
INTEGRATIVE APPROACHES OF BUSINESS ETHICS, CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

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Abstract

Although the success of an organization appears to be related to financial performance, currently there is an important issue in literature and within society about the organizations' social attribute and responsibility. Business ethics (BE), corporate governance (CG) and social responsibility (SR) are concepts developed in recent decades in response to the growing number of corporate offenses. These three movements have generated so far less widely accepted requirements for improving business behavior. The main purpose of the paper is to explore these concepts, in a future where SR and CG must be seen in the context of a general paradigm of business ethics, but not limited to ethical responsibilities and also incorporating other types of responsibilities: economic, legal and philanthropic. In the paper we will conduct an exploratory research of the literature using an integrative vision, which allows us to propose a series of models for integrating business ethics, corporate governance and social responsibility. Following exploratory research, we came to the conclusion that corporate governance and SR are a subsequent component of business ethics, but also includes other additional dimensions. Implementation of these concepts in the organizational culture is a primary condition for organization sustainability.

Keywords

Social responsibility, corporate governance, business ethics, sustainability

JEL Classification

M14, G34, Q56

Introduction

Ethical behavior and social responsibility can bring substantial profits to an organization. The idea that organizations have some responsibilities towards society, beyond the primary

obligation to produce a profit for the investors is an idea entrenched for centuries (Carroll, 2000). Consequently the concept of SR continued to raise in significance and strength (Carroll and Shabana, 2010). Since the economic responsibilities aim goods and services production and making profits that allow survival and growth of the organization, ethical responsibilities treat requirements of other stakeholders.

The concepts of BE and SR are often “used interchangeably, although each has a distinct meaning” (Carroll, 1989, p. 67). If BE is a business philosophy that comprises principles and moral standards of business sphere (Puiu, 2015), SR is an integrative management concept that states a responsible behavior, according to the goals, values and interests of stakeholders. Companies that reliably prove an ethical and socially responsible behavior obtain a superior performance (Carroll, 1989).

Relationship between SR, CG, BS and sustainability are complex, requiring a series of integrated models to be better understood (Flammer, 2015). Management literature tried to explain the relationship among these concepts using policy and strategy as moderating factors (Carroll 1999; Zingales et al., 2016). It provided some definitions and demonstrated the ways in which management practices and organizational strategy depend on sustainability orientation (Stanciu et al, 2010).

In this paper we aim to explore the relationship among CG, SR and BE, proposing a series of integrative approaches to eliminate existing redundancies. The first section is an introduction to the research topic. In the second section we presented the research methodology. The third section presents the organization as an open system and relationship with its stakeholders in the perspective of CG, SR and BE. The fourth section explores the relationship among CG, SR and BE. In the fifth section we point out the results of research: theoretical proposal of three types of integrative approaches. The last section concludes by providing directions for future research.

Research Methodology

The paper will adopt a holistic approach to the role of the organization in society, its responsibilities towards the organization in which it operates, its responsibilities to all stakeholders including its employees and the ethical foundation that must exist for any form of honest reporting. No organization will look just as a reporting entity that follows a set of rules or nebulous concept, but as an organic part of the business environment.

In this paper we carry out a review of the mainstream literature using analysis and synthesis, deduction and induction. In this regard, we undertake a thorough examination of the principles of SR and a narrative description to summarize various issues about among CG, SR and BE, based on which the integrative approaches and conclusions were formulated. The strength of this methodology is that it allows understanding the plurality of ideas and opinions around academic research on this topic. Thus, the focus was on a core element that has been approached from different points of view the integration among CG, SR and BE in order to generate a sustainable development of the organization, offering a series of results that will be the basis of future empirical research.

Organization as an open system and relationships with its stakeholders

Organizations can be seen as open, complex, dynamic and self-regulating systems characterized by a number of features (Daft, 2015). Therefore, companies are required to seek to maximize profits, which leads first to an increase in the organization’ value and secondly to the possibility to distribute dividends for their owners. The first responsibility is to the organization’ owners. Fulfilling this primary responsibility is done through management organization to conduct its operations effectively and efficiently in order to obtain bigger profits. CG has emerged as a concept that deals with relationships between owners (divided into two categories: majority shareholders that have high power of decision and minority

shareholders who have to submit to majority decisions), company managers and to a lesser extent company's employees. In addition to these internal stakeholders of the company there are other stakeholders who have interests related to the company and whose needs and requirements that company managers should consider: customers, suppliers, public authorities, communities, society in general. SR has emerged as a concept that deals with relationships between organizations and all stakeholders, both internal (owners, managers, employees) and external (customers, suppliers, public authorities, communities, society in general) (Carroll, 1989). A graphic illustration of the organization as an open system is presented in fig. no.1.

