Cheat Sheet: Business Ethics and Corporate Social Responsibility

Essential Concepts

Business Ethics

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 behavior—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.

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 guides 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, kickbacks, bribery, and issues of honesty and integrity.

Whistleblowing is when a person exposes illegal, unethical, or improper activities within an organization, usually motivated by a sense of justice or the fear of consequences, although it can have varying motivations and outcomes.

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. Today, businesses are realizing the importance of corporate social responsibility (CSR) in

attracting and maintaining employees and customers. There are several drivers pushing businesses toward corporate social responsibility, including increased pressure from consumers, pressure from shareholders and investors, and supply chain pressure.

Different approaches to corporate social responsibility (CSR) include corporate philanthropy, cause-related marketing, sustainability, social entrepreneurship, and social marketing, each with its own unique focus and impact on society.

Ethics in the Global Environment

When conducting business internationally, ethical issues arise due to variations in political systems, legal frameworks, cultural norms, and competitive pressures, making it challenging to distinguish between ethical and unethical practices. One prominent example is corruption, where some corporate executives resort to financial incentives to influence foreign officials, which can lead to legal risks, harm local interests, contribute to a culture of corruption, and damage a company's reputation. To combat corruption, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act (FCPA) have been implemented, criminalizing bribery of foreign public officials by American businesses and foreign businesses listed on U.S. stock exchanges.

Compliance with anti-corruption legislation poses ethical challenges for corporations due to varying social and cultural norms worldwide, where acts considered unethical in one country may be accepted in another. This highlights the importance of understanding cultural differences in ethical behavior and the need for individuals to align their own ethical standards with those of their organizations when seeking employment.

Career Connection: Leadership

Leadership is more than just being in charge; it involves recognizing strengths, both in oneself and others, and utilizing them to achieve organizational goals, demonstrated through behaviors such as motivating others, embracing feedback, thinking creatively, and serving as a mentor or role model.

Glossary

bribery

> the act of giving money, goods, or other forms of compensation in exchange for a benefit to the giver that the recipient would otherwise not choose to give; a quid pro quo arrangement

business ethics

standards or sets of values that govern the actions and behavior of individuals within a business organization and of the business itself in areas that are not directly regulated by laws

cause-related marketing (CRM)

a corporation's associating the sales of its products to a program of donations or support for a charitable or civic organization

code of ethics

a set of standards that serves as a guide for the members of an organization

code of practice

adopted by a profession or by a governmental or nongovernmental organization to regulate that profession

conflict of interest

an ethical challenge that occurs when an individual or organization is involved in multiple interests that are at odds with one another

corporate philanthropy

a corporation's gifts to non-profit organizations

corporate social responsibility (CSR)

the voluntary ethical actions of a business in society

ethics

a set of moral standards that govern the conduct of a person

Foreign Corrupt Practices Act (FCPA)

criminalized bribery of foreign public officials by American businesses as well as foreign businesses that are listed on stock exchanges in the U.S.

gifts from associates

can pose a conflict of interest

greenwashing

corporations exaggerating or misstating the impact of their environmental actions or promoting products as being environmentally friendly when in fact they're not

kickback

a form of negotiated bribery in which a commission is paid to the bribe-taker in exchange for services rendered

leadership

involves being able to recognize your strengths and those of your team and take advantage of those strengths to achieve organizational goals

nepotism

business decisions such as hiring and purchasing involve family members pose a conflict of interest

outside employment

is a conflict of interest when the interests of one job conflict with the interests of the other

self-dealing

a person with decision-making authority causes the organization they represent to enter into a transaction that benefits themselves; being on both sides of a deal

social entrepreneurship and social enterprise

the use of business organizations and techniques to attain laudable social goals

social marketing

the use of business marketing techniques in the pursuit of social goals

sustainability

the ability of a society or company to continue to operate without compromising the planet's environmental condition in the future