Chapter 5
Business Judgement Rule and Corporate Social Responsibility

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ABSTRACT

The business judgement rule provides protection for directors against claims for damages when making business decisions. The rule allows governing bodies to operate without fear if they have acted in good faith. Effectiveness of corporate governance and social responsibility go hand in hand. CSR is also a coherent force of modern entrepreneurship and is the right answer to today's challenges. CSR brings reassurance to society, as it advocates both free economic initiative and social responsibility for environmental, social, and universal social issues. Above all, the social responsibility of entrepreneurs and businesspeople is in their interest, as it raises awareness of the importance of their work and the contribution they make to the community. So, companies which accept CSR are more successful. These are positive synergies within society. CSR is the way of governance (societal and corporate) that takes into consideration social consequences of governance decisions as equally important as economic ones (capital gain).

CSR SYNERGIES AND BUSINESS JUDGEMENT RULE

CSR and the Business Judgement Rule are two important principles that influence how companies operate and are governed. CSR refers to the necessary steps that companies take to have an impact on society and the environment that goes beyond legal requirements and shareholders' interests. This can include environmental care, ethical business, respect for human rights, investing in the local community and so

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on. However, the Business Judgement Rule is a principle that requires companies to consider not only financial indicators but also socio economic and environmental factors in their decisions. This means that companies should consider the overall impact of their activities on different parts of society and the environment, not just profit.

The link between CSR and the Business Judgement Rule is that both principles encourage companies to think about their impact on society and the environment and to act responsibly. Companies that follow the CSR principle also integrate socio-economic and environmental factors into their business decisions, which is consistent with the Business Judgement Rule. For example, a company that chooses to invest in cleaner technologies or to support local communities is demonstrating its social responsibility. This decision could also be part of the business judgement, as it could affect the company's long-term business performance, its reputation and its position in society.

A company's reputation in society and its positioning in the business world on an ethical basis brings many benefits, which are reflected in higher economic growth, increased business efficiency, increased productivity, quality, the ability to attract the best employees and increased competitiveness. People are certainly more inclined to companies that have a positive reputation and standing in society. It is important to be aware of the fact that companies are an integral part of the society in which they operate and are not just isolated islands in the middle of the ocean. Since management and supervisory bodies have relative freedom to make business decisions in accordance with the business judgement rule, it is even more important that their decisions are ethical. Ethics exercise a natural law based requirement on decision makers in the business world to act justly and fairly. At its core, it advocates ensuring genuine social progress, which is closer to Plato's idea of the highest and perfect good. Striving for ethical conduct in the business world means striving for and consolidating, above all, the moral motivation not only to respect the applicable moral norms known to the individual, but also to develop one's own criteria for evaluating individual actions in the light of ideal ethical conceptions. Ethical ideals should therefore strive to contain the best qualities to the greatest extent possible, (Ivanjko, 1997, p. 10).

A company's reputation is a factor of increasing importance in creating, maintaining and increasing competitive advantage. Reputation as a business element of a company must be built up in a planned and long-term manner, as it represents one of the most important forms of corporate assets. According to Kline, reputation is a complex web of attitudes towards the firm (Kline et al., 2001: 22), which is formed through the interaction of different stakeholders with the firm. These stakeholders acquire different experiences and information about the firm and shape the reputation based on their own values and images they have given to the organisation over time.

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