Chapter 59

Bridging the Foundational Gap between Theory and Practice:
The Paradigm on the Evolution of Business Ethics to Business Law

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ABSTRACT

This chapter addresses the relationship between ethics and law and the evolution from ethics to law so that practitioners can implement ethical business practices. Practitioners must first understand the differences in the foundational gap in theory between ethics and law as it applies to business in practice. This chapter provides a review of the foundation of the differences between ethics and law as addressed from a practical standpoint. Furthermore, a practical strategy in addressing business law is offered. Thus, the operational definition of ethics, in this chapter, is the study of business situations, activities, and decisions where issues of right and wrong are addressed based on the principles, norms, and standards of conduct governing an individual or group. Law, on the other hand, is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions and represents the minimum acceptable standards of behavior in a society.

INTRODUCTION

Over the decades, the concept of corporate social responsibility (CSR) has continued to grow in importance and significance. It has been the subject of considerable debate, commentary, theory building, and research. In spite of the ongoing deliberations as to what it means and what it embraces, it has developed and evolved in both academic as well as practitioner communities worldwide. The idea

that business enterprise have some responsibilities to society beyond that of making profits for the shareholders has been around for centuries. Concern for ethics and morality in business is a growing phenomenon. There is both theoretical argument and empirical evidence to support the claim that morals and ethics have an impact on conduct in the business world. Despite widespread acknowledgement of the importance of business ethics, many businesses still conduct themselves

unethically. According to Tran (2008a, 2008b), higher levels of business ethics can be promoted, especially when public interest is given priority over self-interest. It is possible that businesses that are ethical can engage in moral judgments based on what is morally correct whether for purposes of self-interest or in the interest of the public.

The term 'corporate social responsibility' (CSR) is still in popular use (Carroll & Shabana, 2010), even though competing, complementary and overlapping concepts such as corporate citizenship, business ethics, stakeholders management, and sustainability are all vying to become the most accepted and widespread descriptor of the field. At the same time, the concept of corporate social performance (CSP) has become an established umbrella term which embraces both the descriptive and normative aspects of the field, as well as placing an emphasis on all that firms are achieving or accomplishing in the realm of social responsibility policies, practices and results. In the final analysis (Carroll & Shabana, 2010), however, CSR remains a dominant, if not exclusive, term in the academic literature and in business practice. The concept is always evolving though. For instance, the founding of CSR International, an exciting new non-profit organization supporting the transition from what it called the old CSR or CSR 1.0 to the new CSR (Corporate Sustainability & Responsibility) or CSR 2.0 was announced in 2009. Whether CSR 2.0 turns out to be substantially different remains to be seen.

In order to address the relationship between ethics and law and understand the evolution from ethics to law so that practitioners can implement ethical business practices, practitioners must first understand the differences in the foundational gap in theory between ethics and law as it applies to business in practice. In so doing, a review of the foundation of the differences between ethics and law are addressed from a practical stand point. Furthermore, a practical strategy in addressing

business law is offered. With that said, the operational definition of ethics used here is that business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed based on the principles, norms, and standards of conduct governing an individual or group. Law, on the other hand, is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions and represents the minimum acceptable standards of behavior in a society (Tran, 2014a).

CORPORATE SOCIAL RESPONSIBILITY: BACKGROUND AND HISTORY

The roots of CSR certainly extend before World War II. However, it should be noted the coverage in this paper will not go back that far. According to Carroll and Shabana (2010), Bert Spector has argued that the roots of the current social responsibility movement can be traced to the period of 1945-1960; the early years of the Cold War. Spector has argued that Dean Donald K. David[1] and other advocates of expanded notions of CSR used this as a means of aligning business interests with the defense of free-market capitalism against what was then perceived to be the danger of Soviet Communism (Spector, 2008). Dean David exhorted in 1946 to the incoming MBA class at the Harvard Business School that future business executives take heed of the responsibilities that had come to rest on the shoulders of business leaders (Spector, 2008).

In the 1950s, there was some limited discourse about CSR. Frank Abrams, a former executive with Standard Oil Company, New Jersey, introduced concerns about management's broader responsibilities in a complex world (Abrams, 1951) and Howard Rothamnn Bowen published his seminal book, Social Responsibilities of the Business

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