Andrzej
PAWLUCZUK

Christian and Business Ethics' Relevance for Corporate Social Responsibility

In recent years ethics and corporate social responsibility have been some of the main topics in policy discussions of the European Union, in particular in its Green Paper "Promoting a European Framework for Corporate Social Responsibility" issued in July 2001. Also the World Bank has formed a working group and considered a special website devoted to this matter.

The concept of ethics in business has evolved significantly since the time when the first questions were asked about the values applicable to business environment and its link to the social community around it. The roots of this ethical thinking date back to antiquity. Even though Christian doctrine opposed usury in the Middle Ages certain enterprises had a large scale effect on society [1]. Discussion on business ethics within the Church have lasted for centuries. A great step forward was when Protestant thinkers declared that profit is essential for trade and conducting business.

As business activities expanded and production grew after the Industrial Revolution, the problem of appropriate treatment of employees emerged as a burning issue. When certain corporations acquired a considerable share in the world market, many new ethical problems arose – what influence should economic entities in command of resources and power exert upon society, what should be their relationship with local and national governments, how far does their accountability go, etc? It is not easy to answer these questions. One of the attempts to answer them at least partially is the concept of corporate social responsibility (CSR).

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[1] MAŁGORZATA Greszta, *Na drodze do odpowiedzialnego biznesu*. ROK Bolesław (ed.), *Więcej niż zysk, czyli odpowiedzialny biznes. Programy, strategie, standardy*. Warszawa, 2001. 17.

I. People of Good Will

What is ethics, what dimensions does it have? Ethics is a branch of philosophy concerned with the evaluation of human conduct. Philosophers commonly distinguish between *descriptive ethics* (the factual study of the ethical standards or principles of a group or tradition), *normative ethics* (the development of theories that systematically denominate right and wrong actions), and *applied ethics,* (the use of these theories to form judgements regarding practical cases) [2].

Among the many kinds of ethics, one encounters also *Christian ethics*, based on the Decalogue [3]. It has a heteronomous character, meaning that behavioural rules are not obeyed because people consider them right, but because they come from God. Assessing human conduct is a complex matter and therefore it might be useful to introduce a term right from the beginning that can possibly help us to describe ethical impetuses for CSR: *the people of good will.*

Dividing people into groups is always a tricky matter. We can distinguish Christians and non-Christians, believers and non-believers, but let us stick to Jesus' own division as found in the Gospel of Matthew chapter 25: those who love another human being, help him/her in need, give bread, water, clothes on one side, and those not loving on the other. The Last Judgement is said to be based on this division.

All of those who love another person and help her or him in their needs, we simply refer to as *people of good will* [4]. Let us, however, say right at the beginning that the world is not black and white but there are many shades of grey. This goes for human conduct too, which needs to be monitored over a period of time. A good man can get corrupted and a sinner can be converted.

People of good will may be characterised according to two pillars. The *first pillar* concerns the following features: open mind, critical approach, concentration and ability to read signs. Open mind is according to the philosopher Henri BERGSON an ability to see things, humans and events in a wider context, and not only as separate pieces. People who follow these principles put questions searching

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[2] www.philosophypage.com/dy/n5.htm
[3] http://wiem.onet.pl/wiem/012e7e.html
[4] PRZECŁAWSKI Krzysztof, *Etyka i religie na przełomie tysiącleci.* Warszawa, 2001. 136–139.

for the meaning of life, truth and beauty. Critical approach means the ability to have one's own opinions, to put questions, when hearing, reading or watching. HIRSZFELD puts it in this way: "*Put away ten foreign thoughts, to have one of your own*". Concentration is the ability to focus on one object, the ability to watch and to listen. The last one – ability to read signs – enables us to live consciously, to take appropriate decisions, including the most important ones, related to vocation.

The *second pillar* concerns the emphases of one's value system. These include the four basic relations. The relation to *God* is the basis of a human person and is linked with our approach to holiness and sacredness. The relation to *oneself* concerns our sense of internal freedom and the relationship with our conscience. It also concerns our relation to hope and inner consistency. The pattern "behaviour = words = thoughts" characterises authentically living people. Taking into consideration the relation to *another human* we can say that there are people who understand their life as a service for other people, but there are also those who relate to others in

an instrumental way. Our relationship to the *world* (environment and culture) also characterises our lifestyle. Our involvement in society can be creative, engaged and responsible, but it can also be marked by fear or indifference, reducing us to mere observers. By our interaction in society we choose and create our roots.

