

Week 3: Ethics, Sustainability and Corporate Social Responsibility

→ CORPORATE SOCIAL RESPONSIBILITY ←

What is social responsibility?

Social responsibility: a businesses *intention, beyond* that *required* by law or economics to pursue *long term goals* that are good for society.

- Managers are faced with determining how their organisation 'fits' with its environment.
- Society develops rules and regulations about how businesses should be transacted and managed.
- Activities include fair prices, high quality products and services, safe products, promoting social justice, preserving the environment and supporting social and cultural activities.

Social obligation: obligation of a business to meet its *economic* and *legal* responsibilities. (classical view) Social duty is to its shareholders.

Social responsiveness: capacity of a firm to *adopt to* changing *societal conditions*. Guided by social norms.

Two opposing views:

→ Classical view (conventional/ economic)

- States that managements **only** social responsibility is to **maximise profits**
- "Defeat the competitor "approach.
- Nobel Friedman – says businesses primary responsibility is to operate a business in the best interest of shareholders. → (financial return). He does not agree with this approach however.

→ Socioeconomic view (sustainable)

- States that management's responsibility goes well beyond the marking of profits. It also includes improving and society's welfare.
- 'Maximising profits is a company's second priority'
- More profitable in the long run

Reasons for and against corporate social responsibility

FOR	AGAINST
<ul style="list-style-type: none">• Public expectations – supporting business	<ul style="list-style-type: none">• Violation of profit maximisation
<ul style="list-style-type: none">• <i>Long-run profits *</i>	<ul style="list-style-type: none">• Costs
<ul style="list-style-type: none">• Discouragement of further governmental regulation	<ul style="list-style-type: none">• Too much power – social goals give them more power
<ul style="list-style-type: none">• Stockholder interest	<ul style="list-style-type: none">• Lack of skills

→ Managerial Ethics ←

Managerial ethics

- Help us decide what is 'right' or 'wrong' in social context
- **Absolutists:** absolute right and wrongs
- **Relativists:** ethical positions depend on circumstances, culture and consequences of action.

How can managers identify the ethical thing to do?

- The three main views of ethical behaviour are:
 - 1) **Utilitarian view:** behaviour should be based on outcomes/ consequences to provide the greatest good for the greatest number
 - 2) **Rights View:** behaviour should respect/protect people's individual liberties and privileges.
Eg: privacy, freedom of speech, due process.
 - 3) **Justice view**
 - **Procedural justice:** decisions consented by those affected and made impartially.
 - **Distributive justice:** rewards/punishments are distributed equitably and based on performance. *Eg: Talking in class expelled from unit, but other student isn't... is this fair? Nope!*
 - **Compensatory justice:** if distrib. or proc. justice is compromised, those adversely affected by the decision should be compensated.

Levels of moral development

