

Chapter 11

Ethics and CSR Practices for Enduring Corporate Governance Culture

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ABSTRACT

The studies in corporate governance have explained different motives responsible for adoption of corporate governance. This chapter provides answers to why business should be morally responsible and practice CSR. The authors shed light on crucial areas of corporate responsibilities of business and various theoretical justification advanced in previous studies in CSR. They look at the relationship between CSR and corporate governance – their crucial points of divergence and convergence. They also look at ethics and responsibilities for unethical behaviours and ethical theories with their limitations. Finally, they evaluate CSR and ethics from African perspective – how CSR in Africa is framed from by sociocultural influences, like communalism, ethnic-religious beliefs, and charitable tradition (ubuntu philosophy).

DOI: 10.4018/978-1-5225-9607-3.ch011

INTRODUCTION

CSR is an issue that has captured the attention of national and international, political and business leaders across the globe and the developed world. The creation of wealth has led to various social and environmental impacts such as depletion of non-renewable resources, global warming, diminution of land resources, acidification, reduction of water resources and potential threats to health and safety of employees (Singh et al., 2007). The issue of board room failures, insider abuses, moral hazard and environmental abuses and degradation has led various sectors, governments and NGOs to engage with corporate governance and CSR debates and initiate strategies for responding to the challenges of sustainable development.

A broad range of corporate stakeholders have regarded CSR and corporate governance as important, these include consumers, shareholders, potential investors, creditors, regulators, employees and the general public (Duckitt et al., 2010; Marshall et al., 2009; Lopez et al., 2007; Cottrell, 2003; Bringer & Benforado, 1994; Makower, 1993). From an investment standpoint, shareholder value suffers when companies pay millions of dollars in fines, cleanup fees, and court costs to keep corporate officers out of jail (Coleman, 2011; Minow & Deal, 1991). From a consumer perspective, growing numbers of customers are showing preference for greener companies and products. For example, approximately a third of all adults in the UK pay premium of 15-50% for organically-sourced foods (Olliff & Vandermerwe, 1990). From an employment perspective, it is becoming more difficult to attract top executives and other key employees to positions in industries without corporate governance framework (Clark, 1990). From the general public's standpoint, surveys conducted in the aftermath of the Exxon Valdez spill reported that approximately 60% of Americans named pollution as a very serious threat to their health and the environment, and approximately 75% believe that business should be responsible for the cleanup (Smith, 1990). The BP Plc (April 2010) deep water rig explosion in the Gulf of Mexico resulted in loss of employee lives and biodiversity (all living things) in the ocean, further, the collapse of goldmine fields in both Chile and Ecuador in August and October 2010 respectively led to the loss of employees and permanent impairment to the landscape, which have been greeted with public outcry and expressions of dismay.

Businesses for many decades have ignored the impact of their activities on the natural and social environment in which they operated, unless it had direct repercussions on the profit and loss account. Friedman (1970) famously supported this classical view of business objectives by stating that the sole reason for a firm's existence is to maximise the wealth of the shareholders, and that any act of philanthropy

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