To put it very simply: for those who love God, oneself, other humans and the world around them, these constitute important personal values. It is obvious that our personal ethical system pervades our attitude to business, as well as ideas of leadership. This is where business ethics become important.

II. Business Ethics

Business ethics is most narrowly defined in terms of what is right/wrong (non-consequentialists) or good/bad (consequentialists), or as the process through which individuals apply their personal values, beliefs, and attitudes to new, dynamic situations in the workforce in order to make, implement, and evaluate optimal decisions. The system of business ethics means different things to different people and thus implies different notions of what is right or wrong in the workplace.

1. Ten Principles of Positive Business Ethics

Business ethics are built on *personal ethics* [5]. There is no real separation between doing what is right in business, and in your personal life.

Business ethics are based on *fairness*. Would a disinterested observer agree that both sides are being treated fairly? Are both sides negotiating in good faith? Does each transaction take place on a "level playing field"? If so, the basic principles of ethics are being met.

Business ethics require *integrity*. Integrity refers to wholeness, reliability and consistency. Ethical businesses treat people with integrity; they back up their promises, and they keep their commitments.

Business ethics require *truth-telling*. The days when a business could sell a defective product and hide behind the "buyer beware"

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[5] http://www.philiphumbert.com/Articles/10BusinessEthics.html

defence are long gone. You can sell products or services that have limitations, defects or are out-dated, but not as first-class, new merchandise. Truth in advertising is not only the law; business ethics require it.

Business ethics require *dependability*. If your company is new, unstable, about to be sold, or going out of business, ethics requires that you let clients and customers know this. Ethical businesses can be relied upon to be available to solve problems, answer questions and provide support.

Business ethics require a *business plan*. A company's ethics are built on its image of itself and its vision of the future and its role in the community. Business ethics do not happen in a vacuum. The clearer the company's plan the stronger its commitment to ethical business practices.

Business ethics apply *internally* and *externally*. Ethics is about respect in the conference room, negotiating in good faith, keeping promises and meeting obligations to staff, employers, vendors and customers. The scope is universal.

Business ethics require a *profit*. Ethical businesses are well-run, well-managed, have effective internal controls, and clear expectations of growth. Ethics is about how we live in the present to prepare for the future, and a business without profits (or a plan to create them) is not meeting its ethical obligations to prepare for the future well being of the company, its employees and customers.

Business ethics are *values-based*. The law, and professional organisations, must produce written standards that are inflexible and universal. While they may talk about "ethics", these documents are usually prescriptive and refer to minimal standards. Ethics are about values and ideals; even if ethical businesses may not always live up to these, they are clear about their intent.

Business ethics come from the *boss.* Leadership sets the tone, in every area of a business. The executives and managers either lead the way, or they communicate that cutting corners, deception and disrespect are acceptable. Line staff will always rise, or sink, to the level of performance they see modelled above them. Business ethics starts at the top.

2. Two Areas of Business Ethics

MADSEN and SHAFRITZ, in *Essentials of Business Ethics* [6] (1990) further explain that *managerial mischief* includes "illegal, unethical or questionable practices of individual managers or organisations, as well as the causes of such behaviours and remedies to eradicate them." More often, though, business ethics is a matter of dealing with dilemmas that have no clear indication of what is right or wrong.

The other broad area of business ethics is *moral mazes of management* and includes the numerous ethical problems that managers must deal with on a daily basis, such as potential conflicts of interest, wrongful use of resources, and mismanagement of contracts and agreements.

According to a 1997 business ethics survey the key influences on ethical behaviour in companies are: personal values, supervisor influence, senior management influence, internal drive to succeed, and friends/co-worker influence. The opposite of these, are the key causes of unethical behaviour such as: encountering overly aggressive financial or business objectives, meeting schedule pressures, etc.

3. Ethics in Leadership

Ethics in leadership is extremely important for successful management. According to the author, a Company's Ethics Policy is an invaluable source of ethical solutions. This is a framework for employees who can use the standards of conduct to solve ethical dilemmas.

