

Business Ethics and Corporate Social Responsibility in the Automotive Industry

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1. Introduction

In today's business environment, organisations are no longer evaluated solely on their financial performance, but also on how ethically they operate and the impact they have on society and the environment (Porter and Kramer, 2011). This is particularly important in the automotive industry, where production processes and vehicle emissions have significant environmental consequences (International Energy Agency, 2023). As a result, business ethics and corporate social responsibility (CSR) have become essential elements of modern business strategy.

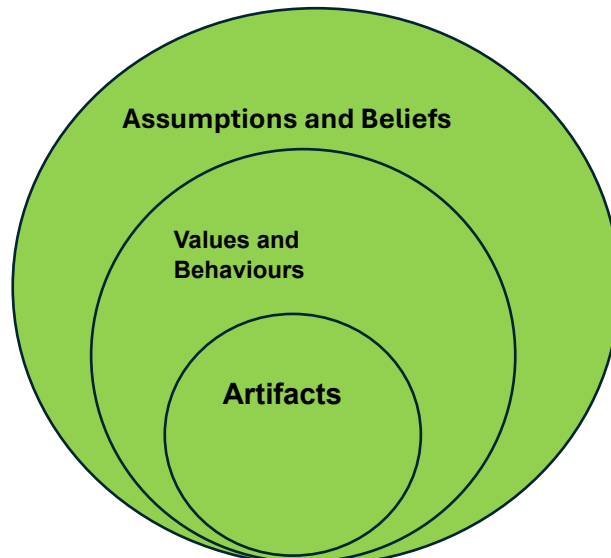
Business ethics refers to the moral principles that guide decision-making and behaviour within organisations, while CSR focuses on how companies manage their responsibilities towards stakeholders, including society and the environment (Carroll, 1991; Ferrell et al., 2019). This essay will analyse these concepts using Carroll's CSR Pyramid and the Triple Bottom Line framework. It will also evaluate how companies such as Tesla, Volkswagen, and Toyota apply these principles in practice. It is argued that ethics and CSR are not optional, but necessary for long-term success.

2. Business Ethics and CSR Concepts

Business ethics can be defined as the application of moral standards to business decision-making, ensuring fairness, honesty, and accountability (Ferrell et al., 2019). Ethical behaviour includes complying with laws, avoiding misleading practices, and prioritising customer safety. However, businesses often face pressure to prioritise profit over ethical considerations, particularly in highly competitive industries (Crane and Matten, 2016).

CSR extends beyond ethics by requiring organisations to consider their broader impact on society and the environment (Carroll, 1991). It includes activities such as reducing environmental damage, ensuring fair labour practices, and contributing to community development. According to Porter and Kramer (2011), CSR can create shared value by benefiting both businesses and society. In my view, companies that take CSR seriously are more likely to build long-term trust and sustainability.

Figure 1. As shown in the figure, organisational culture includes artifacts, values, and underlying assumptions, which shape ethical behaviour and support CSR.



Elements of organisational culture (adapted from Schein, 1984)

3. Carroll's CSR Pyramid

Carroll's CSR Pyramid is one of the most widely used frameworks for understanding corporate responsibility. It identifies four levels: economic, legal, ethical, and philanthropic responsibilities (Carroll, 1991). The economic level forms the foundation, as businesses must generate profit to survive. On the legal level it is required compliance with laws and regulations, while the ethical level involves doing what is right beyond legal obligations. The philanthropic level includes voluntary contributions to society.

However, some scholars argue that traditional CSR frameworks may oversimplify the complexity of stakeholder expectations. Crane and Matten (2016) suggest that models such as Carroll's Pyramid do not fully capture the conflicting demands businesses face from different stakeholder groups. In contrast, Porter and Kramer (2011) propose that the concept of creating shared value enables companies to align social and economic objectives, offering a more integrated approach to CSR. This debate highlights that while CSR models provide useful guidance, they may not fully reflect the challenges organisations encounter in practice.

In practice, these responsibilities may conflict, particularly when companies prioritise profit over ethics (Crane and Matten, 2016). A clear example is Volkswagen, which was involved in the emissions scandal where software was used to manipulate test results (BBC News, 2015; Hotten, 2015). This represented a failure of both legal and ethical responsibilities, as the company deceived regulators and customers.

The consequences were significant, including financial penalties and reputational damage (BBC News, 2015). However, Volkswagen has since increased investment in electric vehicles and sustainability initiatives in an attempt to rebuild trust (Volkswagen Group, 2023). This demonstrates that while unethical decisions may provide short-term benefits, they can result in long-term negative consequences.

