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Module 4:
Social Entrepreneurship and Business Ethics: approaches and best practices

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Module 4 – Social Entrepreneurship and Business Ethics: approaches and best practices

Introduction

This module explores the concept of Social Entrepreneurship and Business Ethics, providing a brief overview of the concepts and discussing the principles and themes underlying Business Ethics and how they are at the core of Social Entrepreneurship. Modern businesses and organizations appear to become more and more concerned with the "moral" or "ethical" footprint of their brand as this can affect significantly brand recognition, brand loyalty, brand image, as well as sales and revenue streams.

In a similar manner, Social Entrepreneurship is founded on the concept of benefiting communities and society in general through viable business models and practices. Although a lot of research and policy insights have been provided on how to assist Social Entrepreneurs with their managerial, technical, digital, and financial skills; it is important to also highlight and explore the connotations of their actions and the importance of maintaining the same principles both internally in the organization, as well as externally towards audiences, clients, stakeholders, and the general public.

In addition, companies and organizations that may not self-define as "Social Enterprises" may also be interested and willing to explore a more sustainable and ethical business model, accompanied by similarly themed business practices and policies. In those cases, Corporate Social Responsibility offers a range of tools and options that can motivate businesses and organizations towards a greater commitment to the local and extended communities, as well as greater visibility, sustainability, and long-term growth.

Learning Objectives

At the end of this module, you will have:

1. A good foundation of knowledge and understanding of what social entrepreneurship is, how it can be defined, and what are the national frameworks for Social Entrepreneurship in the partner countries. In addition, cases of successful Social Enterprises / Social Businesses will be presented.
2. A clear idea of what the term Business Ethics refers to, the principles included under the term and their significance, and a brief presentation of Business Ethics theories.
3. The ability to contextualise Business Ethics within the framework of a Social Enterprise.
4. A better understanding of the benefits that Business Ethics can provide Social Enterprises.

5. An understanding of what Corporate Social Responsibility is, how it is used, how it can be used to benefit all types of enterprises and organizations; as well as Social Enterprises / Social Businesses.
6. Stronger motivation to explore further the correlations and synergies between Business Ethics & Social Entrepreneurship.
7. The ability to apply the concept of Business Ethics and the relevant principles within your existing Social Entrepreneurship efforts, in the ideation, planning, implementation or review stage of the life span of your existing or aspiring Social Enterprise / Social Business.

LEARNING OUTCOMES

Knowledge	Skills	Competences
Having the knowledge and understanding of what social entrepreneurship is, how it can be defined, and what are the national frameworks for Social Entrepreneurship in the partner countries. In addition, cases of successful Social Enterprises / Social Businesses will be presented. Having the knowledge of what the term Business Ethics refers to, the principles included under the term and their significance, a brief presentation of Business Ethics theories. Having the knowledge of what Corporate Social Responsibility is, how it is used, how it can be used to benefit all types of enterprises and organizations; as well as Social Enterprises / Social Businesses.	Having the technical skills to contextualise Business Ethics within the framework of a Social Enterprise. Having the ability to apply the concept of Business Ethics and the relevant principles within your existing Social Entrepreneurship efforts, in the ideation, planning, implementation, or review stage of the life span of your existing or aspiring Social Enterprise / Social Business.	Stronger motivation to explore further the correlations and synergies between Business Ethics & Social Entrepreneurship.

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Main Content

Social entrepreneurship is defined as 'the process of recognizing and resourcefully pursuing opportunities to create social value.' The concept can be interpreted as the driving force for making social change through autonomous practices. On the other hand, **business ethics** is the 'study of appropriate business policies and practices regarding potentially controversial subjects including and not limited to, corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities.' Business ethics is often led by the law though there are cases where business ethics provides the guidelines for businesses so the latter may gain public approval. Social entrepreneurship and business ethics have on occasion been interlinked by their distinct characteristic of seeking approval from the public. Under the current climate of the public's power in the knowledge and greater understanding of general business practices and the impact that they may have on society, business ethics has now become a survival tool for businesses and their main protagonists, especially social entrepreneurs.

Business ethics ascertain social, cultural, legal, and other factors leading to economic restraints and safeguard the interests of parties involved within the business social network. The concept advocates for the centering of moral and social values when considering consumer protection, welfare, fair business practices, and other services to society.