Such a policy should be based on five fundamental principles [7]: A *purpose* combines the vision and the values of your business. It comes from the top and outlines specifically what is considered acceptable and unacceptable conduct in your business. *Pride* builds dignity and self-respect. If employees are proud of their work, they are much more apt to act in an ethical manner. Since you must focus on long-term versus short-term results, you must develop a certain degree of *patience.* Without it, you will become too frustrated and will be more tempted to choose unethical alternatives.

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[6] http://www.managementhelp.org/ethics/ethxgde.htm
[7] http://www.onlinewbc.gov/Docs/manage/ethics.html

Persistence means standing by your word. If you are not committed to the ethics you have outlined, then they become worthless. *Perspective* is the last principle. In a world where there is never enough time to do everything we need or want to do, it is often difficult to maintain a perspective. However, stopping and reflecting on where your business is heading allows you to make the best decisions both in the short-term as well as the long-term.

4. Codes of Conduct

One way to avoid the problems connected with resolving ethical dilemmas by employees is a company's business ethics policy, which sets certain standards. The company establishes a policy (*the codes of conduct,* or code of values, code of compliance) which must be followed by each employee. It may regulate such matters as: confidential information, restrictions on trade practices, copyrights, bribes, payoffs, gratuities and conflict of interest (e.g. each employee may be obliged to disclose any interests, which may impede the company's economy or efficiency), rewards and fines, quality, privacy at work and home[8]. Appropriate working codes of ethics allow to reduce costs and increase profit, decrease the occurrence of corruption, embezzlement, increase the confidence of customers and deliverers, the credibility of staff, the loyalty of employees and the corporation's reputation.

5. Ethics and Business

Let us now look at a comparative analysis of ethical and unethical behaviour in business and in our everyday life. Ethics are dynamics - ideas on what is ethically acceptable behaviour change over time, between countries, cultures and religions. Business affairs represent a particular aspect to the "good life".
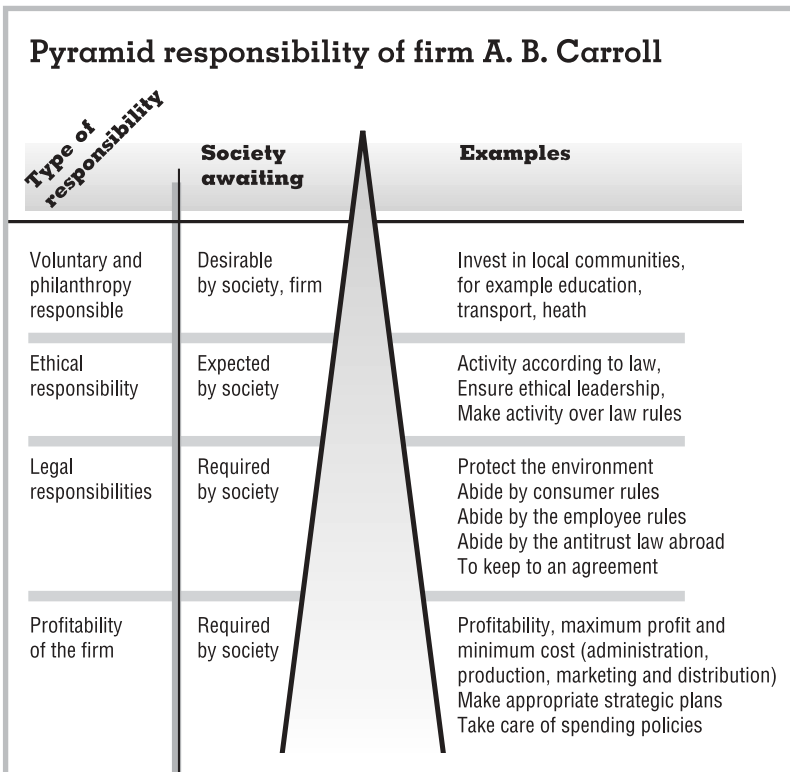
The relationship between the directors and shareholders is another crucial issue. The shareholders want the director to be successful in profit and growth terms. Rewards to attract and retain directors are thus a different ball game compared to the wages of hourly paid

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[8] WOJCIECH Gasparski, *Programy etyczne firm i ich projektowanie.* BOLESŁAW Rok (ed.), *Więcej niż zysk, czyli odpowiedzialny biznes. Programy, strategie, standardy.* Warszawa, 2001. 26.

operatives. The latter make up the biggest part of the company's wage bill and hence costs.

