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CORPORATE SOCIAL RESPONSIBILITY AND **ETHICAL BUSINESS**

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ABSTRACT

The corporate culture regarding economic, social, and environmental sustainability practices must be carefully re-aligned with activities to support a sustainable planet. It can be realized that there is an increase in unethical behavior in business operations, driven by an insatiable desire for greater profits at any cost, regardless of what is deemed morally appropriate in society and regardless of the consequences of immoral behavior on stakeholders, including the environment. Corporate social responsibility (CSR) is declining in some businesses and increasing in others, as the latter aim to increase profits by taking responsible activities in the communities in which they operate. According to a thorough analysis of existing literature, there is a strong association between ethical practice, CSR, and improved financial success. It is stated that multinational firms and major corporations, in particular, must urgently adopt an appropriate moral position and proactively drive sustainable development by taking their stakeholders and the environment into account in a triple-bottom-line strategy. This article, using a review of selected studies, seeks to make a small contribution to the improvement of the likelihood of the sustainability of corporations and CSR activities in their global operations, leading to a more sustainable world by expounding on why and how incorporating CSR initiatives and being ethical in business strategies bolsters sustainability.

KEYWORDS

Corporate Social Responsibility, Business Ethics, Ethical Standards, Organizational policies and procedures, Sustainable Development Goals, Strategic Management, Transformative process, Business Strategy.

1. INTRODUCTION

Corporate social responsibility (CSR) is a strategic management strategy that allows for win-win scenarios for both the community and the organization. CSR is an essential area of stakeholder inclusion, and it is described as activities undertaken by firms that go beyond the ordinary legal obligations and business-specific interests in order to adhere to social and environmental reasons.

Ethical behavior and corporate social responsibility can be extremely beneficial to a company. The notion that businesses have responsibilities to society in addition to producing profits for shareholders has been around for centuries. This explains why the concept of Corporate Social Responsibility (CSR) has grown in prominence and significance. One of the fundamental assumptions is that business organizations have a social and ethical obligation in addition to the economic objective of creating wealth for shareholders or business owners. Whereas a business's economic responsibilities are to produce goods and services that society needs and wants at a price that can sustain the business's continued existence while also satisfying its obligations to investors, a business's ethical responsibilities are those behaviors or activities expected of businesses by society and other stakeholders such as employees.¹

It has been proven time and again that a positive brand makes stakeholders feel better about themselves as consumers. Implementing CSR rules also encourages improved customer and employee involvement and creates a more favorable working environment, which is beneficial for keeping qualified staff. CSR done successfully exposes a business to new prospects and partnerships with other community role-players, as well as long-term advantages and improves a business's viability.

2. CORPORATE SOCIAL RESPONSIBILITY AND ITS ORIGIN

The increased public concern over topics like climate change, social inequity, and ethical corporate practices has made CSR more significant in today's business environment.

Businesses first started participating in philanthropy and charitable giving in the early 20th

¹ Angelo Nicolaidis *Corporate Social Responsibility and ethical business conduct on the ...*

century, which is when CSR began to develop historically. However, it wasn't until the growth of social and environmental movements in the 1950s and 1960s that the idea of social responsibility started to take shape.

The term "corporate citizenship" first gained popularity in the 1970s and 1980s, highlighting the moral and social obligations of corporations. In the 1990s and 2000s, this resulted in a move towards an emphasis on sustainability and producing shared benefit for all stakeholders.

Today, CSR is a critical factor for businesses in many industries, with firms aiming to forge lasting bonds with clients, team members, and communities by resolving their issues and making a difference in society and the environment. Philanthropy and charitable giving were found to be the major forms and sources of CSR. They established the groundwork for a more comprehensive approach to corporate responsibility that emerged in the following decades. CSR now encompasses a wide range of activities, from environmental sustainability to ethical corporate practices, and is an important factor for firms of all sizes. ²

The growth of social and environmental movements in the 1950s and 1960s helped shape the concept of corporate responsibility. Influential authors such as Ralph Nader and Rachel Carson aided in raising awareness about business's impact on society and the environment. ³

The concept of "corporate citizenship" originated in the 1970s and 1980s, stressing firms' social and ethical duties. Companies such as Ben & Jerry's and The Body Shop contributed to the spread of this concept by supporting principles such as social justice and environmental sustainability. ⁴

The emphasis moved in the 1990s and 2000s to sustainability and providing shared value for all stakeholders. Companies such as Patagonia and Unilever have made sustainability a central component of their business strategy, establishing ambitious targets for decreasing their environmental effect and encouraging social responsibility.

² Agudelo, M.A.L., J&ocute;hannsd&ocute;tir, L. and Davíd&ocute;tir, B. (2019) *A literature review of the history and evolution of Corporate Social Responsibility - International Journal of Corporate Social Responsibility*, Springer Open.

