Research Article

Relationship between Business Ethics and Corporate Social Responsibility

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Abstract:

Due to the significant benefits of business, growing research in all areas of its ethics and corporate social responsibility has recently emerged. It is in this context that the present research work lies to explore the concepts of business ethics and corporate social responsibility with a perspective to clarify the relationship that may exist between them.

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1. Introduction

In recent year, there is a growing trend toward the value of Ethical Business and Corporate Social Responsibility to a business.

The European Commission defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment (European Commission, 2001). In this way, CSR is "about how companies manage the business processes to produce an overall positive impact on society" (K.V Bhanu Murthy, 2007). Besides, according to The World Business Council for Sustainable Development in its publication "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large". (World Business Council for Sustainable Development, 1999).

Business ethics is a "form of applied ethics or professional ethics that examines the ethical principles and moral or ethical problems which arise in a business environment" (Włodzimierz&Szántó, 2018, p.114). In the same vein, Beverungen and Case (2011) indicate that "[w]e might find that ethics in business involves a basic dislocation relating to phenomenal experiences arising when things are out of place" (Beverungen& Case, 2011).

The role and the importance of Corporate Social Responsibility and Business Ethics is evident essentially in business development. It is expected in research works speaking about the major benefits these two concepts may bring to a business. For example, and according to Lőrinczy&Sroka (2015), they may: 1) attract customers to the company's products, thereby boosting sales and profits; 2) encourage employees to adhere to the business, reducing labor turnover and therefore increasing productivity; 3) attract more employees to the business, thus enabling the company to hire the most skilled employees; and 4) attract investors and keep the company's share price high, thereby protecting the business from takeover.

The objective of this paper is to explore the Corporate Social Responsibility in the context of Business Ethics. It seeks to answer certain questions. The paper studies the CSR and Business Ethics as a concept and try to identify the relation, which can exist between them.

2. Corporate Social Responsibility (CSR)

There have been active efforts and discussions for the international standardization of CSR, such as the UN Global Compact. In 2000, the UN enacted the UN Global Compact as an international protocol, which establishes ten principles in four large areas: human rights, labor, environment, and anti-corruption and classifies CSR as an international norm. The International Standardization Organization (ISO) and the Organization for Economic Cooperation and Development (OECD) have also implemented measures to internationally standardize CSR. This work toward international standardization suggests that CSR may become the new trade barrier in the near future, requiring more active and strategic responses from firms.

As efforts toward international standardization are increasing and the environment and ethics of firms are becoming main issues domestically, a new perspective on CSR has become more prominent (Sang-Jun et al., 2019).

The concept of CSR has different terminology. It is called, social accounting, (Fernando et al., 2015) corporate citizenship, corporate responsibility, sustainable business and finally corporate social and environmental responsibility; and corporate social performance. It is interesting to observe that none of the definitions actually define the social responsibility of businesses, but rather describe it as a phenomenon. Many definitions call for a business to make a "commitment" to contribute to sustainable economic development, to work with society, and to contribute to a cleaner environment to improve quality of life without the need for coercion (Ahmadian&Khosrowpour, 2017).

Corporate social responsibilities (CSR) is divided into economic, legal, and ethical responsibilities. CSR's ideas emerged after the awareness that there is a need for an economics of responsibility embedded in the business ethics of a corporation. Hence, the old idea of laissez-faire business gives way to determinism, individualism to public control, and personal responsibility to social responsibility. Utilitarian could also be taken synonymously with instrumental theories in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results (Maimunah, 2009). Companies should not only be interested in profitability but also to the balance between trade and social responsibility.

Corporate social responsibility is a hard-edged business decision, not because it is a nice thing to do or because people are forcing us to do it, but rather because it is good for our business. Companies with a strategic outlook apply the idea of corporate social responsibility, which is reflected in their positive financial performance compared to those which do not consider CSR as a tool to increase profits.

Governments and customers are claiming more ethical behaviors from all the corporations. To fulfill these requirements, organizations integrate CSR as part of their business, mission statement, human resources strategies, laws relating to environment, norms and values as well as organizational culture in order to satisfying customer and other concerning parties.