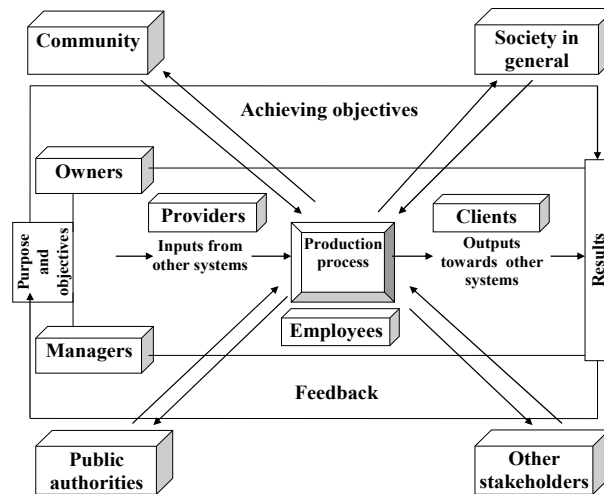


Fig. no. 1 Organization as an open system and relationship with its stakeholders

Source: Developed by authors

Business ethics preceded the two concepts (CG and SR), being a transposition of the principles of ethics and morals in business. It is a broad concept covering all levels and business activities, representing the basis for principles of CG and SR.

Relationship between CG, SR, BE and sustainability

In particular, large corporations play a key role in society. However, all organizations, regardless of size, must assume a role in SR actions. Hierarchically-functional organizational structures of a bureaucratic nature that are found in most organizations are not compatible with the social component of the business. Leadership still maintains the power to take decisions affecting employees and other stakeholders, as they are the actors and promoters of SR actions. Managers play an important role in the implementing ethical and responsible policies of the organization implemented with the help of employees and other stakeholders (Nicolaidis, 2018, Barbu, Logofatu and Olari, 2019).

The requirements of the society to the organizations are: a solid and correct governance that works, a solid business ethics and SR policies integrate the first two by default. A good governance and ethics are an internal part of SR (fig. no.2).

Responsibility and transparency may be deeply implemented in the organizations' DNA only if management is able to develop a clear vision of sustainability in their organization. The results of good CG, of ethical and responsible behavior of the organization are ultimately transposed to ensure the sustainability of the organization on its three vectors: the economic vector, the social vector and the environmental vector.

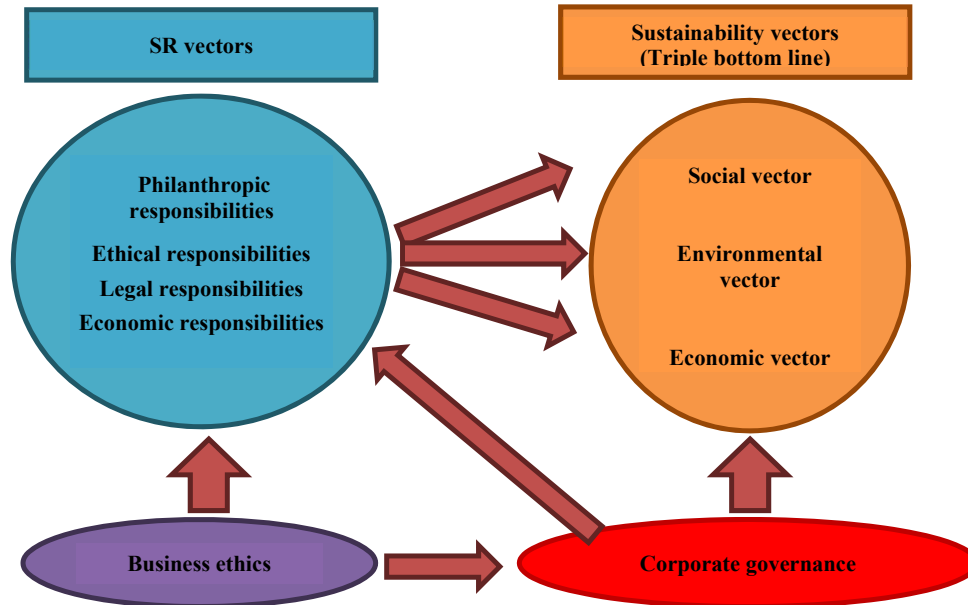


Fig. no. 2 The relationship among CG, SR, BE and sustainability

Source: Developed by authors

Also, SR must penetrate through all organizational structures to all employees. A common set of values must be incorporated at employees and introduced through programs and codes of conduct and ethics, these having strong links with SR. The codes should be written and understandable if the management hopes to get compliance (Nicolaidis, 2018).