³ ACCPAdmin (2022) *Corporate Social Responsibility: A brief history*, Association of Corporate Citizenship Professionals.

⁴ Tuan, L.T. (2012) *Corporate Social Responsibility, ethics, and corporate governance*, *Social Responsibility Journal*.

3. SOCIAL RESPONSIBILITY AND ETHICS

A responsible firm will strive to attain these universal aims while considering their influence on society - in the case of positive consequences, to nurture them, and in the event of negative implications, to avoid and counterbalance them. Most definitions of SR mention "integrating social or ethical dimensions in economic activities," "achieving economic goals while also addressing society's expectations," "engaging in open, transparent business practices that respect their employees, the community, and the environment," "integrating the needs of people, planet, and profit in their operations," and so on.⁵

A socially responsible organization is one that prioritizes people - the stakeholders - the organization must consider the needs of all its stakeholders, both internal (owners, managers, employees) and external (customers, suppliers, the community). The ability of SR to reform enterprises from inside also faces challenges, but it serves as a reminder that organizations have duties that can change management processes if managers identify and accept these obligations. The virtuous or responsible firm "will have a corporate character that recognizes that it 'houses' a practice, that encourages the pursuit of excellence in that practice, aware that this is an entirely moral pursuit, that pursues the external goods in so far (and only in so far) as they are necessary to sustain and support the development of excellence in the practice". An organization that is socially responsible is one that is managed using excellent criteria. This brings us to the ethical dimension of SR.

This SR's ethical rationale is often consequentialist. What matters is that certain results are obtained that are deemed socially desirable, without regard for the means. These methods may be unjust because of what is being requested or because of the strain placed on businesses. That burden is subsequently passed on to the enterprises' consumers and employees, not only their owners, maybe without regard for distributive justice standards, possibly because this mode of operation furthers personal interests or, in some cases, the interests of the rich and powerful, etc.

⁵ Szöcs, I. and Schlegelmilch, B.B. (2020) 'Business success revisited: What constitutes business success?', *CSR, Sustainability, Ethics & Governance*, pp. 33–44..

4. LEVELS OF ETHICAL STANDARDS

Being ethical in business is applying values of honesty and fairness to interactions with coworkers and clients. Business or corporate ethics is a subset of applied ethics or professional ethics that investigates ethical principles and moral or ethical issues that emerge in the workplace. It is an umbrella phrase for any ethical difficulties that arise in the course of doing business. Sexty defines business ethics as "the rules, standards, codes, or principles that provide guidance for morally appropriate behavior in managerial decisions relating to the operations of the corporation and business relationships with society." It pertains to all areas of business behavior and is relevant to both individual and organizational behavior.⁶

The Law: A formal system of rules and regulations established by governing entities within a certain territory is represented by the law. It establishes the minimum acceptable norms of behavior in society and provides a framework for sustaining order, justice, and the preservation of individual rights. Legal ethical standards define which behaviors are forbidden, required, or permitted in a certain environment. While following the law is required for ethical activity, it should be highlighted that legal obligations may not always contain the full scope of ethical issues.⁷

Organizational Policies and Procedures: Policies and procedures are frequently used by organizations to set their own ethical standards. These standards are intended to guarantee that employees and stakeholders maintain ethical behavior within the context of the organization. Organizational ethical standards may address issues such as conflict of interest, confidentiality, workplace respect, environmental responsibility, and treating employees and customers fairly. These policies seek to align the organization's ideals and mission with its members' conduct.

The Moral Stance: A person's moral stance is their particular ethical framework based on moral principles, values, and beliefs. It includes subjective moral judgments and governs personal decision-making and conduct. Moral standards differ from person to person and are impacted by cultural, religious, philosophical, and personal experiences. Beyond legal requirements and corporate standards, an individual's moral attitude may include ideals such as compassion,

⁶ Schwartz, M.S. *Corporate Social Responsibility*, Google Books.

⁷ Fritz, J.M.H., Arnett, R.C. and Conkel, M. (no date) *Organizational ethical standards and organizational commitment - journal of business ethics*, SpringerLink.

honesty, empathy, and fairness.

