Evaluation of four views of ethical behavior

Traditionally, the main concern of businesses was profit making. Businesses seldom devoted their business to the pursuit of social and environmental change. In the past twenty years, the corporate world has realized that ethics is important to their businesses. The cases involving Enron, Global Crossing and WorldCom argue that these scandals of corporate dishonesty and cheating are considered as the unethical behavior resulting in the collapse on corporate finance and reputation. Havers (1999) suggested that ethical image can build company goodwill and loyalty among customers. Thus, it may increase the profitability of a company. Furthermore, there is pressure on business to recognize its responsibility to society. Businesses are required to think about the impact of their decisions on stakeholders who are directly or indirectly affected by these decisions (Havers 1999). In other words,

" if a business does not act with integrity in relation to its people, its customers or the community, it is not likely to enjoy the kind of reputation that will keep good people in its employ, to keep customers coming back for its products or services" (Ralph 2001, pp. 22)

This paper will evaluate the four alternative views of ethical behavior and explain how these views are related to definitions of Corporate Social Responsibility. Firstly, this paper will contribute to analyze and evaluate the four alternative views of ethical behavior from the perspective of theory and case study. Then, within the review of definitions of Corporate Social Responsibilities, this paper will evaluate these definitions from four views. Finally, the conclusion will be given in the final section.

Four Alternative Views of Ethical Behavior

As businesses became aware of the importance of business ethics, executives have put a great deal of effort into creating codes of ethics (Blake & Carroll 1989). Codes of ethics have been seen as a way to resolve ethical dilemmas because they perform a function of recognizing ethical issues but codes are not sufficient as an alternative for individual judgment because they facilitate coordination of economic behavior (Thomsen 2001). By signing those codes, frontline workers and supervisory and management staff may have received their first message about what the CEO expects of them. However, it is not certain that a code of ethics can stimulate changes in ethical behavior. This section will evaluate the four alternative views of ethical behavior and give the specific examples to explain these four views.

Utilitarian View

Utilitarianism was the prevailing notion of justice in the late eighteenth and nineteenth centuries. In terms of Werhane & Freeman (1997), the theory of utilitarianism argues the idea that the good things are being done by doing the right things. Utilitarians accept the idea that the welfare of society as a whole can be maximized at the expense of some. This theory on ethical behavior assumes that the decision and behavior from managers and employees will significantly contribute to the greatest good of the most people and the benefits for the whole society. Bentham, described as the founder of traditional Utilitarianism, proposed that value judgments would be accepted by the commonly accepted norm for social benefits and legislation (Velasquez, 1992). Freidman supported utilitarian view since this view may be to a great extent based on the higher degree of freedom of market. For example, although utilitarian view promotes the rapid development of developed countries, such as UK, US and Australia, environmental pollution is considered as the ignored aspect of development.

Individual View

The value of individualism is based on independence and making choices for oneself. An individual has " the right to act as an autonomous agent" (Kitchener, 1984a, pp. 46). The right to privacy illustrates that individuals have the right to make decisions about their own lives and the information relevant to it. There are two restrictions to the principle of individual. First, individual does not mean unlimited freedom and cannot infringe the other rights, do then any harm or deprive them of their rights. Second, individual is related to competence. If an individual is totally unable to make rational thought and decisions or act on them, they are not autonomous. Whether we have to respect an individual's choice depends on whether the decision-making process is a rational one. However, there are no absolute criteria to determine rationality and competence. For instance, during the period of Industrial Revolution in Great Britain, individual view results in the value creation and self-interest for firms' owners. Child labor and environmental pollution are resulted from this view kept by firms' owners (Lenard, 1992).

Justice View

Justice is often summarized as ' fairness' by moral philosophers (Benn, 1967). It refers to the commitment of managers and employees to provide equal and fair treatment to all clients. This view implies that all people are entitled to equal access to products and service, regardless of their age, sex, race, socio-economic status, religion, education level, culture, lifestyle, disability, and ethnicity. The issue of justice arises because the products and service in our society are not unlimited. As a result, we have to " develop rules and procedures for adjudicating claims and distributing goods and services in a fair manner" (Kitchener, 1984b, pp. 49). Beauchamp and Childress (1979) traced the definition of justice to Aristotle that equal persons have the right to be treated equally and non-equal persons have a right to be treated differently if the inequality is irrelevant to the issue in question. Evidence has to be presented to justify the different treatment. Justice becomes a legal issue if it involves people's civil rights, physical or sexual harassment and other incidents of illegal discrimination. For example, the financial accounting cheating and dishonesty Enron, considered as unfair and unethical behavior, makes Enron take the advantages beyond other companies (Fusaro and Miller 2002).

