

Ethics and Social responsibility of Business Organizations: Analytical Theory Study

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Abstract

With the spreading of the concept of ethics and social responsibility, it has become difficult for businesses organizations to overlook their ethical role and their social responsibility within the society, as well as ignoring the importance of the social participation to gain the sympathy and respect of the community and to ensure success and distinction. This study focused on ethics and social responsibility as essential parts of businesses organizations and studied the crucial role of practicing ethics and having social responsibility within businesses organizations towards the society. This study found the most fundamental level of businesses organizations and that ethics and social responsibility are significant parts within businesses organizations. Also the importance of ethics and social responsibility elements in the achievement for success. and also this study came out with recommendations such most noted that businesses organizations must have codified ethics in their environments and businesses organizations have to conduct their business ethically and with sensitivity towards social, cultural, economic, and environmental issues. And also businesses organizations should always take steps towards to maintain social responsibility by improving their products, services and contributions to the society the descriptive method was implemented to conduct this study and to discuss the aspects of this topic.

Keywords: ethics – social- responsibility – society – organization.

Introduction

The aspects of ethical behavior and the need of ethics of the businesses organizations are not linked to specific communities, but rather has become a subject of vital importance that facing businesses organizations. The ethics and social responsibility appear in the businesses organizations within their activities frame and through the administrative tasks businesses organizations. Ethics values in businesses organizations are embodied in a number of elements that work to create administrative and organizational ethics the culture of businesses organizations plays an important role in making and shaping their ethics, which is reflected through their values, trends and behavior. Many studies suggest that most international business organizations have a codified values of ethics and social responsibility, which

indicates the importance of this concept and how it has growth over recent decades. There are elements of maintaining high ethical standards in businesses organizations environments, most notably ethical training, helping people for better understanding of ethical considerations, protecting those who reveal unethical behavior, and also having base of guide lines of ethical behavior that defines ethical standards and values.

What is the problem?

There are significant downsides within business organizations due to their low ethics and values at all levels, beginning with employees and managers and including the decision makers. This lack of ethics and values leads to failure to provide a benefit which gives fruitful results for society in general, and as a result there will be an absence of social responsibility in business organizations towards the society in which they operate.

Questions of study

- What are the problems in establishing and promoting the ethics and social responsibility in businesses organizations ؟
- What is the impact of the lack of ethics and absence of social responsibility on businesses organizations ؟
- Can businesses organizations implement specific rules to direct there?
- How can businesses organizations improve their performance by practicing ethics and having social responsibility and to be successful?

Significant of the study

Emphasizing that ethics and social responsibility are among the most important modern management concepts that have become popular in public, profitable and private institutions. Clarifying the role of the contribution of ethics and social responsibility in improving the relationship of business organizations with the public and helping them achieve their mission and goals for which they were established and helping decision makers to make the right and important decisions. It also aims to determine the priorities of the topics that need future research on the subject of study. Collect information related to the actual possibilities needed to conduct research on the subject of study.

The Method

This study was carried out using the descriptive method, which is considered one of the most important methods of scientific research. Where the research was then conducted into by the following stages:

- ✓ The stage of abstract, in which the most important findings and recommendations were presented.
- ✓ The stage of problem statement which ended with set of formulated questions.

- ✓ The stage of stating the importance of the research.
- ✓ Stating the objective limit of the research.
- ✓ The stage of studying the conclusion, and giving conclusions and recommendations.

The objective limit of the study

The importance of having an ethical base in the environment of businesses organizations was studied, as well as the important the role that ethics play in building and succeeding businesses organizations, and guaranteeing the professional rights within the businesses organizations, and regulating their relations with the rest of the parties in the society. Explaining the importance of social responsibility for businesses organizations and how they can get the trust of the public in the society and then ensure success and growth

Terms and Definitions

Ethics: are a set of principles and values that govern an individual's behavior in relation to what is right or wrong.

Ethical behavior: it is the right behavior and the opposite of unethical behavior.

The ethical problem: it is a situation that is associated with behavioral choices that result in negative consequences to distinguish between what is right or wrong.

The Values : they are general convictions about appropriate behavior.

Social Responsibility: the set of duties or actions that the organization carries out through its decisions to increase the welfare of society.

Ethical codify: a formally written form that includes the ethical values and standards that guide the organization in its actions and actions.