4. Triple Bottom Line

The Triple Bottom Line framework, as shown in Figure 2, introduced by Elkington (1997), argues that businesses success should be assessed across three areas: profit, people, and planet. It encourages organisations to integrate financial performance with social responsibility and environmental sustainability.

Tesla is a strong example of a company focusing on environmental sustainability. Its business model is centred on electric vehicles, which contribute to reducing carbon emissions and reliance on fossil fuels (Tesla, 2023). Additionally, Tesla has achieved strong financial performance, showing that sustainability can align with profitability (Porter and Kramer, 2011).

However, Tesla has faced criticism regarding labour conditions and supply chain issues, indicating that its performance in the “people” dimension may be less consistent (Crane and Matten, 2016). This highlights the complexity of CSR, as companies must balance multiple responsibilities rather than focusing on only one aspect.

The Triple Bottom Line Framework

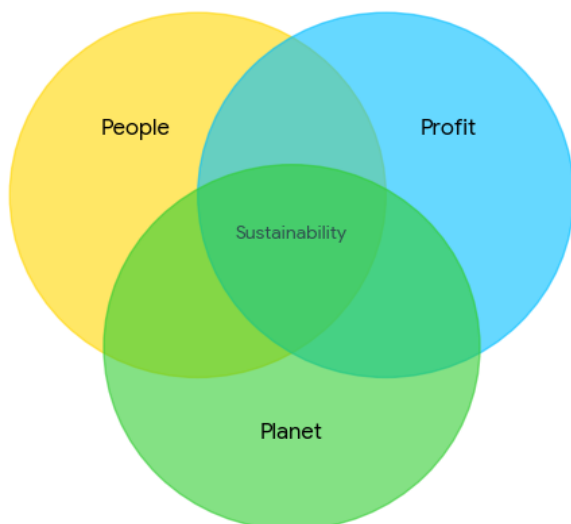


Figure 2: Adopted from Google Image, 2026

5. Case Studies: Tesla, Volkswagen and Toyota

Toyota provides an example of a more balanced approach to CSR. The company has been a pioneer in hybrid technology, particularly with the Prius, which has significantly reduced emissions (Toyota, 2023). It has also invested in hydrogen fuel technology as part of its long-term sustainability strategy (International Energy Agency, 2023).

In addition to environmental initiatives, Toyota emphasises quality and safety, which are key aspects of business ethics. This has helped the company maintain strong customer trust and a positive global reputation. Compared to Tesla, Toyota's approach may be less innovative but appears more consistent and stable.

Overall, the comparison between Tesla, Volkswagen, and Toyota demonstrates that CSR can be implemented in different ways. While Tesla focuses on innovation, Toyota prioritises consistency, and Volkswagen highlights the risks of unethical behaviour. These differences show that companies must carefully balance ethics, sustainability, and profitability.

Another important aspect of business ethics and CSR in the automotive industry is the increasing role of regulation and stakeholder pressure. Governments and international organisations are imposing stricter environmental standards, forcing companies to adopt more sustainable practices (International Energy Agency, 2023). At the same time, consumers are becoming more aware of environmental and ethical issues, influencing their purchasing decisions. This creates additional pressure on companies to act responsibly and transparently. Furthermore, investors are placing growing importance on environmental, social, and governance (ESG) factors in their decision-making, which reinforces the importance of CSR (Porter and Kramer, 2011). As a result, ethical behaviour and sustainability are becoming key drivers of long-term competitiveness.

6. Conclusion

In conclusion, business ethics and corporate social responsibility are essential components of modern business practice, particularly in the automotive industry where environmental and safety concerns are significant. The application of Carroll's CSR Pyramid and the Triple Bottom Line demonstrate how organisations must balance economic objectives with legal, ethical, and environmental responsibilities (Carroll, 1991; Elkington, 1997). The case of Volkswagen highlights the serious consequences of unethical behaviour, including reputational damage and financial loss (BBC News, 2015), while Tesla and Toyota illustrate different approaches to integrating sustainability into business strategy (Tesla, 2023; Toyota, 2023). These examples show that CSR is not only a moral obligation but also a strategic necessity. From my perspective, organisations that genuinely embed ethical principles and sustainability in their operations are more likely to achieve long-term success and retain stakeholder trust. Therefore, ethics and CSR should be viewed as fundamental drivers of sustainable business performance.

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