

# Chapter 14

## Corporate Social Responsibility and Ethics in Management in Light of Sustainable Development

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### ABSTRACT

*This chapter introduces the concept of corporate social responsibility and argues that it offers potential contributions to sustainable development by bringing incentives for corporations to act socially responsibly. This chapter continues by exploring the theoretical framework including conceptualizations and the historical perspective of the concepts. It then introduces related terms such as ethics, business ethics, sustainability, and development. As a result, the chapter discusses corporate social responsibility and ethics in management in light of sustainability and development. The conclusion reflects on possible weaknesses, limitations, and challenges to corporate social responsibility and ethics as the primary actors for sustainable development.*

### INTRODUCTION

Corporate social responsibility (CSR) and ethics have attracted worldwide attention and acquired a new resonance in the global economy because of the events such as the collapse of Enron, the global financial crisis of 2008 through a failure of corporate governance and business ethics, the advent of international trade creating business complexity, the concern about a sustainable future including global warming, climate change and

ecosystem degradation and societal problems like threats to cultural diversity and widening economic gaps within and among nations (Price & van der Walt, 2013; Smit, 2013; Jamali & Mirshak, 2006).

Development can be defined as eliminating poverty, unemployment and inequality. Sustainability is associated with satisfying a national economy's needs for natural resources without compromising generations (Luke, 2013). Sustainable development is defined as "development that meets the needs of present without comprising

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the ability of future generations to meet their own needs” (UN Brundtland Report, 1987). The concept of sustainable development has become widespread amongst governments, politicians, corporations and other organizations throughout the world. As a response to the challenge of sustainable development, corporations have shown a growing interest in integrating their efforts regarding management of environmental and social issues (Oskarsson & Malmberg, 2005).

Governments and the agencies grouped under the umbrella of the United Nations (UN), World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank (WB) have failed in their attempts to get rid of underdevelopment. Large corporations and enterprises with their power and economic strength have taken a dominant position in societies assuming much more responsibility for development (Hopkins, 2007). In fact, large corporations and enterprises could easily be the main driver for development in the near future if there is a tendency for getting involved in development.

Today, there is a growing perception among enterprises that success cannot be achieved solely through maximizing short-term profits. The growing importance of CSR and ethics on business success and positive impact on society is accepted by the enterprises (İyigün, 2013). Sustainability, as everyday CSR policy and practice, emerges as a decisive new managerial aspiration. Sustainability not only has an interdisciplinary structure, which includes environmental, economic and social dimensions, but it also includes political and pragmatic variables as well (Tutulmaz, 2012). This shows that a management approach to CSR and ethics is needed in order to achieve sustainability, which reflects the relationships that underlie ecological, economic and social concerns (Luke, 2013; Trevino & Nelson, 2011).

CSR may be defined as a commitment undertaken to enhance the social welfare by means of optional business practices and enterprise resources (Kotler & Lee, 2006). The notion of ethics

comprises in itself the concepts of integrity, honesty and responsibility (Ardelean, 2013). Ethics can be defined as a guide to moral behavior based on culturally embedded definitions of “right” and “wrong” (Werther and Chandler, 2006). Specifically, business ethics could be defined as the inherent conflict between ethics and pursuit of profit (Velasquez, 2002). Business ethics tries to reveal which behaviors are acceptable about the activities of organizations within the framework of a reciprocal relationship between ethical principles and activities by requiring respect and fairness for the employees (Bayraktaroğlu & Yılmaz, 2012).

It has been agreed upon by many researchers that moral and ethical issues have been aroused with the social life and these issues have been admitted as a set of rules that organize the behaviors of individuals and organizations in society (Mirze, 2010). One of the biggest challenges that we face in today’s world is not only economic strength but also political and social power held by the enterprises and large corporations that could be used for their own benefits in contrast with the society’s (Dinçer, 2013). In the modern world, the economic activities of large corporations are interconnected with the general economy of the world. Thus, managers running these large corporations and enterprises have to be more accountable than in the past (Tayşir & Pazarcık, 2013).

This chapter aims to serve as an impetus for multidisciplinary research and further discussion on the managerial implications of CSR and ethics in light of sustainable development. With this perspective, possible reasons of why corporations should be involved in sustainability and development and related theories from the literature in order to reveal the underlying dimensions in ethical decision-making will be discussed.

## **BACKGROUND**

The western model of economic growth, based on efficiency and unlimited growth has failed in pro-

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