

## 15.14: Putting It Together- Business Ethics and Corporate Social Responsibility

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### Synthesis

Throughout this module you learned about the legal and ethical challenges businesses face in today's complex environment. Decisions about doing the "right thing" are not necessarily represented by a single big decision; rather, they are often a series of many apparently small decisions that can culminate in an organization finding itself on the wrong side of its stakeholders, society, and the law. Even corporate executives who have been imprisoned for unethical conduct later admit that they *knew* that what they were doing was wrong, but somewhere along the line they lost sight of their own standards or honesty and integrity. Unfortunately, such behavior can have devastating consequences for the public, the environment, and the company—and it can cast a cloud on businesses that make good ethical, legal, and socially responsible choices every day. As the public demands a higher level of corporate social responsibility, companies are adjusting their strategies to respond to the external environment and conduct business in a way that promotes trust and loyalty from their customers. In addition, the government has stepped in and enacted legislation intended to set forth stronger guidelines, processes, and even punishments for unethical business practices. When you leave school and begin to look for your first job, a new job, or even take a closer look at your current employer, one of the questions you should now be prepared to ask is whether or not the ethics of the organization are aligned with your own sense of right and wrong.

### Summary

#### Ethical and Legal Behavior

Standards of ethical and legal behavior are intertwined but are separate "codes" arising from different sources. Legality comes from legislation or case law that establishes standards of behaviors—illegal behavior may be punished by fines, imprisonment, or both. As a branch of philosophy, ethics investigates the questions "What is the best way for people to live?" and "What actions are right or wrong in particular circumstances?" In practice, ethics seeks to resolve questions of human morality, by defining concepts such as good and evil, right and wrong, virtue and vice, justice and crime.

#### Business Ethics

Businesses and organizations possess a set of ethical standards just like people. When we refer to "business ethics" we are referring to the culture, attitudes, or actions governing "right vs. wrong." Most organizations have a formal code of ethics that guide the decisions and actions of the company.

#### Ethical Challenges

Businesses and their employees, managers, and owners face a variety of ethical issues as they go about their working lives. Ethical issues include conflicts of interest, bribes, conflicts of loyalty, and issues of honesty and integrity.

#### Corporate Social Responsibility

Corporate social responsibility (CSR) refers to actions that businesses take or refrain from taking based on the impact of those actions on the external environment and community. Areas of CSR include environmental concerns (green business), poverty, human rights, and animal rights. Today, businesses are realizing the importance of CSR (Corporate Social Responsibility) in attracting and maintaining employees and customers. Stakeholders are demanding that businesses give back to the larger community in which they operate. Examples of stakeholder and social responsibility can be seen at companies such as Toms Shoes and Starbucks.

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