The Ethics.

The ethics are an important and essential pillar of the pillars upon which communities. It is in its concept and its role in social construction. All religions have urged on high morals and dealing fairly and transparently among the people. Ethics also play a big role in changing human behavior, and human behavior is the focus of the change in the universe.

Islam, for example, has its own concept of ethics that are derived from the Qur'an and Sunnah. In a similar manner to Weberian Protestantism, Islam provides the ideological foundation for a variety of personal attributes that promote economic development. Indeed, it is noted that the application of Islamic ethics brought Muslims to the golden ages in the eighth until the fourteenth century. However, not everything is known about Islamic work ethics (IWE). (Takala, 2010)

Nowadays businesses organizations whereas the world has become global village each business organization faces ethical issues when it is going to enter into international businesses. (Cheema, Imtiaz, & Shafiq, 2013)

In a general sense, ethics are code of moral principles and values that governs the behavior of a person or group with respect to what is right or wrong, and they are sets of standards of what is good or bad in conduct and decision making. (Daft, 2010)

In other words ethics are important, many people seem to believe that there is no point in studying this subject. Ethics are something you feel, not something you think. Finance, marketing, operations, and even business law lend themselves to intellectual treatment, but ethics don't(.Hooker, 2003)

Ethics can be more clearly understood when compared with behaviors governed by law and by free choice. Figure (1) illustrates that human behavior falls into three categories. The first is codified law, in which values and standards are written into the legal system and enforceable in the courts. In this area, lawmakers set rules that people and businesses organizations must follow in a certain way, such as obtaining licenses for cars or paying corporate taxes. (Daft, 2010)



Figure (1)

Three domains of Human action

The domain of free choice is at the opposite end of the scale and pertains to behavior about which the law has no say on, and in which an individual or organization enjoys complete freedom.

Between these domains lies the area of ethics. This domain has no specific laws, yet it does have standards based on shared principles and values about moral conduct that guides an individual or business organization. The concept of ethics in the world of businesses organizations carries of many the meanings and implications. Mostly revolve around the rules of human behavior, in term of what is acceptable and unacceptable to the others, specialists and researchers agree on the definition of ethics in terms of content and substance, though they differ in terms of form and style.

According to the Longman Dictionary (Longman) that the Ethics (Ethics) means as follows:

- (1) A general idea or belief that influences people's behavior and attitudes.
- (2) Moral rules or principles of behavior for deciding what is right and wrong. (The Longman Dictionary of Contemporary English, 2014)

Business ethics, representing ethical issues about what should be, and what should not be for the completion of different types of businesses. (George & Kaler, 2003) .The word ethics mean compatibility with the standards or values or behavior literature, specializing in most professions, The word ethics means compatibility with the standards or values or behavior literature, specializing in most professions, also known as the standards of behaviors that people are expected to follow and related to personal daily ethics to acts of the individual. (Mirrors, 2011)

Ethics reflect a set of rules and principles that define what is correct behavior and wrong behavior. Thus, businesses organizations ethics are a set of standards and principles that dominate the administrative behavior. They represent guidelines for managers in decision-making and their importance increases proportionally with the effects and consequences of the taken decision. In the field of businesses ethics are standards of values and behaviors to the made decisions and the performed actions in an environment that controls work. (Steven, 2008)

On the other hand, ethics are defined as the consensually accepted standards of behavior for an occupation, a trade, or a profession. Morality, in contrast, is the precepts, of personal behavior based on religious or philosophical grounds. The law refers to formal codes that permit or forbid certain behaviors and may or may not enforce ethics or morality. (Thomas L. Wheelen, 2012)

The researchers see that the concept of ethics revolves around a set of rules and principles and provisions of behavioral and moral and ethical values, norms and standards that control actions of an individual or group while doing a task in the business environment.

Business Ethics.