Issues of corporate social responsibility include fair wages, working time and conditions, health care, repetition and protection against arbitrary dismissal. For many U.S. corporations, initiatives to insure the uninsured are fundamental to their CSR. In 2004, many U.S. Starbucks Coffee outlets announced that they would pay the health care benefits for all those whom they employed for more than twenty days per month.   Similar initiatives seem no longer adapted for British or German restaurant chains. Every British citizen is entitled to coverage under the National Health Service, and corporations, along with other taxpaying, contribute to this through taxation. In Germany, membership in a health insurance plan is mandatory for every employee, and the legal framework defines the value of the monthly insurance premium paid by the employer and the employee (normally a 50/50 split) (Dirk et al., 2008, p.03).

3. Difficulties in Implementing CSR

In general, there are two main drivers of CSR, public policy and business strategy, but there are as many drivers as there are firms in existence. Because firms operate in and amongst society it is only natural that they be aware of the public's demands and interests. This means that businesses have greater expectations to do provide positive outcomes while mitigating the effects of negative outcomes which would affect the public (Ahmadian, A., &Khosrowpour, S., 2017).

Since companies may operate in different geographic areas and multiple industries, social responsibility companies can vary from region to region and from industry to industry. This poses a major challenge for companies in their implementation of social responsibility. In this way, Corporate Social Responsibility and responsibility to environment are themselves large and important matters for any company today. As a benefits for society and business, it is possible, according to Tomba and Sanjoy (2013), to deal with changing public needs and expectations, moral obligation, limited resources, better social environment, etc.

Despite the importance of the Corporate Social Responsibility to business and society, some business owners do not accept to participate in social responsibility for many reasons (Tomba&Sanjoy. 2013), such as the need to maximize profit, the cost of social participation, lack of social skills, lack of accountability and inability of companies to make ethical choices.

4. Business Ethics

Nowadays, business ethics has a considerable growth in organization. It is a comprehensive term covering all ethical

issues that arise in the course of doing business. It represents rules, standards, symbols or principles that provide guidance for ethically appropriate behavior in management decisions related to company operations, and working relationship with the community. It applies to all aspects of business behavior and is relevant to the behavior of individuals and the entire organization.

With respect to ethics, they symbolize codes of values and principles that govern the action of a person or a group of people regarding what is right versus what is wrong. Therefore, ethics set standards pertains to what is good or bad in organizational conduct and decision making (Godfrey et al, 2016). It also deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility regarding the external environment.

The terms ethics and values are not interchangeable. Nevertheless, ethics is concerned with how a person should behave morally, and the values are the inner judgments that determine how a person actually behaves. Values concern ethics when they pertain to beliefs about what is right and wrong.

For companies, it is important that the strategies used in their operations are bound by the ethical standards of stakeholders which are law, policies and procedures, as well as moral standards of employees. In fact, the law is defined for society as a whole of actions that are permissible or not. It merely establishes the minimum standard of behavior. At the same time, actions that are legal may not be ethical. Therefore, simply obeying the law is insufficient as a guide for ethical behavior. For organizational policies and procedures, they serve as specific guidelines for people or employees to make daily decisions. Finally, the moral stance that employees take when they encounter a situation is not governed by law or organizational policies and procedures. Rather, a company's culture can serve either to support or undermine its employees' concept of what constitutes ethical behavior (Godfrey et al, 2016). Thus, it is clear that in its daily dealings with stakeholders, business ethics constitutes the conduct for companies.

The organization, as a legal entity and a collective of individuals, is seen as part of a larger context of living systems. One of the main basis of the normative stakeholder theory is the concept that an organization's internal process affects its identified stakeholders and must be based on moral philosophy and ethics. All decision making has to take into account the impact on all its stakeholders and must have moral worthiness of its own outside of the firm's financial profits (Mridula et al, 2014).

5. Relationship between Business Ethics and CSR

To be implemented successfully, sound ethics policy is required for companies. Therefore, companies that adhere to the highest ethical policy must communicate clearly a strong and contemporary code of ethics to employees who are formally trained in it and invited to deal with ethical challenges.

