

# Chapter 15

## Corporate Ethics and Social Responsibility

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### ABSTRACT

*Ethics and Social Responsibility in business and government today are very important subjects. These are talked about frequently and addressed in the news when unethical decisions are found. There needs to be an overall intent to be ethical and socially responsible in today's business environment in order to stay successful. Ethics are an individual belief system that consists of knowing what is right and wrong. Ethics can vary person to person. Ethics is in part analyzing decisions, beliefs, and actions. This paper is a study on ethics and social responsibility in today's organizations. This paper will explore the various aspects of how to establish ethics at the workplace, and responsibilities of the organization towards society. It also helps in knowing the importance of ethics and social responsibility in the organization.*

### INTRODUCTION

In the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state and the society. No longer can firms continue to act as independent entities regardless of the interest of the general public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realize the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be molded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes.

Firms all over the world are beginning to grasp the importance of intangible assets, be it brand name or employee morale. Only firms that have gained the goodwill of the general public and are ideal corporate citizens will be to develop these intangible assets into strategic advantages. Many researchers have hypothesized that Social Responsibilities in emerging economies is still in a very nascent stage

and suitable mechanisms do not exist to ensure that companies practice Social Responsibilities with anything other than a charitable outlook.

In business today there are many instances of corporations that act from an ethical standard. In the wake of scandals it is more important than ever that company make an effort to push out improper behavior and practices. The importance of ethics in business is seen all the way into the structural natures of businesses. It is not just a notion that you have; it is in the way a business operates that can show the importance of ethics in your company. The dedication to ethics must come from the highest ranks of the organization. In order to have a principled company, you must have a principled leadership. (Berenbeim, 1992). "The Corporate Ethics Test". *Business and Society Review*, 31(1), 77-80).

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### **Define Ethics and Social Responsibility?**

World Business Council for Sustainable Development (WBCSD) defines Social Responsibility as "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 community and society at large."

The European Commission advocates Social Responsibility as "Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders."

Social responsibility has to do with the social conscious of an entity or corporation. It also deals with the citizenship and public spirit of the company. It is a common standard of justice. Ethics play an important role in social responsibility. The keys issues involved are the health and safety of every employee. It is a responsibility for every organization to offer the employee peace of mind. Social responsibility is an ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals. (Brenner 1992). "Ethics Programs and Their Dimensions". *Journal of Business Ethics*, 11,391-399).

Freescall company has been named one of the 2010 World's Most Ethical Companies by the Ethisphere Institute.

### **Dimensions of Social Responsibility and Ethics**

The Green Paper (2001) by the Commission of the European Communities identifies two main dimensions of Social Responsibility, an internal dimension relating to practices internal to the company and an external dimension involving the external stakeholders.

#### **Internal Dimension**

This relates to practices internal to the company which need to be modified to incorporate social responsibility practices. The various components of the internal dimension of Social responsibility are shown in Figure 1.

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