The concept of business ethics is one of the old concepts. The Islamic religion, urges individual to have business ethics. And also the traditions and customs and culture and the configuration of tribal and family are interested in the ethics of business. (Ameri, Mohsen, & Mansour, 2005)

Business ethics have evolved from a wholly critical attack on capitalism and 'the profit motive' to a more productive and constructive examination of the underlying rules and practices of business. (Clarke)

Business ethics can be defined as principles of conduct within organizations that guide decision making and behavior. Good business ethics is a prerequisite for good strategic management (David, 2011)

Ethics of businesses organizations are often presented in terms of the decisions facing individuals as board members, managers, or employees and the dilemmas (i.e. choices between competing moral considerations), or temptations (as in conflicts of interest) facing them. However, these individual choices have to be seen in the context of the roles that people

are expected to play within a specific organization operating in a particular type such as political, economic, and social system. This means that businesses organizations ethics have to consider the moral critique of businesses and management practices as a whole and not just address the behavior of individual managers and others. (Kain & Sharma, 2014)

The benefits of business ethics in an organization include: (Abi-Aad, 2011)

- Building employee loyalty, hence reducing hiring and training costs.
- Reducing theft, fraud and other illegal activities in business organization
- Driving sales up and building customer loyalty.
- Creating community good will.
- Attracting quality applicants with minimum investment in recruitment.
- Substantial improvement of society through poverty alleviation.
- Ethical business is indeed good business and, when it becomes part of your company's fabric, it really does pay off in the end.

Business ethics, however, addresses the opposite question: how can one do well by doing well? It begins with the business organization in which that managers want to do something good with their lives and investigate how to accomplish this through a business. In other words, treats profit and business success as means to a greater end: making the world a little better (Hooker, 2003).

Social Responsibility.

There are multiple definitions of social responsibility that differ in their targets and implications, according to the differences between the nature of the businesses organizations, financial and demographic abilities, surrounding environment and the systems that govern and regulate their work. pointing out that a definition of the concept of social responsibility, which appeared with different names (such as social accountability, ethics methodology and citizenship methodology, and a commitment to systematic) was difficult, for this term or a complex concept such as some of the other terms, such as globalization and development permanent as terms such means Meanings different explanation whenever one of them, a new understanding of the concept or show them. (Al-Sukkar, Abu Hussein, & Abu Jalil, 2013)

The other definition is “as the way in which a business organization operating practices (policies, processes, and procedures) affect its stakeholders and the natural environment”. (AGUILERA, RUPP, WILLIAMS, & GANAPATHI, 2007)

(David, 2011) says should examine social problems in terms of potential costs and benefits to the business organization, and focus on social issues that could benefit the business organization. For example, should a business organization avoid laying off employees so as to

protect the employee's livelihood, when that decision may force the business organization to liquidate⁶

The growing importance of social responsibility, was one of the most important social responsibility interpretation given by the International Standards Organization (ISO), which is defined as "The organization's responsibility for the result of its decisions and activities on society and the environment through the effects of transparency and ethical behavior that are consistent with lasting development and welfare of the community, as well as taking into account the shareholders' expectations. Social responsibility is a commitment to the community in which businesses organizations operate, by contributing in many social activities, such as the fight against poverty, improve health services,

Pollution control, and create jobs and solve the problems of housing, transportation and many others.

Responsibilities of Businesses organizations .

Businesses organizations provide what the community needs of goods and services at reasonable quality and reasonable price. for this, the prejudice to the level of what they offer of the quality of their products or services is a breach of the social responsibility, as well as the attempt to exploit individuals and prices raise with no real need for it is a breach of the social responsibility,. (Hindawi, Hassouna, & Furaihat, 2010)

Managers of businesses organizations have four responsibilities: economic, legal, ethical, and discretionary. As shown in Figure (2) (Thomas L. Wheelen, 2012)



Figure (2)

1. Economic responsibilities for the management and business organization is to produce goods and services of value to the community so that the business organization may repay creditors and shareholders.
2. Legal responsibilities are defined by governments in laws that management is expected to obey. For example, asking the American businesses to hire and promote people based on their credentials, rather than discrimination is relevant at work, such as race, gender or religion.
3. Ethical responsibilities of the management of businesses organizations to follow the general beliefs about the behavior in the community. For example, the community generally expects businesses organizations to work with the staff and the community in planning for layoffs, although there is no such law. Those affected could be very upset if the business organization administration failed to act in accordance with generally morals and to prevailing values.
4. Discretionary responsibilities is purely voluntary commitments that assumed by business organization. Such as charitable donations, training unemployed, and the provision of care centers.

Social responsibility and ethics of management .

