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A study on the Effects of CSR models on Business ethics in Corporates

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Abstract: Ethics in its common sense leads us to understand or differentiate the right and the wrong. Business ethics also called as corporate ethics follows moral standards and ethical principles. This conceptual paper redefines and fills the gaps of Carroll Archie's "Pyramid of Corporate Social Responsibility" focusing on the following objectives. Firstly, this paper analyses Carroll's model in assessing the importance of corporate social responsibility and business ethics. Secondly, the paper focuses on framing a model in comparison to Carroll's model to understand the need for well defined ethical standards and principles, ascertaining the control that business ethics have over the employees and signifying the need for corporate social responsibility and business ethics in building customer's confidence and trust in the business arena. This conceptual paper has outlined that a business needs ethical standards and ethical principles as the core components for functioning in a well defined and responsible way. Finally it outlines the need for an organization to fulfill the welfare and societal needs in a more constructive way.

Key words: business ethics, corporate social responsibility, ethical standards, ethical principles, unethical standards

I. Introduction

Ethics deals with the behavior of the society existing in any form whether it is a family, an organization or an institution. When an organization follows unethical practices, the customer or investor or stake holder will not have confidence on the organization and this will ultimately damage the reputation of the organization. Every organization which as the sense of corporate social responsibility will have the need to form business ethics that is robust and that which has due care for the individuals.

Business ethics is certain rules and regulations that govern the human behavior in an organization. Business ethics involves five kinds of activities, firstly the use of ethical practices in the organization and deciding if the practices are moral and justifiable. Business ethics brings about change in the techniques, program or approaches to a more relevant and justifiable practice. Secondly the analysis if general ethics that is applied to an individual can be applied in the organization, although certain practices of general ethics may not be relevant to the organization standards. Thirdly, to analyze the current ethical practices and evaluate the structures of business and to identify the areas for improvement in functioning of the organization as well as the economic system of the organization. Fourthly, organizations should have a sense of going beyond their own field of practice to other areas to resolve the problem in business ethics or investigate which part of the business is moral or not. The fifth aspect would be to impart the moral standards to the employees to perform moral actions that adhere to the norms of the organization. The employees should be aware on the business practices and they should be clear with what is right and wrong (Richard T. De George, 2011). Milton Friedman in 1970 stressed that social responsibility in a business relates only to the share holders in the organization and said that the business concentrates more on increasing the profit of the shareholder because the owner of the organization is the shareholder but later this shifted to a more complex form which said that social responsibility should be all people who are affected by the company's activity. In the current scenario corporate social responsibility involves the stake holders, the workers, the customers, the suppliers, the society and environment (Dr Christoph luetge, Jes'us Conill, Tatjana Schonwalder-kuntze, 2008).

According to Kant, even a people of devil prefer the rule of law, even though they sacrifice part of their freedom. The companies that think that profit making is the only means will realize that it's not the end and that social responsibility should be a part of it and according to Kant, good companies will realize the importance of social responsibility (Kant, 1968)

The unethical practices of an organization damage the company's credentials and this not only affects the business but also the society as a whole. The companies should realize that there is something more to the society than rather

concentrating on the cost effectiveness (Prof. Sharma Rajesh Shankar, 2012). The organizations should create moral standards that ensure that every practice followed is ethical in the sight of the society.

II. Conceptual Model – Carroll's Pyramid of Corporate Social Responsibility

The pyramid of corporate social responsibility was formulated by Carroll Archie B and this emphasis on the four dimensions of social responsibility that should be embedded in the business. Carroll Archie has gone further in stating that the four dimensions or the facets of CSR are Legal responsibilities, Economic responsibilities, Ethical responsibilities and Philanthropic responsibilities.

A. Philanthropic Responsibilities

According to Carroll, this emphasizes what the corporate's should do for the society. The corporate's should create a plan wherein the organization goes forward to bring a change to the society. The companies should enable the employees to come forward and get involved in developing the society. Obviously, there should be a plan before these activities are carried out. The business should set aside funds or generate funds that would benefit the society. The organization could enable the people to enhance their skills through programs or welfare measures. This would also give the employees concerned satisfaction in doing so and make them more involved with the society on a whole. It helps the individuals to learn things and that in turn will help the society.

B. Ethical Responsibility:

Though these ethical responsibilities are embedded in the Legal and economic responsibilities, they may not contain all the areas concerned and the organization should ensure that every individual follows the code of ethics that is outlined by the organization. Every individual faces several problems in life, but on account of the problem he/she should in no way go apart in not following the ethics that is laid down by the management of an organization



Carroll's Pyramid of Corporate Social Responsibility

C. Legal Responsibilities:

Carroll Archie has given importance to abide by the laws and every organization should ensure that all the practices or activities are as per the laws of the state and country. Legality in everything will ensure that the business is genuine and invoke a sense of responsibility. If the job is done by the rules, it will be in obedience to the laws and creates a code of ethics in the business that needs to be followed in the work place.