Moral-rights View

This view concentrates on the fundamental rights of all human beings. Since the idea of human rights is complex and steadily evolving. There is no agreed-upon definition of " human rights" that covers all aspects of the notion. Human integrity, freedom and equality are considered as the three important aspects of human existence. For example, in workplace environment, unethical behavior may focus on sexual harassment, and the restriction of freedom. For example, along with the radical development of globalization and outsourcing, multinational corporates in developed countries integrated and transformed the production from homeland to developing countries with lower production cost. Nike and child labor in Pakistan has been considered as the remarked case, which manager of Nike or local contractors in developing countries seriously violate local country's law and challenge society norms and moral (Boggan 2001).

In conclusion, utilitarianism and individualism concentrate on the positive result for the whole society and self-interests. However, moral-rights and justice view incline to focus on the equality, freedom and fairness during the process of action.

The Understanding of Corporate Social Responsibility

This section will analyze and assess the definition of corporate social responsibility and explain the impact of corporate social responsibility on definitions of corporate social responsibility. Firstly, the definitions of corporate social responsibility will be explained and evaluated. Then, this section will explain the definitions of corporate social responsibility from the ethical behavior perspective.

The term corporate social responsibility has been in use since the early 1950s. Ackerman (1975) noted that businesses were too concerned with financial results, which was inhibiting social responsiveness. Others observed that companies' sole purpose was to make a profit (Friedman 1970) and that they did not have any obligation therefore to " solve the world's problems" (Reinhardt 1999, pp. 53). On the other hand, McDonald and Puxty (1979) viewed CSR as a social obligation. These different types of social obligations were conceptualized into three main types: economic obligations, legal and ethical obligations and philanthropic obligations (Corroll, 1979). In the 90s, the trend headed towards the concept of CSR being regarded as a part of governance. However, a number of researchers reject the idea that CSR is a social obligation, starting that it is unfair for corporations to be responsible for society as a whole and that CSR should only focus on those who directly or indirectly affect or are affected by corporate activities (Wood and Jones 1995). Furthermore, Balabanis et al. (1998) added that a company should be held accountable for any of its actions that affect people, communities and the environment in which those people or communities live. The term responsibility extends from purely financial aspects to environmental, social and community issues. Corporations should not only be responsible to their shareholders, but since companies exist within society they should therefore have responsibilities to society as a whole.

CSR is a broad concept and it is still looking for a common definition (McWilliams & Siegel 2001; Garriga & Mele 2004; Kakabadse et al. 2007). In order to comprehend the various points of views of academics about Corporate Social Responsibility (CSR), Kakabadse et al. (2007) have produced a list of definitions of CSR that covers the CSR debate over the last 50 years. Table 2. 1 presents definitions of CSR coined over a period of time.

Table 2. 1 CSR Definitions by Various Academias

Author

Definition

Bowen (1953)

CSR refers to the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.

Frederick (1960)

Social responsibility in the final analysis implies a public posture towards society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.

Friedman (1962)

There is one, and only one, social responsibility of business – to use

its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game which is to say, engage in open and free competition without deception or fraud.

Davis and Blomstrom

(1966)

Social responsibility refers to a person’s obligation to consider the effects of their decisions and actions on the whole social system.

Andrews (1973)

CSR is a balance between voluntary restraint of profit maximization, sensitivity to the social costs of economic activity and to the opportunity to focus corporate power objectives that are possible but sometimes less economically attractive than socially desirable.

Arrow (1973)

Firms ‘ ought to’ maximize profit according to their social obligation since business profit represents the net contribution that the firm makes to the social good. On this basis, profit should be as large as possible and only be limited by law and ethical codes.

Sethi (1975)

Social responsibility implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values and expectations of performance.

Carroll (1979)

The social responsibility of a business encompasses the economic, legal ethical and discretionary expectations that society has of organizations at a given point in time.

Jones (1980)

Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.

Wood (1991)

The basic idea of corporate social responsibility is that business and society are inter-woven rather than distinct entities.

Bloom and Gundlach (2000)

CSR is the obligation of the firm to its stakeholders-people and groups-who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company's duties to its shareholders. The fulfillment of these obligations is intended to minimize any harm and maximize the long run beneficial impact of the firm on society.