Results and discussions

Research results aim at exploring SR and CG in the context of BE, emphasizing the relations that are established between the three domains. Thus, we propose at a theoretically level three types of integrative approaches of the three areas: addressing the intertwined relationships of "DNA" and focused approach of "sun", instrumental approach.

A. An intertwined relations approach of "DNA"

This approach is inspired by Freeman's (1984) normative theory on stakeholder and the concept that organizations are "living organisms, parts of biological and social environment around them" (Bjerregaard and Luring 2013, p.134).

Organizations are part of the social, economic and environmental systems in which they operate. Therefore, in all activities, structures and processes, organizations must take responsibility for the impact produced on all stakeholders. The impact that an organization has on the community and society in general, the current one, but also the one expected in the future, must be built into the organization' DNA and BE and SR must be treated interchangeably, as illustrated in fig. no.3.

Current tendencies in this area seem to focus on SR, while ethics is seen more as a business philosophy which finds its applicability only in codes of ethics and codes of conduct. In our opinion, business ethics together with philosophy to maximize profits are the sequences on which the DNA of a sustainable business is built. These sequences are supported in practical terms by concepts and action programs in the areas of SR, CG and corporate citizenship, the final result being the assurance of organizational sustainability.

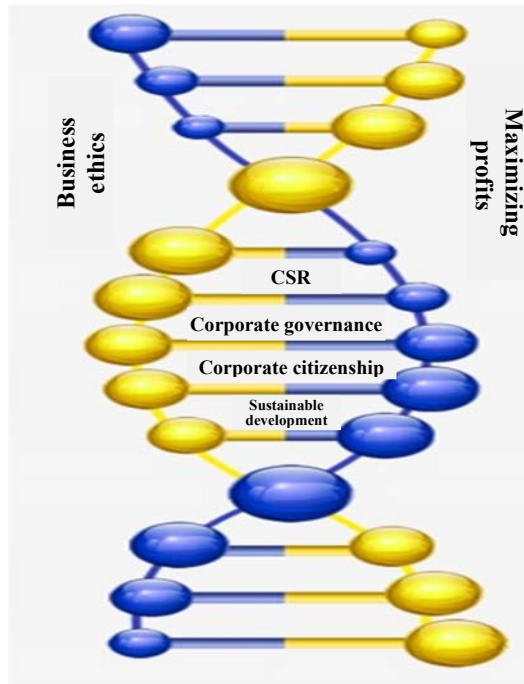


Fig. no. 3 The DNA of an ethical, socially responsible and sustainable organization
Source: Developed by authors

B. "Sun" pattern - concentric approach

Another integrative approach we propose involves the circumscription of the four concepts (CG, SR, BE, sustainability) in a concentric pattern of "sun" (fig. no.4).

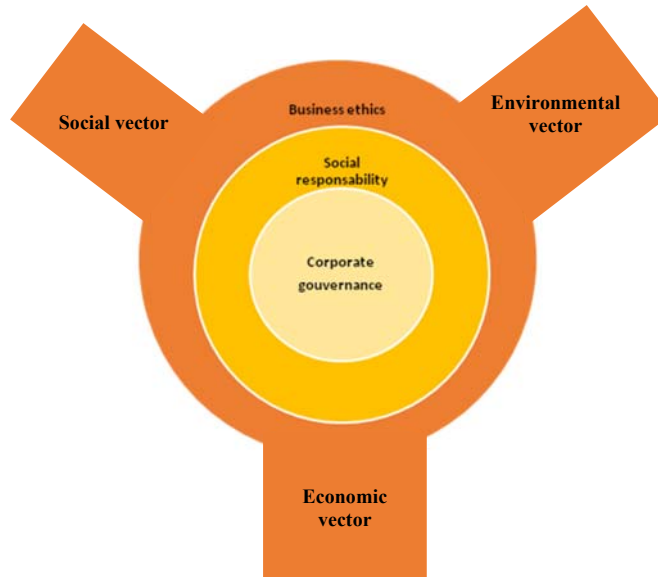


Fig. no. 4 "Sun" pattern - concentric approach
Source: Developed by authors

CG is the core of this model being the force that integrates and accounts internal stakeholders: stakeholders (owners that make the strategic decisions through general meetings of shareholders and boards), managers (who put into practice strategic decisions, make the necessary tactical decisions and a part of the operational) and employees with executive function (who carry out management decisions and depending on the degree of autonomy given, make decisions on activities that affect them).