D. Economic Responsibilities

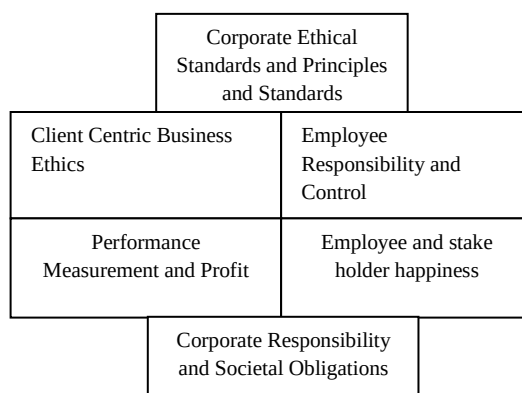
The final dimension is economic responsibility in which the organization or business should strive towards fulfilling its obligations towards the society as well as the stake holders and customers. The organization should ensure that they make huge profits that would benefit the individuals involved in the business. The stake holder and others in the organization expect that there should be immense profit and they become dependent on the business. The organizations should follow the ethical way of building the organizations and make it a responsibility to increase the economic standards of the business.

III. The New Model of CSR and Business Ethics

The following model shows the gaps that exist in Carroll's Model and suggests changes that can be embedded in the model.

A. **Corporate Ethical Standards and Principles**

Carroll's Ethical responsibility was more often talking about doing what is right and to differentiate the right and the wrong and in the legal responsibility it was about adhering to the government laws. These days it is of utmost importance that business has its own ethical standards and is governed by ethical principles and standards. The BPO and IT sector that works today in India has its own ethical principles and policies that each and every employee is ought to abide to and it is also framed and formulated keeping the government legal laws in mind. These days there are certain certification that organization needs and certain fulfillment that needs to be done. The government also has a part to do in the private sector and to some extent they govern various sectors depending on their field of work. The policies that is to be met is very important for an organization and internal external audit is conducted half yearly to ascertain if there is any deviation of practices. All organizations have standard and certain companies have SOP's written in the form of Vision and Mission statements and it is very important that organization's have copy right of SOP's to adhere to (Linda K. Trevino and Katherine A. Nelson, 2010)



The New Model of CSR and Business Ethics

B. **Client Centric Business ethics**

Carroll's Pyramid more focused on profit and that was the centre of the topic for economic responsibility and if profit is made everyone would be happy. The business should be more clients centric and should focus more on the customers who needs to be profited as well as trust the organization. A client will not put his money on a product which is not worth it or not in the market. The client will go to an organization which is doing vastly better in comparison to other organizations and will eventually put his trust on the company that works on business ethics and that gives him the confidence to carry out his business plans. These days' organizations are well equipped to take care of the customers and their first motive is to solve customer problems in an ethical way. There are separate teams that work for the clients and separate counter that fulfills customers' needs. All activities are governed by ethical practices and that's the reason a customer is confident about the organization. Milton Friedman says that in a society there is one social responsibility that is to use its employees and resources well in attaining good profits by adhering to the law (Ronald Jeurissen, 2007)

C. **Employee responsibility and control**

Business ethics make the employee responsible for his own actions and it instills a commitment in him that ethical standards are not meant to be careless about as there are actions taken for deviance. A manager of a company is someone that people look to and it is important that he is responsible so that the team can follow the same and they should act as a role model to other employees (Linda K. Trevino and Katherine A. Nelson, 2010). The rules or laws also control the employees and in every move they are careful that they follow the principles and abide to the values of the organization. Laws are meant to be followed and that controls the employee's behavior and his decisions.

D. **Performance Measurements and Profit**

Performance and profit is all together a separate entity. Carroll was talking about only profit in terms of economic responsibility but performance needs to be measured frequently to get the desired profit. Employees are the back bone of today's business and they need to be moulded in the right way to reap benefits. The performance has to be monitored closely in a ethical way to bring about production and yield good results. Organizations have started different kinds of performance appraisal methods and all these methods are based on the SOP's of an organization.

F. **Employee and Stake holder Happiness**

The Carroll's model did not focus on the employee motivation or happiness in general. When an organization is governed by rules the employees are more sincere and they are happy that practices happen as per the rule and that they will get the benefit as long as they adhere to the principles. Today many firms manage their stake holders and

have corporate governance and stake holder management to govern the stake holders in a more systematic way (Mark S. Schwartz, 2011)

G. Corporate Social Responsibility and Societal Obligations

This is a part of business ethics, being committed to the society and fulfilling the needs of the society is important for any organizations. These days we see many organizations setting aside funds to work for bridging the defects within the society. The IT and MNC companies in India are committed to working for the welfare of the society and it is an integral part of their business. Separate teams work on this in various areas of development. In many countries the companies have showed interest in the social well being of the country and have come forward to work for the society (Ramon Mullerat, 2010). Companies are also collaborating with NGO's and government institution to carry out their CSR activities. In India we see that CSR activities are carried out in a much larger scale and this in turn is creating good will for the society.

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