Baker (2003)

CSR is about how companies manage business processes to produce an overall positive impact of the firm on society.

Van Marrewijk (2003)

CSR is associated with the communion aspect of people and organizations. Whilst corporate sustainability (CS) is associated with the agency principle. Therefore, CSR relates to phenomenon such as transparency, stakeholder dialogue and sustainability reporting, while CS focuses on value creation, environmental management, environmental friendly production systems, human capital management and so forth.

Crowther and Rayman-Bacchus (2004)

CSR in its broadest definition is concerned with what is-or should be-the relationship between the global corporation, governments and individual citizens whilst in its more local context it is concerned with the relationship between a corporation and its local society in which it resides or operates, or with the relationship between a corporation and its stakeholders.

Source: Kakabadse et al. (2007)

The set of definitions given in the table above can be segregated into two groups, one group comprises of the academics who attach importance to profit maximization while a majority of academics in the other group hold the business responsible to all the stakeholders, not just to the shareholders. There are a number of other definitions that emphasize the importance of creating a balance in the interests of all the stakeholders of a business entity. Hopkins (2003) defines CSR as concern with treating the stakeholders of the firm ethically or in a responsible manner. Nearly all the definitions of CSR give a very general idea about the responsibility of business towards its stakeholders.

From the ethical behavior perspective, utilitarian views could to a great extent affect the definitions of CSR. For example, the definitions of Bowen (1953), Frederick (1960), Davis and Blomstrom (1966), Baker (2003), Wood (1991), Arrow (1973) and Jones (1980), which affected by Utilitarianism, incline to focus on the value and welfare creation of the whole society and the good for the most people. However, Friedman (1970) emphasizes on the individual view. However, from my understanding, the spectrum of value creation of utilitarian view is wider than individual view. Referring to justice view, the definitions of Crowther and Rayman-Bacchus (2004), Carroll (1979) and Sethi (1975) emphasize on social justice. The Van Marrewijk (2003), Bloom and Gundlach (2000) and Andrew (1973) inclined to concentrate on moral-rights.

Moreover, in terms of Carroll (1979), they are economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility. However, only the ethical and discretionary responsibilities are under the category of social responsibility. As Table 2. 2 shown, different kinds of responsibility serve different groups of stakeholder with different purpose. Economic responsibilities are to create value to customers by making use of its competitive advantages (Afuah 2004). Value generates profit, which is to be paid firms' shareholders, creditors, employees, governments and coopetitors. Legal responsibilities are about obeying the rules, regulations and laws enacted by the government in the areas where it operates. Any violation of its legal obligations possibly puts the firm into a competitively disadvantageous position because it can face punishments ranging from simple fines to termination of business.

Table 2. 2 Firm's Responsibilities to Its Stakeholders

Responsibilities

Social

Stakeholders

Economic

Legal

Ethical

Discretionary

Shareholders

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â ̂š

Employees

â^š

â^š

â^š

â^š

Coopetitors

â^š

â^š

Creditors

â^š

â^š

Unions

â^š

â^š

Local Communities

â^š

â^š

â^š

Governements

âˆš

âˆš

âˆš

Only ethical and discretionary responsibilities are social responsibilities. Both are not required by law but valued by society and stakeholders. The ethical responsibility is ill defined since different nation has different acceptability about unethical activities. For example, child labor is regarded as unethical by developed nations while developing nations may have opposite view. Discretionary responsibilities can be seen as contributors or cares to the community done by firms. Although some scholars state that social responsibilities create values and profits to firm, there is another group of scholars disagrees with this viewpoint. They argue that a firm has no business performing socially responsible activities which are supported to be the business of the government instead. While scholars on the other side insist that investing socially responsible activities is a good strategy to increase firm's stock value.

Conclusion

This paper has evaluated and explained the four alternative views of ethical behavior including utilitarian view, individual view, justice view and moral-rights view and interpret the definitions of Corporate Social Responsibility from the perspective of four views. As the previous shown, utilitarianism may to a great extent influence the definitions of Corporate Social Responsibility. However, some authors, such as Crowther and Rayman-Bacchus (2004), Carroll (1979), Sethi (1975), Van Marrewijk (2003), Bloom and Gundlach (2000) and Andrew (1973), concentrated on the justice and moral-rights views, which focus on the equality and freedom of the ethical decision-making and action process.

However, individual view could be paid less attention to in the development of the definition of Corporate Social Responsibility. The human rights of individual views are considered as the fundamental right of workplace environment.