Businesses have to find a balanced relationship with the ecosphere. They often lobby against community regulation constraining their freedom of action over the use of natural resources (water, land and air).

Managers often face ethical dilemmas and display their ethical colours by their action or inaction, living their ethics without reflecting too often about the basis of their moral values. Moral philosophising is perhaps too theoretical, bookish and prescriptive for the pragmatism and stresses of managing. Is there a value as rel-

Pyramid responsibility of firm A. B. Carroll

Type of responsibility	Society awaiting	Examples
Voluntary and philanthropy responsible	Desirable by society, firm	Invest in local communities, for example education, transport, heath
Ethical responsibility	Expected by society	Activity according to law, Ensure ethical leadership, Make activity over law rules
Legal responsibilities	Required by society	Protect the environment Abide by consumer rules Abide by the employee rules Abide by the antitrust law abroad To keep to an agreement
Profitability of the firm	Required by society	Profitability, maximum profit and minimum cost (administration, production, marketing and distribution) Make appropriate strategic plans Take care of spending policies

Source: Mirosława Rybak, Społeczna odpowiedzialność biznesu – idea i rzeczywistość, Gospodarka Narodowa 2001/3 s. 30, by A. B. Carroll, Business & Society. Ethics and Stakeholder management. Second Ed., South-Western Publishing Co, Cincinnati Ohio, 1993, s. 35

evant to everyday behaviour as it was in Athens long ago other than the classical Aristotelian "virtuous character"?

Business is *productive,* generating wealth and value beneficial to the individual and the community, which gives certain freedoms and support needed for practice of business. Business is a *contributor* to liberal *democratic* processes. There is a danger in business practices, which undermine the liberties of citizens in a civic democratic framework. Also business is significant vis-à-vis the ecosphere and enabling or potentially debilitating for employees and their families affecting their aspirations for "the good life".

III. Corporate Social Responsibility

The doctrine of CSR was for the first time used by A. CARNEGIE in his book *Wealth Gospel*, which pointed out two rules (charity and stewardship) as *know-how* derived from the Bible[9]. *Corporate social responsibility (CSR)* is based on the assumption that, apart from purely commercial goals, market activities should be compatible with the interests of society[10]. The Green Paper defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" as they are increasingly aware that responsible behaviour leads to sustainable business success.

Philip KOTLER predicts that soon, as more products become standardised, the pro-social image of the firm will become a main competition factor. According to a research conducted among customers from twelve European Union countries in 2000, more than 70% claim that social responsibility of a firm is the main positive factor in deciding for buying a product or a service[11]. About half of the respondents agreed to pay more for a product that is friendly for the environment and society. Almost 60% underlined that too few firms consider the issue of social responsibility.

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[9] Mirosława Rybak, *Społeczna odpowiedzialność biznesu – idea i rzeczywistość,* Gospodarka Narodowa 2001/3 p. 25

[10] DOMAŃSKA Agnieszka, *Corporate Responsibility.* Warsaw Voice, 2002.

[11] Stakeholder Dialogue, *Consumer Attitudes, Market and Opinion Research Institute to Order CSR* Europe. September 2000.

In keeping with the basic credo of CSR, a modern company should not only focus on the economic results of its operations, but also consider business ethics, transparency, and a proper approach to employees, consumer protection, environmental protection and co-operation with the local community.

Despite the wide spectrum of approaches to CSR, there appears to be a consensus on its main features[12]: CSR is the behaviour of businesses over and above legal requirements, voluntarily adopted because businesses deem it to be in their long-term interest. CSR is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations. CSR is not an optional "ad-on" to business core activities – but about the way in which businesses are managed.

Another concept of corporate responsibility is given by A. B. CARROLL with reference to Abraham MASLOW's pyramid. A commercial firm that cares first about profit resembles a human caring about his/her mere existence. When the firm has satisfied its profit need, it proceeds towards social responsibility[13]. A. B. CARROLL describes four types of responsibilities: economic and legal (required by society), ethical (expected by society) and lastly philanthropy, which is desirable.

