1. Introduction

It might be central to corporate social responsibility (CSR) to deal with the question that refers to the business case in business ethics (BE): 'Is it worth it?' This question is tricky. First, it is not at all clear what is meant by 'it'. We know very well what CSR and BE are. CSR is responsibility in management of organizations, taking social issues, environmental issues and the economic development of region and society into account. This responsibility is certainly not voluntary, as some definitions suggest, given the fact that there are societal institutional pressures that demand such responsibility. BE is moral philosophy, applied to business. Different as the definitions are, the problems and questions that are discussed in the one field are relevant to the other; the person in an organization that is responsible for CSR is also responsible for BE. BE researchers are more likely to be found in humanistic facilities, whereas CSR researchers are more likely to be based in social sciences facilities– or in economics and business schools. But no matter how the 'it' is defined, there are many different things that belong to the possible methods and initiatives that are undertaken by organizations.

In the meantime, business organizations, scientists, non-governmental organizations, international organizations and professional service firms like consultancies and rating agencies have developed means and mechanisms, protocols and tools, standard procedures and functions, interorganizational networks and professional organizations, for those who are responsible for responsibility within organizations, and by doing so, contribute significantly to a well-defined and in many cases narrowly defined description of what CSR is and, maybe more important, how organizations can achieve responsibility.

In order to be or appear responsible, organizations can:

- hire a specialist
- make an ethics officer a board member
- get a consultant in

- join EBEN, the European Business Ethics Network
- fire wrong-doers
- install an ethics hotline
- provide clear guidelines with a code of conduct
- communicate the code of conduct
- provide training for managers
- provide training for workers
- set incentives for responsible behaviour
- provide disincentives for immoral behaviour
- next time, get a female board member instead of another male
- introduce questions about morality and responsibility in the assessment centre
- request a business ethics course in the executive MBA
- reduce the CO_2 emission
  - by producing more efficiently
  - by moving offices into zero emission houses
  - by replacing luxury cars from the carpool by hybrids
  - by substituting physical meetings by video conferences
  - by using trains rather than cars and planes
- give money to charity
- build up a new charity
- ensure equal representation of minorities in the workplace
- ensure equal representation of workers with disabilities
- stop collaborating with companies that engage in child labour
- build schools in bottom of the pyramid (BoP) countries
- have a community day where employees work in day cares in underprivileged neighbourhoods
- read to people in psychiatric hospitals or retirement homes
- repaint a public playground
- stop collaborating with companies owned by supporters of extremist parties
- encourage employees to save energy and recycle
- encourage employees to cycle
- support non-smoking programmes
- provide childcare
- provide health-insurance for employees and their partners, including same-sex partners
- replace toxic chemicals by less toxic ones or, preferably, non-toxic ones
- lobby the government to introduce ceresin-tax

- consider the ecological footprint of their products throughout the entire lifecycle
- pay attention to eco labels and Forest Stewardship Council (FSC) wood when sourcing
- write and publish an annual social report, preferably online
- join the GRI, the Global Reporting Initiative
- stay away from weapons, alcohol, tobacco, pornography, gambling, genetic food
- provide proper risk management
- have fair trade coffee and paper cups in the coffee machine
- get rid of the water dispenser and motivate staff to drink tap water
- in cases of catastrophes, ensure that full compensation is given
- make sure the staff do not work until burnout
- collaborate with responsible champions
- have the company audited and take the recommendations for improvement seriously
- stay clear of bribery
- in case of problems, try to fully disclose problems and solutions
- and many more elements of responsible management.

However, given all these attention points the most important thing that organizations need to do is to make sure that their core business activities do not harm third parties.

All this is costly. It costs money in order to pay a consultant or produce a report, the development of innovative material is costly, management time is costly, missed opportunities induce shadow costs. Decently paid workers in the Americas cost more money than poorly paid workers. There are costs of responsibility or, as I define it in Chapter 3, there is a price of morality. For businesses, everything is costly: doing business is costly, innovation and production is costly, workers are costly, etc. The economic imperative for businesses is to make sure that costs eventually lead to benefits. That is the principle idea of making investments. Therefore, organizations apply standard tools of cost–benefit analyses, swot analyses, ABC analyses, etc. But does this hold for BE and CSR?

Given the fact that CSR is not just one tool or product with a defined time horizon, this question is very complex and hardly possible to answer in a straightforward manner.

