

Global Business and International Trade

Business ethics and CSR

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Outline of the lecture

- Ethics and international business
- Unethical behavior
- Corporate social responsibility

Ethics and international business

- Basic terms
 - Business ethics – accepted principles of right or wrong governing the conduct of businesspeople
 - Ethical strategy – course of actions that doesn't violate the accepted principles

Ethics and international business

- Many ethical issues are based on differences across countries
 - Political system, law, economic development, environmental protection or culture
- Managers have to be sensitive to these differences

Ethics and international business

- Employment practices
 - Different work conditions in home and host country
 - Which standards should be applied?
 - Legal, but ethical?

Ethics and international business

- Human rights
 - Should a company operate in a country that doesn't respect basic human rights?
 - Should such company actively promote a change?

Ethics and international business

- Environmental pollution
 - Different regulations in home and host country
 - Direct impact on costs
 - Parts of environment are a public good (tragedy of the commons)
 - Legal, but ethical?

Ethics and international business

- Corruption
 - In some countries it is accepted as a business practice
 - It is definitively bad, but it can support your business

Ethical dilemmas

- All the previous puts firms under pressure and creates ethical dilemmas in business
- Different countries = different ethical principles (e.g. gift-giving)
- A situation in which there is no ethically acceptable solution

Roots of unethical behavior

- Personal ethics
 - Our personal ethical code confronted with difficult situations, often in foreign environment
- Decision-making processes
 - Not realizing unethical behavior
 - You don't ask, or don't think it might be wrong
 - Typically simple business calculus

Roots of unethical behavior

- Organizational behavior
 - Organizational culture that reduces all decisions to the purely economic
- Unrealistic performance goals
 - High pressure from parent company
- Leadership (by setting examples)
- Societal culture

Managerial implications

- How to make sure ethical issues are considered in business decisions
- 1. Hiring and promotion
 - Favor hiring and promotion of people with a well-grounded sense of personal ethics

Managerial implications

2. Organizational culture and leadership

- Build culture that values ethical behavior
 - Articulation → Action → Reward
 - Code of ethics

3. Decision-making processes

- Make sure that people consider ethical dimension of business decisions

Managerial implications

4. Ethical officers

- Employees overseeing the ethical issues

5. Moral courage

- Its development enables managers to walk away from a decision that is profitable but unethical

Managerial implications

6. Corporate social responsibility

- To be discussed later

7. Sustainability

- Sustainable or long-term strategies tend to be more responsible for future generations

Corporate social responsibility

Definition

- Corporate social responsibility (corporate citizenship, social performance or sustainable responsible business) is a form of corporate self-regulation integrated into the business model of a company
- The European Commission defines CSR as *the responsibility of enterprises for their impacts on society*
- CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms

But why?

- The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, shareholders and all other members of the public sphere who may also be considered as stakeholders
- Shareholders x stakeholders

Brief history

- In old Victorian England, entrepreneurs cared about happiness of their employees
- The term CSR appeared at the turn of 1960s and 1970s, when large corporations started to think about their operations more globally = inclusion of stakeholders (not only shareholders)
- Over the time, it has become a substantial part of companies' mission and statements

Approaches

- [Philanthropy](#)
- Shared value creation
 - idea that business results and social welfare are interdependent (positive externalities)
- Benefiting from results
- Pressure from parent company (owner)

Benefits

- Benefits depend on the nature of the company and its CSR approach
- Typically, they appear in middle- to long term

Benefits

- Human resources
 - recruitment, loyalty increasing, higher productivity of employees
- „Bad times“ protection
 - can be used as an advantage in case of unfavorable development of any kind

Benefits

- Market advantages
 - brand value enhancing, new customers
- Better negotiation position
 - toward government (taxes)
 - toward society

Concerns

- Can be viewed as a tool, not a goal
- Concentration on environmental rather than social questions
- Copy-paste method
 - Case of emerging countries and MNCs
 - Process is initiated internally, to satisfy foreign owners

Concerns

- Problems of yesterday are dealt with tomorrow
 - CSR reacts to issues or topics that had desired attention long time ago
 - Ad-hoc approach instead of strategy planning
 - Innovative CSR must be able to identify new goals and use new methods, which enable an early reaction to new challenges or even a discovery of those challenges

Concerns

- Very often problem of SMEs
 - Lack of connection between CSR and business strategy
 - Lack of proper tools to measure CSR effectiveness
 - Ad-hoc instead of enduring involvement

Examples

- Domtar (paper production)
 - Web [The Paper Trail](#) (as a commitment to sustainable business)
 - You can get information about production site, environmental footprint (gallons of water, transportation, CO₂, recycling opportunities)

Examples

- Unilever (food and non-food products)
 - Web that encourages all stakeholders to find (suggest) innovative solutions in different areas of company's business
 - Everything is tested and eventually implemented
 - Most incentives come from customers
 - <http://www.unilever.com/sustainable-living/>

Examples

- Warby Parker (prescription eyeglasses and sunglasses maker)
 - Initiative [Buy a Pair, Give a Pair](#)
 - For every pair of glasses bought by a regular customer, the company distributes a pair to someone in need

Examples of best practices

- Read an article using this [link](#)