played by business educations towards the development of CSR:

According to CEEMAN, an International management development association, social competencies are building for students in *various business schools* all over the world. These business schools offer relevant educational concepts with an aim of building the trainees' or students social competences. This is done through covering the principal methods and approaches which are used in enhancing the trainees' social, corporate responsibility levels in the course of their professional training as future business managers or leaders.

Through the exploration of various issues, which are related, to **academic activities** of

business organizations and through the teaching of various socially significant business disciplines, this ensures that these students who will become business leaders or managers are not only equipped with knowledge on improving their managerial culture but also enhances their understanding on the crucial role played by CSR in business enterprises. Goldeye (2011, p. 1) concludes that the social aspect is one of the leading professional competence of any business manager or leader since it is through it that a leader's activities can be assessed through the effectiveness of such a *leader's interaction with staff*, owners, the state and business partners. *Customer perceptions on loyalty based on CSR:* According to Crespo, H, et al (2005, p.1), customer loyalty and valuation of various business services is profoundly influenced by Corporate Social Responsibility. It was ascertained that Corporate Social Responsibility had a lot of influence on the customers' behavior. This was done through the identification of the *various dimensions of social responsibility* from the point of view of consumers and the weight of each of the dimension in the global construct of social responsibility. It is not, however, easy for consumers or customers to memorize and acquire information regarding a company's social responsibility.

Luo, X and Bhattacharya, C (2006, p. 1-10) argued that it was ascertained that for instance, in the mobile telephone services sector, there existed an extraordinarily strong relationship between the consumers or the clients who consumed the services and the firm due to the inseparability, intangibility, perishability and heterogeneity compared to other tangible products and, therefore, the user, not only approaches the purchase in a different manner but also establishes a stronger and direct cordial relationship with the service providers. It was from this study that it was confirmed that the multidimensional nature of CSR had an immense influence on the perception of users or customers. There was, therefore, a direct existence of relation between the perception of customers and in service valuation and social responsibility. *How CSR enhances the reputation of various business enterprises:*

According to the article by the **Harvard Law School** on Financial Regulation and Corporate governance, it was ascertained that activities, which were related, to Corporate Social Responsibility had a greater potential in the creation of various forms of value which were distinct to the customers. It was through the perception of customers towards this

value that can mediate the relationship between a company's CSR activities and its subsequent performance in finance. It is also through this article that it can be established that CSR increases a business firms' profitability due to increased loyalty of the clients, lower risks in reputation during crisis and willingness of paying the premium prices (Chandler, 2010, p.48-50). The adoption of Corporate Social Responsibility by business organizations is beneficial because it leads to improved financial performance by the company, increased customer loyalty and sales, reduced regulatory oversight, workforce diversity, decreased liability, access to capital and product safety, more ability in attraction and retention of employees by the company, lower operational costs, greater quality and productivity and enhanced brand reputation and brand image among others (Joyner and Pyane, 2002, p. 297-311).

Strategic decisions that are faced by business enterprises when trying to enhance or improve their performance of CSR:

Various business enterprises have been faced with an uphill task in making decisions of whether they should adopt and implement the use of Corporate Social Responsibility in their enterprise. However, majority of the business firms have fully supported the adoption and use of Corporate Social Responsibility because of the various benefits that arise as a result of its application. Business firms who have failed to adopt and apply the use of CSR within their midst have attributed this failure to lack of funds to enable the use of various strategies and poor management or leadership styles of the business managers or leaders.

In conclusion, this paper has shown that corporate social responsibility is a **vital element** for many business corporations. It has been shown that there are many different areas in which a company may choose to focus its corporate social responsibility. The first area of focus in corporate social responsibility is with regard to the environment. Other areas that should be considered in the development of corporate social responsibility programs are education, health, nutrition and employment. "Social responsibility investment combines investors' financial goals with their obligation and dedication to factors that ensure the well being of society such as environmental friendly practices, economic growth and justice in society". These elements are not only aspects of corporate social responsibility, but also a show of the ethical

standards of a company. It is unethical for some individuals to own so much and earn so much, at the expense of other suffering members of society. It is also unethical for companies to engage in environmentally degrading practices that result in illnesses and loss of life. It can be concluded that Social corporate responsibility and the maintenance of **high ethical standards** is not an option but an obligation for all business.

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