However, empirical data tell us about this question. Large empirical datasets allow for comparing the profitability of different organizations with different levels of corporate social performance (CSP). A comparison with the corporate financial performance (CFP) of the respective companies shows that there seems to be a positive relation between CSP and CFP, or, in other words, responsible organizations make more money than their irresponsible peers. As a model, this looks like Figure 1.1.

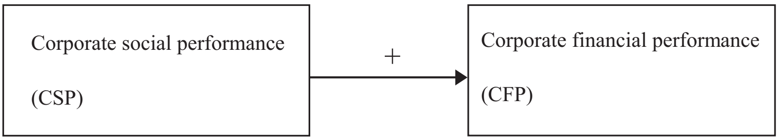

Figure 1.1 Relationship between CSP and CFP

This suggests that socially responsible companies are more profitable than irresponsible companies, which is surprising for many, given the fact that extremely irresponsible companies and companies who do not seem to care about the well-being of societies at all are extremely profitable. There are some low-cost very visible discounter companies that treat their staff badly and put a great deal of pressure on their suppliers. However, such companies run very well. There are lots of such examples of extremes. Examples of smaller companies can also provide evidence of the economic efficiency of irresponsible behaviour.

Just think of the following small case: a ferryboat company runs ferries from France to the Channel Islands. In the holiday season, however, one of their boats has a technical problem and cannot run. That leads to a delay for the passengers who wanted to ship from Jersey to St Malo, France. Instead of 7 o'clock in the evening, the passengers arrive after midnight. Legally, the company is required to offer a meal and drinks to the passengers and to reimburse the ticket and to provide lodging for one night at the harbour of arrival. All this would add up to probably €180 per passenger and the sum of €90,000 for all passengers of the boat. Should the company offer this service as they are supposed to do? When interviewed, a customer service employee admitted that the company knew of the passenger rights, but that, first, they will not inform them about their rights and that, second, they are pretty sure that no passenger would ever find a lawyer to sue the company for the amount of €180. Anyway, next time travelling to the island, the passenger will choose the same company since they have a monopoly there. Here, the irresponsible behaviour is clearly more profitable than the responsible behaviour would be.

This case is only a small example for irresponsible behaviour and certainly does not refer to the most severe problems that organizations could possibly cause to societies. However, it very easily shows the possibility for simple calculation of the prices of responsible and irresponsible behavior. Certainly, neglecting safety standards for deepwater drilling and risking catastrophic oil spills and lethal accidents has a much greater negative impact on societies and environment. However, given the fact that it is virtually impossible to determine the likelihood of such a catastrophe, it is hardly possible to run a similar calculation for the case of the recent BP disaster without further knowledge the financial details.

Especially in the construction sector, it is often difficult to get a contract without bribery in a country where bribery is a common practice. Conventional coffee beans are cheaper than fair trade beans; the costs for deforestation are rather external effects so that companies buy cheap palm oil at the costs of fauna and flora; certified wood is slightly more expensive than illegal wood; hiring and firing practices may be cheaper for companies than training and investment in employability of the staff.

Furthermore, even though CSR and BE are established fields of research and practice with hundreds of researchers working on this topic and more and more companies taking this issue seriously, 2000 GRI-based social reports per year and compliance officers or compliance departments in more than 50% of the top 50 companies in the USA and Western Europe, many people are suspicious about business ethics. The board of the European Association of Business Schools remarks (and regrets) that there is virtually no request for BE courses in an executive MBA programme. Even highly educated people still come up with this typical remark, a question that CSR professionals perceive as ignorant: business and ethics do not fit together. The underlying assumption here still is that business is about making money and ethics is about spending money. Milton Friedman has to a great extent contributed to this misunderstanding of BE, because in his writing of 1970, he compared social responsibility with gifts to the society.

However, as discussed with regard to many different aspects in this volume, there are reasons to assume that a good CSR policy will eventually be beneficial for organizations. And this reasoning will explain why and how CSP and CFP are related at all. There seems to be a causal relationship running from CSP to CFP. Sometimes, it is argued that only well-performing organizations will be able to invest in CSR, but we explicitly doubt that. Our arguments here support the assumption that better companies (in the moral sense) perform better (in economic terms).