It is vital to recognize that these several levels of ethical standards can interact and occasionally clash. For example, a legal activity may be morally dubious, whereas an organizational policy may contradict with an individual's personal moral viewpoint. To arrive at a morally defensible path of action, resolving ethical quandaries frequently necessitates rigorous analysis and the synthesis of multiple ethical perspectives.⁸

5. ETHICAL TREATMENT OF EMPLOYEES

Employee ethics is a crucial component of responsible and equitable business practices. It entails recognizing and respecting individuals' rights, dignity, and well-being in the workplace.⁹ Here are some essential elements that contribute to ethical employee treatment:

- 1) Employees should be compensated fairly and justly, with pay and benefits that are commensurate with industry standards and that reflect their contributions and skills. Compensation should be established in a transparent and equal manner, ensuring that employees are fairly compensated for their efforts.
- 2) Employees should be treated equally and without discrimination based on factors such as color, gender, ethnicity, religion, age, disability, or sexual orientation. On the basis of merit and qualifications, equal opportunities for employment, advancement, and career growth should be granted.
- 3) Employers have the responsibility to provide a safe and healthy work environment that protects employees from bodily and psychological harm. To prevent accidents, improve well-being, and address occupational health concerns, adequate safety measures, training, and policies should be in place.
- 4) Respect for Human Rights: Employers must uphold and respect employees' essential human rights, such as their freedom of association, freedom of expression, and right to

⁸ Eby, L.T. and Buch, K. (no date) *The impact of adopting an ethical approach to employee dismissal during corporate restructuring* - *Journal of Business Ethics*, SpringerLink.

⁹ (No date a) *Ethics & Social Apter Responsibility* - *Thornton Township High School ...*

privacy. Employees should be free to express their concerns, file grievances, and participate in collective bargaining without fear of retaliation.

- 5) **Work-Life Balance and Well-Being:** Employers should promote work-life balance by instituting policies that enable employees to properly manage their personal and professional duties. Encouraging employee well-being through efforts such as flexible working hours, leave policies, and wellness programs helps to ensure that employees are treated ethically.¹⁰
- 6) Employers should invest in their employees' professional development and training, giving possibilities for growth, skill upgrading, and career promotion. Supporting employees' learning and development increases organizational value and pleasure.
- 7) **Ethical Leadership and Communication:** Ethical employee treatment begins at the top, with leaders who demonstrate honesty, fairness, and transparency. To promote open discourse, employee engagement, and the chance for feedback and suggestions, effective communication channels should be established.¹¹

6. ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY BY ADDRESSING SUSTAINABLE DEVELOPMENT GOALS

Prior to the formation of the SDGs in 2015, governments and international organizations bore the primary responsibility for advancing international development and taking action to address global concerns. However, it is now commonly acknowledged that in order to accomplish long-term success, all parties, including the business sector, must work together. Businesses can help close the financial gap and achieve the SDGs by contributing through their products and services, providing new economic possibilities, boosting access to employment markets, and through innovation.¹²

¹⁰ (No date) *Ethical leadership, but toward whom? how moral identity congruence ...*

¹¹ Godfrey Adda, Aboteyure Roger Awuni and Dr. John Bosco Azigwe (no date) *Business ethics and corporate social responsibility for business ...*

¹² Suhas Pednekar (no date) *Business ethics and CSR.*

Assessing corporate social responsibility (CSR) through the lens of meeting the Sustainable Development Goals (SDGs) might assist firms in determining their impact on long-term development. The Sustainable Development Goals (SDGs) are a collection of 17 interrelated goals established by the United Nations to solve global concerns and promote sustainable development by 2030.¹³ Here's a method for evaluating CSR in relation to the SDGs:

- **CSR Efforts to SDGs:** Determine how the organization's CSR actions relate to the SDGs. Examine each SDG and decide which goals are directly or indirectly related to the operations, products, or services of the organization. This mapping exercise assists in identifying specific areas where the organization may make a significant contribution.
- **Prioritize the SDGs** according to their relevance, urgency, and compatibility with the organization's mission, values, and core capabilities. Concentrate on the goals where the organization can have the most influence and where there is a strong link between its operations and the SDGs.
- **Establishing precise Goals and Indicators:** Establish precise goals and indicators to track the organization's progress toward the targeted SDGs. These objectives should be SMART (specific, measurable, achievable, relevant, and time-bound). The organization can track its performance and determine the success of its CSR initiatives in contributing to sustainable development by setting targets and indicators.
- **Integration into Business Strategy:** Incorporate the selected SDGs and their associated targets into the overall business strategy of the enterprise. Incorporating sustainability and the SDGs into core business operations ensures that CSR initiatives are consistent with the organization's long-term goals and decision-making processes.
- **Collaboration and Partnerships:** Work with stakeholders such as governments, non-profit organizations, local communities, and other enterprises to collaboratively address the SDGs. Partnerships enable the sharing of experience, resources, and collective action, which increases the effect of CSR projects.¹⁴

¹³ egyan (no date) *Egyankosh*.

¹⁴ (No date) *Business ethics and corporate social responsibility - augstskola*.

