The Role of Business Ethics and Corporate Social Responsibility in improving Business Performance:

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Introduction:

In today's business world companies are expected to reach their financial goals all the way operating ethically. Conducting a business ethically while having social responsibility have become the key to long term success, rather than just small short term goals. Throughout this essay is to look at and analyse business ethics and corporate social responsibility and how their role plays a vital part in shaping the performance of their organisation. By applying academic theories like Carroll's CSR pyramid and triple bottom line, the essay will provide an in depth idea of how when applying these ideas influences reputation, stakeholder trust and profitability. Including some real life examples will also paint an idea of the importance of businesses working ethically and applying CRS into the corporate world. In short, this essay emphasises that ethical and socially responsible practices are key for businesses who want to succeed in an economy that practises transparency and sustainability.

Defining Business Ethics:

Business ethics defines as the moral principles and values that guide organisational behaviour and decision making (Crane and Matten., 2021). These principles give an idea of how companies deal with stakeholders all while maintaining fairness, honesty and accountability. Ethical practices involve following laws and regulations but also having further commitments to principles such as honesty, equity and respect for human rights.

Business ethics support corporate governance and stakeholder trust. Companies failing to follow ethical rules can lead to fatal consequences. For example, Volkswagen was involved in an emissions scandal in 2015, where the company faked emissions data which resulted in damage of reputation, legal fines going up to 30 billion dollars and a loss of consumer confidence (Hotten., 2015). In a similar situation, Enron's accounting fraud resulted in bankruptcy and regulatory reforms, a clear example of how unethical conduct can destroy entire industries. Organisations that show strong ethical principles gain long term loyalty and brand credibility. Ethics is a foundation for CRS initiatives which will reflect on an organisation's moral values particularly showing in practical actions.

Defining Corporate Social Responsibility (CSR):

CRS is a businesses voluntary commitment to combine social, environmental and ethical considerations while providing economic value (Carroll., 1991). CRS uses a range of activities; reducing carbon emissions, supporting community development and encouraging diversity and inclusion in the workplace.

Carroll's CSR Pyramid (1991) provides a framework of four layers:

- Economic responsibilities: Gaining a profit is the foundation of a business since the business must gain an income to survive.
- Legal responsibilities: Following laws and regulations, such as labour and environmental standards.
- Ethical responsibilities: Acting fairly, expecting societal norms and going beyond legal requirements.
- Philanthropic responsibilities: Contributing toward social causes and charitable activities.

An example is Unilever's sustainable living plan, which aims to reduce environmental impact while improving health globally. This strengthens Unilever's image but also attracts ethically conscious consumers, showing how following CRS initiatives can increase competitiveness (Unilever., 2022)

Relevant Models and Theories:

Triple Bottom Line developed by Elkington (1997), expands and doesn't just focus on profit it focuses on people and the planet. This model highlights that economic growth should line up with social equity and environmental control. Businesses using TBL principles aim to decrease ecological footprints, improve social well-being and maintain financial viability.

Stakeholder theory, introduced by Freeman (1984) furthers this view by emphasising that business should create value for all stakeholders, not just shareholders. By meeting the needs of customers, employees, suppliers and communities it builds trust and reduces conflict which then contributes to sustainable success.

Patagonia, an outdoor apparel company, followed both models. They used recycled materials and donated a percentage of profits to environmental causes. Patagonia matches its core values to its consumer expectations, this builds loyalty while maintaining profitability. Tesla also integrates sustainability by making electric vehicles that reduce reliance on fossil fuels, making the brand stand out as an innovator in green technology.

Relationship Between Ethics, CSR, and Business Performance:

The connection between ethical practices, CRS and performance is acknowledged in academic corporate research. Companies that use CSR and engage in ethical behaviour tend to experience enhanced brand reputation, which furthers customer loyalty ans higher sales. For example Starbucks is a well known coffee chain ensure that they use ethically sourced coffee which appeals to socially conscious consumers and increases stakeholder trust (Starbucks., 2023). When companies also apply CRS it tends to improve employee engagement. Workers are always motivated by purpose-driven employers, this leads to lower turnover and higher productivity (Bhattacharya., 2009). Investors now also assess businesses based on environmental, social and governance performance which means in events of ethical failures can lead to limited access to capital markets.

On the other hand, companies that fail to follow ethics and CRS are at a bigger risk to face legal, financial and reputational risks. In 2010 there was a case of the BP deepwater horizon oil spill which resulted in billions in fines and unrecoverable damaged reputation as this whole case highlighted the disregard of environmental responsibility. Previous research supports that sustainability driven companies outperform peers on the stock market and accounting measures over the long term. This indicates that CRS and ethics are not mere charitable gestures but strategic duties that play a part to competitive advantage, risk mitigation and shareholder value creation.

Conclusion:

Business ethics and CRS go hand in hand with a modern corporate strategy. Ethics is the foundation for fair and clear decision making, while CRS furthers these principles into practical commitment to people and the environment. If companies then decided to incorporate the triple bottom line and Carroll's CSR Pyramid ensures a maximum approach to performance having a balance of profit and purpose. Real world cases from Unilever, Starbucks, Patagonia, and Tesla show that when businesses integrate ethics and CSR it builds reputational resilience, employee loyalty and financial success. In a world of increased environmental and social awareness, organisations should apply these principles within their operations to determine and secure long-term sustainability and stakeholder trust. Future business leaders should prioritise ethics and CRS as essential to succeed in innovation, competitiveness and global responsibility.

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