And data tells us that CSR is profitable. We have to take this statement cautiously. An unsuccessful company will not achieve a turnaround just by introducing CSR management. Neither will every responsible company in every situation and cultural context outperform the irresponsible peer. Furthermore, the available datasets mostly consist of data about large organizations that are different with regard to many aspects from SMEs. Most data are about Western companies. Many researchers base their research on datasets provided by professional service firms which might bias the results. In this context, we often observe that major scandals happen in organizations that had good or at least decent reputations and correspondingly, good or decent scores in rankings and datasets. Daimler, Siemens and BP, for example, had decent reputations and decent ratings before their scandals (bribery in the case of Daimler and Siemens, neglecting safety in the case of BP) became public. These examples tell us that wrong measurement and analysis on the basis of CSP data might take place.

However, given the tendency in research and the many positive case studies, and taking all the caveats above into account, we start with the assumption that there is a positive influence of CSP on CFP. The question arises, how this relationship can be understood and explained.

Simply stated, a company that cheats on a customer will lose the customer once he notices. And, even worse, he will tell his friends and, by doing so, damage the reputation of the respective company. Also this statement can be drawn in a model (Figure 1.2) that is more elaborated than the first model.

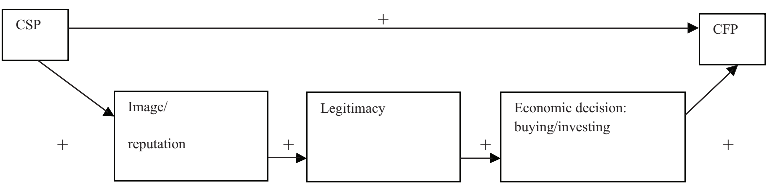

Figure 1.2 The effects of CSR on reputation

Thus, in more detail, this model suggests that the social performance of an organization will have an impact on the public image and the reputation, for example, as being a trustworthy business partner. This reputation will have an impact on the legitimacy, the publicly ascribed license to operate. This license to operate will positively influence consumer decisions and investor decisions, which will eventually lead to a good business performance. Of course, we do not assume that this is a 1:1 relation. Reputation and legitimacy are influenced by a whole variety of factors. The buying decisions are certainly not 100% dependent on the legitimacy of a company. The decision, for example, to buy an iPhone, especially for the first adopters, was related to the fact that it was hip, trendy, unique, a status symbol, etc. However, we assume that each factor in this chain has a positive influence on the proceeding factor.

Also with regard to internal processes, a very simple line of reasoning explains a possible better performance of responsible or moral organizations. A company that mistreats staff is at risk of losing staff – at least those who are good enough to leave the company and find another job. Also, a company that applies irresponsible behaviour to others will tend to lose employees with a conscience. Furthermore, also the public image of an organization may affect the employees, given the assumption that employees would rather like to work for an organization with a good reputation than for one with a bad reputation. Employees would like to be proud of their company and identify with a company that is worth that identification. This line of reasoning is modelled in Figure 1.3.

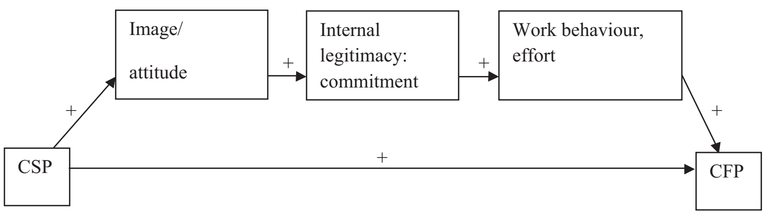

Figure 1.3 The effects of CSR on commitment

In more detail, the overall social performance of an organization will affect the image that the employees of the organization have. This goes together with the attitude of employees towards their organization. Attitude is assumed to impact on commitment by employees and, furthermore, theory suggests and empirical research points out that commitment influences performance in the job. Eventually, job performance will influence overall financial business performance. Both explanations for a positive influence of CSP on CFP are summarized in Figure 1.4.

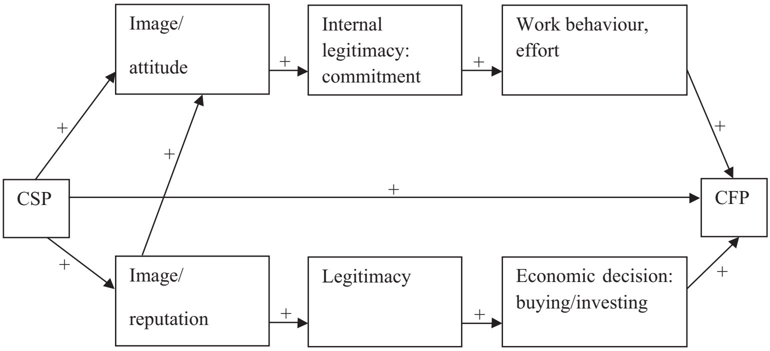

Figure 1.4 The effects of CSR on business performance

The different chapters of this book look at different aspects of this model. In the subsequent chapter, I will discuss the development of the discussion about BE and CSR. The most important finding there is that the discussion has changed a lot in the past. In the early years, the debate about CSR was highly normative, whereas, in the meantime, it has become rather descriptive and positivistic-empiricist.