The unethical and scrupulous practices always necessitate spirituality and ethical support from management. Ethics policy is concerned with providing the assurances essential to all trust-based relationships. It does not regulate only business conduct and personal acts, but also offers an important form of liability limitation. It constitutes implicit organizational promises of performance against the set standards whether inspirational or disciplinary. Because of their inherent concern with ethical norms and policies, these policies can foster legitimate dissent by those who are at odds with the organization's performance against its set standards. Managers and leaders need to understand that ethics and integrity policies that provide a crucial expression of the organization. Ethical standards necessarily have significant implication for their role as gate keeper in relation to those standards. On the other hand, training staff and management to be ethical and spiritual is always a difficult task and comes with its limitations and disadvantages cited by NilanjanaKumari (2013). 1) Limited view regarding spirituality and management Professionals usually practices the mechanism of "insulation", keeping spirituality and management in two separate compartments, thus making it hard to implement. 2) The erosion of true traditional values through the transnational culture is created by the media. 3) It is a time taking and costly process for business to shift from market economies to the process of humanization. 4) The growing rate of inflation and recession at times forces people to adopt unethical practices for earning their living. 5) At times it is also criticized on the ground of being

vague and a form of delusion which denies reality. 6) The criticism also extends to the practice of using authority and power by management and leaders to impose spiritual and religious beliefs on employees. 7) Lastly, it can also be used as a form of control through which management can manipulate their employees.

Hence, and according to the vital role that represents ethics for business and for the corporate social responsibility, it is possible to distinguish a relation between business ethics and corporate social responsibility. Moreover, the interpretation of theory in business literature and society considers that both CSR and business ethics are the same. In fact, both corporate social responsibility and business ethics are part of the other, which means that business ethics are part of corporate social responsibility or vice versa (Schwartz, M., & Carroll, A. 2008).

The concepts of work ethics and social responsibility are distinct Matches. However, they are often used to refer to the same argument or symbol. The term business ethics is supposed to be "a combination of two very familiar words, business and ethics." (Dimitriades, Z., 2007, p.2).

Entrepreneurs may approach or exceed traditional ethical standards in the pursuit of corporate social responsibility.

The call to align E&C and CSR in practice is mirrored by calls from scholars to better define the conceptual relationship between business ethics and CSR in the aim to better support theory development (Schwartz & Carroll, 2008). While still contested, most scholars interpret business ethics and CSR as having a close relationship.

The normative stakeholder theory in CSR which draws its philosophy from Ethics, affirms that business corporations are "morally" responsible to look after the concerns of a larger group of stakeholders which could include owners, customers, vendors, employees and community rather than its stockholders i.e., the owners of the business alone.

Corporate responsibility to stakeholders is described as a fundamental principle of business ethics, and corporate social responsibility is focused on beneficial outcomes for stakeholders. Broadly defined work ethics include ethics, integrity and values, while a narrowly defined one focuses primarily on law and compliance. Corporate social responsibility stems primarily from management literature. Besides, while the early focus was on reducing harm to stakeholders, "it seemed to have shifted over time to the idea of" doing good "for society at large (Schwartz, M., & Carroll, A. 2008). The meanings associated with business ethics (BE) and CSR are illustrated in the following table as indicated by Angeli Elizabeth Weller (2016).
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Table 1 Meanings associated with BE and CSR

	Narrow Definition	Broad Definition
CSR	Reduce harm To stakeholders	Doing good for society
BE	Complying with the law and corporate standards	Incorporating, Ethics , integrity and values

6. Conclusion

Business Ethics and Corporate Social Responsibility have always been a preoccupation of research works and present topic of debates. The objective of this paper was to present a literature review about the concepts of CSR and Business Ethics and the main relationship that we should consider as a major factor of the development of business and society. Indeed, the aim of the present paper is threefold. Firstly, it aims to define the concept of Corporate Social Responsibility. Then, it tries to explain the Business Ethics. Finally, it examines the issue relating to the relation

between these concepts.

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