There is no doubt that there is a strong relationship between social responsibility and ethics of management. The modern literature in the administration includes a typical chapter holds a joint title is: Social Responsibility and Management Ethics. In the beginning, it must be stressed that ethics was a tendency earlier in individuals in the community, and there is no doubt that the ethical tendency was an old commandment (not steal) in the past and has remained until the present day. While a lot of the concepts and attitudes of social responsibility associated with modern developments in the community, as is the case in the environmental and social advocacy (don't pollute the environment) that represents the social attitude and a new awareness of the social responsibility.

A writer (Daft) identifies some of the points that illustrate the role of ethics and social responsibility of businesses organizations as following: (Daft, 2010).

- Ethics are the code of moral principles that govern behavior with respect to what is right or wrong. An ethical issue is presented in any business organization when actions of an individual or organization may harm or benefit others. Ethical decisions and behavior are typically guided by a value system. The four value-based approaches that serve as criteria for ethical decision making are utilitarian, individualism, moral-rights, and justice.
- For an individual manager, the ability to make ethical choices depends partly on whether the person is at a pre conventional, or a post conventional level of moral development.
- Business social responsibility concerns a company's value to society. Model for evaluating the social performance uses four criteria: economic, legal, ethical, and discretionary.
- The question of how an organization can be a good business citizen is complicated because organizations respond to many different stakeholders, including customers, employees, stockholders and
- Suppliers. Some organizations are extending their field of stakeholders through bottom-of-the-pyramid business activities.
- One social issue of growing concern is responsibility to the natural environment. The philosophy of sustainability emphasizes economic development that meets the needs of today while preserving resources for the future.
- Managers can help organizations be ethically and socially responsible by practicing ethical leadership and using mechanisms such as codes of ethics, ethics committees, chief ethics officers, training programs, and procedures to protect whistleblowers.

Ethics and social responsibility is just as important as paying attention to costs, profits, and growth. Businesses organizations that are ethically and socially responsible perform as well as—and often better than—those that are not socially responsible.

Business Ethics as Competitive Advantage.

Business ethics should become part of the business codes, and if implemented in the line of business as a business philosophy, it should help in achieving a competitive advantage for the business organization. While short-term competitive advantage is obtained by appealing to customers in targeted external markets (in the context of globalization), long-term sustainable competitive advantage is the result of exploiting an enduring core of relevant capability differentials cultivated by responsible management of tangible and intangible internal skills and assets (Azmi, 2006).

In a research study entitled “Developing Competitive Advantage through Ethical and SR Practices the Case of SME in Australia and Malaysia”. This study contributes to the existing research by exploring the prevailing attitudes towards ethics and socially responsible considerations among Australian and Malaysian SME owners. Based on interviews conducted with 20 entrepreneurs from Australia and Malaysia who operated in the manufacturing and service sectors, a content analysis of the data revealed three clusters of ethical behavior: (1) concern for ethical practices; (2) maintenance of honesty and integrity; and (3) taking responsibility and being accountable. The socially responsible behaviors that the respondents perceived to be important were grouped in four clusters: (1) responsibility towards society; (2) responsibility towards staff; (3) responsibility towards customers; and (4) responsibility towards entrepreneurship. The results showed that both Australian and Malaysian business owners considered and exercised ethical and socially responsible practices in their businesses. The study concludes by proposing a framework for empirically testing the links that ethical and social responsibility practices have with a firm’s competitive advantage. These results emphasize the critical importance of the role of ethics to achieve competitive advantage for organizations, for small or large organizations. (Ahmad, 2009)

Conclusion

Ethics and social responsibility of business organizations have grown and evolved, as a natural result in the community. This this study, urges to see the literature on the topic of ethics and social responsibility of business organizations and this study came out with crucial findings. The first view, emphasizing that ethics and social responsibility are important and essential substrate, in the society. The second view, knowing that business ethics are, a principles of behavior within businesses organizations, which direct the process, decision-making and acts. The third view, highlighting the concept of social responsibility of business organizations on the: economic, legal, moral, estimated,

aspects. The fourth view, proving the relationship between social responsibility and administrative ethics organizations. Last view, exploring the role of ethics in achieving, the competitive advantage of businesses organizations . Certainly we are able to say, that the Ethics of businesses organizations, are working to support social responsibility towards society, and also represent a strong fundamental of the evolution towards new concepts of ethics administration. The topic of ethics and social responsibility, is a significant and essential for on-going researches and future study in the field of businesses organizations and societies.

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