IV. CSR in Poland

In Poland the involvement of companies in various types of non-commercial and social activities is usually associated with charity or environmental protection. However, a truly responsible business is much more than that. In the West, companies have discovered that projects linked to priorities such as social welfare, regional development and support for culture have proven unusually helpful in developing brand recognition and building a strong position in the market.

In Poland, much still needs to be done in the area of corporate social responsibility. For most companies, profit is the only priority at the moment, while thinking about the welfare of employees, con-

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[12] Commission of the European Communities, *Corporate Social Responsibility: A Business Contribution to Sustainable Development*. Brussels, 2002.

[13] DRUCKER Peter, *Management Task, Responsibilities, Practices*. New York, 1993. 343.

[14] PIETRAS Jarosław, under-secretary of state at the office of the Committee for European Integration (UKIE), Poland, in review for Warsaw Voice, *Corporate Responsibility*, 2002

sumers or environmental protection is a rare practice[14]. With the country still in transition, businesses are only beginning to become aware of the responsibility towards to the entire community.

Still, the past several years have seen several nationwide initiatives that have produced positive results. These include programmes for businesses such as the Cleaner Production Program and the Responsibility and Care project, in addition to the introduction of ISO 9000 and 14000 standards to management strategies.

The Corporate Responsibility Forum (FOB), in operation for two years now, is promoting CSR in Poland. In co-operation with managers in leading businesses, the organisation spreads knowledge about CSR and facilitates co-operation among businesses, administration officials at all levels and non-governmental organisations modelled on Western practices.

FOB has prepared the *21 Companies for the 21st Century* programme aimed at gathering and promoting other countries' experiences in CSR and adapting these experiences to Polish conditions.

Promoting the idea of CSR is especially significant in the context of Poland's prospective membership in the EU. Even though adopting appropriate regulations in this area is not obligatory for Poland, it is important to refer to the models and standards set forth in the Green Paper. In order to show that Poland as a future EU member is guided by the same ideals as the current EU member countries. It is also worth following in the footsteps of several Western companies, which have introduced interesting solutions in Poland in co-operation with local communities, on environmental protection and personnel policy.

One example is BP, which as part of its ecological policy has added Poland to its global project called the *Cleaner Fuel Program*. This project is designed to withdraw leaded gasoline in favour of low-sulphur and sulphur-free fuel. A part of this initiative is the *Cleaner Cities* project introduced in more than seventy large cities worldwide including Warszawa and Kraków. The project is based on selling fuels with the lowest possible content of hazardous substances and promoting environment-friendly fuel such as LPG.

Another example of CSR is the substantial subsidising of a hospital in Kwidzy? by the U.S. Corporation International Paper. SpedPol Transport Company, on the other hand, is introducing employee-friendly management that stresses the importance of partner-like relations between employees at various levels. Employee involvement in company operations is designed to create the nucleus of business ethics.

In Poland many students know the initiative of British Tobacco. In leading universities or business schools the firm organises TV-conferences world famous economists and managers. It is a valuable and interesting new form of education with advanced techniques.

A number of international corporations such as Intel have similar activities in many countries. Intel's principles for responsible business cover workplace practices, labour standards in the supply chain, protection of the environment and good corporate conduct[15]. Their activity in the field of education is varied. The project called *Innovation in Education* focuses on strengthening mathematical, scientific, and engineering education in more than 20 countries on five continents. Through a wide variety of projects, the global programme's aims are to improve science and maths in primary and secondary education, increase the effective use of technology in classroom teaching and broaden access to technology.

Recently, the business sector's position has grown because of increasing privatisation and globalisation process. Simultaneously, many countries have cut public spending on education, health care, pensions system etc. Lesser responsibility of governments calls for more corporate involvement. Here is the space for CSR. The idea of CSR is fairly widespread in countries which already have some tradition in it, but in Poland and other EU accession countries it is only beginning to gain popularity. It is the modest aspiration of this article to be an incentive for a wider discussion on and implementation of this idea in the contemporary Central European context.

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[15] *CSR Magazine*. January 2003, 24.

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Andrzej Pawluczuk (1974) is Orthodox, born in Białystok, Poland. He is a lecturer at the Białystok Technical University in the Department of Management. He is an Economics graduate from the University of Białystok. Currently he is a PhD student at the Warszawa School of Economics. He focuses on knowledge-based economy.