7. BUSINESS ETHICS AND STRATEGIC MANAGEMENT

Social value is a phenomenon that is being studied in both Corporate Social Responsibility and Entrepreneurship studies, and each of these social and ethical outcomes is being evaluated within the context of the company's strategy. Strategic basis of social value and ethical behavior is currently a part of corresponding study, implying the necessity to examine what has been researched in the subject to date.

The majority of relevant research examines the relationship between social responsibility and its impact on company performance, and the findings are contentious. Some research suggests that socially responsible behavior has a favorable impact on firm success. Others have discovered that the outcomes are mixed, i.e., in some circumstances, socially responsible behavior leads to negative economic outcomes. Some study goes even farther, stating that socially responsible behavior is bound to result in bad effects because the corporation spends money on something that has nothing to do with its original purpose. From this vantage point, it appears worthwhile to investigate the origins of such contradictions, which necessitate the development of an approach that evaluates simple social outcomes without interfering with economic ones.¹⁵

This area of study is social entrepreneurship, which is considered a subset of entrepreneurial activities (with a primary focus on social benefit). This 100 types of business is bound to be economically efficient, but it is unclear why social value focused entrepreneurs succeed (despite the fact that they spend a lot of money on social issues). Within this field of study, it is difficult to define social entrepreneurship because all entrepreneurial activities are social in some way. From this perspective, every entrepreneurship is social, creating an incentive to develop the method to measure social outcomes for all sorts of firms.¹⁶

¹⁵ McManus, J. (2011) *Revisiting ethics in strategic management*, *Corporate Governance: The international journal of business in society*.

¹⁶ Fontrodona, J., Ricart, J.E. and Berrone, P. (2018) *Ethical challenges in strategic management: The 19th IESE International Symposium on Ethics, business and Society - Journal of Business Ethics*, SpringerLink.

8. CORPORATE SOCIAL RESPONSIBILITY VERSUS ETHICS

Over the past decades, existing managerial research has explored Corporate Social Responsibility approaches, policies, and activities using data from firms, governments, and non-governmental organizations.

Researchers currently designate four clear levels of Corporate Social Responsibility maturity level. The first type is distinguished by the prevalence of single socially driven measures carried out by companies that promote corporate citizenship but cannot be considered a strong and holistic strategy.¹⁷

The second type is an organized and holistic approach to the final implementation of CSR practices (a firm could establish a strategy based on ISO 26000 or the OECD Guidelines principles) and becomes a part of corporate regular management. At this juncture, a firm blends its economically effective plan with its CSR strategy and examines the necessity of continuing these practices at every decision-making step.

The third type is defined by the interdependence of each stage of managerial decision-making, including its application to sub-strategies such as innovation management or human resource management. At this time, Corporate Social Responsibility is integrated into the primary business of the organization. This method is referred to as a transformative process in current literature when the firm wants to solve both traditional and societal concerns.

While CSR is an expression of ethical considerations, they are not the same thing. CSR is concerned with a company's broader societal effect and voluntary activities to address social and environmental issues. It entails going above and beyond legal requirements to constructively contribute to society. In contrast, ethics refers to the principles and ideals that guide individual and organizational behavior. Ethical concerns serve as the foundation for CSR policies, ensuring that organizations' actions and efforts are consistent with moral ideas and values.

¹⁷ Singh, J. (2015) *The influence of CSR and ethical self-identity in consumer evaluation of Cobrands* - *Journal of Business Ethics*, SpringerLink.

9. SUGGESTION

CSR's value today cannot be said. Businesses are expected to take the lead in tackling social and environmental concerns, and those who do not may face reputational and financial consequences. The continual necessity for corporations to take responsibility for their social and environmental effect is evident, and the evolution of CSR over time underlines the issue's continuing importance. Encouraging innovation and R&D initiatives will contribute to long-term solutions and solve societal and environmental concerns. And creating an innovative culture will encourage the creation of long-lasting goods, services, and business models.

10. CONCLUSION

Finally, corporate social responsibility (CSR) and ethical business practices are critical in the development of responsible and sustainable firms. Businesses that embrace CSR acknowledge their greater responsibilities beyond profit generating and try to make beneficial contributions to society and the environment. Ethical business practices, based on principles of honesty, fairness, transparency, and respect, influence organizational decision-making and behavior.

Implementing CSR activities and ethical business practices can result in a variety of advantages. They improve an organization's reputation, stimulate innovation, and manage risks related to environmental, social, and governance aspects. Furthermore, they contribute to sustainable development by addressing societal concerns and encouraging community and global well-being.

Organizations can produce value for their stakeholders while also contributing to a more inclusive, equitable, and sustainable society by implementing CSR and ethical business practices. Businesses may help design a future in which economic prosperity coexists with social well-being and environmental stewardship by taking into account the interests of many stakeholders and actively working toward beneficial social and environmental results.