The second layer of the concentric model is the SR that adds to the attention of the internal stakeholders' the concern for the external stakeholders' requirements. A socially responsible organization looks beyond its borders and integrates into the organizational strategy the interests of external stakeholders: suppliers, customers, public authorities, business organizations, trade unions, community, and society as a whole. Thus, the organization has initiatives in the area of SR or promotes responsible behavior in relation to business partners and regulatory or fiscal authority.

The third layer of the concentric model is BE, which through two instruments (code of ethics and code of conduct) integrates into organizational behavior the principles of BE and conduct requirements that ensure the implementation of mechanisms for making ethical decision. If CG strictly concerns management relations between internal stakeholders, SR concerns both internal and external relations of the organization with the external environment, BE provides principles underlying these relations and behavioral models, with a wide range of action that covers the entire activity of the organization.

The fourth component of the model is the sustainability that manifests itself in the form of outputs, the three vectors "triple bottom line" approach: economic vector, environmental vector, social vector. This component takes on the principles, requirements, and behavior patterns of CG, SR and BE and integrates them into the organization's strategy providing a way for the organization's survival and growth in sustainable conditions.

The model offers the organization coherence in addressing stakeholders and ethical issues faced in the activity, providing a solid basis for the sustainability.

C. Instrumental approach

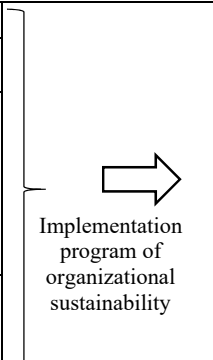
The models presented are theoretical and, in order to be implemented in practice, is needed an instrumental approach that enables the integration and the tools used by the three areas underlying the development of a sustainable business: CG, SR, and BE.

Table no.1 provides an integrative view on the tools used by these three areas, adapt and integrate them into a common tool we propose, a tool we have called implementation program for organizational sustainability.

This program of implementing organizational sustainability represents practically a unique tool that integrates all other specific instruments of CG, SR and BE into a single document containing the principles of CG, SR and BE, prescriptions conduct, actions to be taken, results to be tracked and measured. Such an implementation program for organizational sustainability would be an integrated tool that provides competitive advantage to the implementing organization. Workers will be able to better manage the information on how an organization can act to sustainability, eliminating the plurality of existing codes of organization, ensuring consistency of policy sustainability.

Such a tool should use Jorgensen model methodology on the integrated management system (Jorgensen et al, 2006), which involves three levels of integration (compatibility, coordination, integration). Compatibility means ensuring the correspondence between the codes and regulations of conduct specific to CG, the organization's SR, BE, eliminating dubbing, confusion and redundancies.

Table no. 1 Tools used by CG, SR and BE

Area	Instruments		Result	Directions
Corporate governance	Corporate governance codes	 <p>Implementation program of organizational sustainability</p>	Sustainable development	Economic vector
Social responsibility	SR initiatives; Standards (ISO 26000); Tools for measuring social and environmental performance			Social vector
Business ethics	Codes of ethics; Codes of conduct			Environmental vector

Source: Developed by authors

Coordination ensures the alignment of principles and behaviors within the processes and activities. Integration implies the interweaving principles prescriptions of conduct, behavior patterns and action, in order to develop a single process that is the basis for ensuring the sustainability in the three lines (economic, social and environmental).

Conclusions

Since the second half of the twentieth century, literature has undertaken an examination of the role of business in society (Carroll, 1999). At the focus of this trend was a strong emphasis on the ethical dimensions of the business (Crane and Matten, 2010) and the organizations’ responsibilities for its stakeholders, not just towards shareholders (Freeman and others, 2010). The researchers studying these approaches have done it both conceptually and empirically, but the concepts and approaches related to BE and SR are still changing and highly disputed in the mainstream literature (Crane and others, 2008).

This paper aims to contribute to the BE literature and to solving problems related to the difficult and deficient implementation of the concepts of BE, SR, CG and sustainability. Weaver and Trevino's (1999) observation from almost two decades ago is still relevant, suggesting "questions remain about the relationship between SR, corporate reputation, corporate citizenship, corporate philanthropy and corporate crime, and the links between them and business ethics." Through this research we explored the conceptual relevance assumed between CG, SR and BE in academic literature and its reflection in business practice. This relationship is analyzed through a triple approach and aims to align and integrate these practices into a unitary practice that eliminates redundancies and will be easier to implement. In the future research we will study the effects of adopting integrated practices in the area of CG, BE and SR on the sustainability of the organization in the perception of managers, employees and clients.

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