In Chapter 3, responsibility and morality are discussed and analysed on the basis of probably the most fruitful and dominant theory in social sciences, namely institutional theory. Even though many sociologists state that institutional behaviour is non-rational behaviour, Chapter 3 shows that, from an institutional point of view, moral and responsible behaviour of individuals as well as organizations can be economically rational, once the institutional framework requests morality and rewards such behaviour. In societies, we refer to the informal institutional framework rather than the formal structure, thus to culture, ethos and mores rather than to law and regulations.

Chapter 4 reviews the literature on the business case in business ethics as such. It makes use of virtually all empirical studies that have been published (in ranked journal articles) about the relationship between CSP and CFP and comes to the conclusion that it is wrong to speak about ambiguity in the results about the business case. From what we can see on the basis of empirical data, there is a positive relationship between the two. Period.

Chapter 5 analyses the relationship between corporate responsibility policy as described in the self-description of companies and the public perception of the organization. The research in that chapter is based upon a dataset collected by the Hayes group, called 'The Fortune 500 most admired companies'. That research project made use of a specific module of that dataset, which measures the perception of the level of responsibility of the respective companies.As such, that qualitative study researches the link between CSP and image. There is a link, albeit weak, but even given the fuzziness of the data, we can see that organizations that emphasize their responsibility manage to create a corresponding image in the public.

Chapter 6 looks at the attitude towards business ethics (ATBE) across countries. It is a survey study conducted among European employees of a South Korean multinational organization. The outcome of that chapter is a European map of attitudes towards business ethics. There are regional clusters. The perception of what businesses should do and are allowed to do is similar in, for example, Scandinavian countries. But there are significant and important differences between Scandinavia and South-Eastern Europe.

Chapter 7 focuses on motivational consequences of CSR. Using a case study, it discusses the question whether employees that are well-informed about the CSR policy of their organization have a more positive attitude towards the respective organization. That seems to be the case. As such, that study contributes in part to answering the question whether responsible companies get the better employees than their peers.

Chapter 8 discusses the possibilities for organizations that provide organizational development aid to receive support from citizens in Western countries. More specifically, the chapter discusses the possibility of providing microinsurance for people in poor countries (so-called bottom-of-the pyramid (BoP) countries) with financial support of customers in the Netherlands. The results of this study indicate that companies could provide these services and count on charity donations of their customers.

The final chapter discusses the future of CSR in the light of the results of the presented studies.

The overall result of the studies presented in this book is that the business case of business ethics is more than a myth. Organizations can apply standards, policies, techniques and tools in order to be responsible or – for as far as the expression makes sense at all – moral companies without running enormous financial risks. On the contrary, organizations can tie their customers even closer and have customers willing to pay even higher prices for goods that are produced and traded with respect for the needs of societies. And maybe this is an important story to tell. It reflects an old Socratic question, namely the question why someone who is interested in his personal advantage should take moral rules into account. Organizations are put up for purposes and the purpose for most modern, especially stock-hold organizations is to make profit. As such, that is not immoral. And with regard to any form and type of investment, business people need to ask typical economic questions, like 'what does it cost?' 'who will pay for it?' and 'what is the payoff for me?' or, shorter, 'what is in it for me?' If we can make the business case, we can answer these questions, especially the last one. Reputation, competitive advantage, market niches, access to critical investors, access to government financed projects, even financial support for green products. These are terms that business people can deal with, much better than they could with expressions like 'the veil of uncertainty', 'the categorical imperative' or 'performative contradiction'. This way, business people may 'buy' business ethics.

That is nice and good, albeit not sufficient.

'And a better world for your children' and 'a better conscience when falling asleep', one may want to add. Again, also these arguments refer to first- or second-order self-interest that may reach business people with children or a conscience.

It is a good thing if businesses strive for responsibility and BE and, probably, also organizations that engage in CSR for these reasons will be better for societies and with regard to their financial results, given the fact that nowadays, a whole set of tools is available for organizations to 'do CSR'.

However, it would be better if the board of an organization is fully convinced that it is important and right to take care of a good responsibility management.