1. Social Entrepreneurship

1.1 Social Entrepreneurship in context

Social enterprises (or social business, the terms are used interchangeably) are "operators" actively involved in creating positive social impact in their immediate and global communities rather than exclusively focusing on making a profit for their leaders and shareholders (European Commission). Specifically, their entrepreneurial spirit is interested in wider communal, environmental, and social priorities. The management leads the enterprise in a transparent and conscientious fashion, which usually sees personnel, stakeholders and customers benefiting from the commercial actions becoming actively involved in the business' activities.

The European Commission would define a 'social enterprise' for the following establishments using the following characteristics:

- The social or society-centered objective is the primary goal for the endeavour and generally follows the pathway of social innovation.
- Profits are put back into the endeavour in order to achieve this social objective.
- The management of the organisation or the leadership system exemplifies the essence of the primary goal, for instance, by using democratic or participatory principles or when bringing their attention to social justice issues.

There is no one exclusive legal form for social enterprises, though the majority work in the following four sectors:

- **Social services**: education, professional upskilling, healthcare, childcare, elderly care, aid for disadvantaged groups of people
- **Development of disadvantaged areas:** neighbourhood improvement, active involvement in rehabilitation projects in rural and urban áreas, aid for the enhancement, development and building bridges with third countries
- **Work alliance**: training of disadvantaged people, especially those facing unemployment due to their situation
- **Other**: environmental (protection of natural habitats, recycling), arts and culture preservation and support, sport, science, research and innovation

1.2 The case of Cyprus

In December 2020, the House of Representatives of Cyprus passed the Social Enterprise Law, establishing a legal framework for the first time for social enterprises working in Cyprus. Before this law was passed, there was no specific legal framework for social enterprises operating in Cyprus. Based on a social enterprise mapping report, there were only seven organisation across the whole island that could be defined under the tag "social enterprises" in 2014. In contrast, a recent study conducted by CyprusInno reported a significant increase in social enterprises operating in Cyprus, over 30.

Andrea Solomonides, a lead operation executive at Cypriot Enterprise Link, identified one reason for the increase in social entrepreneurship in both the Greek and Turkish Cypriot communities on the island was the source of visibility the legal definition provided. Prior to the passing of the law, organisations worked under the label of limited liability companies or charities. This led to numerous problems, not to mention the negative perceptions the organisation was met with if it attempted to take on a social enterprise name. Another problem faced by these organisations was the difficulty in hiring staff for many people felt that working full time for social enterprises was financially unsustainable long term.

The legislative framework for the establishment of Social Enterprises in Cyprus is outlined as the following:

- enterprises with a social cause
- a significant percentage of their profits is reinvested back into their social work
- a certain fraction of their staff are from vulnerable groups (young people, women, people with disabilities etc.)

1.3 Examples of successful Social Enterprises in the EU

- MUD Jeans (https://mudjeans.eu), Amsterdam-based. This brand recycles old, worn out jeans into a new pair of jeans, decreasing the amount of waste significantly and, according to their website, using up less than 92% water than a new pair of jeans would cost to make by an average company. The enterprise also only uses natural materials such as organic and recycled cotton, and does not allow pesticides on its crop for the health of both the consumer and the environment in which the jeans are made.
- Carbon Equity (https://carbonequity.com). The enterprise connects investors to put their money "to build the world's most impactful companies by bundling capital into first-class climate funds." Specifically, "by moving this capital at scale [the enterprise fuels] the climate transition and [directs] money to a place where it's needed the most. [Their] funding scales solutions and creates a virtuous cycle where positive impact and returns reinforce each other."
- Toast Ale (https://www.toastale.com), London-based. The enterprise makes beer brewed from leftover bread that in other cases would have been thrown away. The enterprise's aim is to reduce food waste in the city through their partnership with local businesses such as bakeries and individual households. Additionally, the Toast Ale donates part of each sale to a charity dedicated to reducing food waste called Feedback.
- Beam (https://beam.org), UK-based. Beam is founded on a crowdfunding platform aiming to alleviate homelessness by providing new career opportunities for homeless people. The enterprise incorporates technology and global citizens in its initiatives to continue funding skilled training and education to homeless people.

2. Business Ethics

2.1 Factors affecting business ethics

The extent to which a business chooses to employ business ethics practices is at the discretion of the management and business owner, and the values they wish to project through their business. If a practice is legal, no matter how unethical it may be, a business or the business owner cannot be held accountable by a legal body. Nevertheless, the business party can face consequences, from other stakeholders such as the general public, environmental groups, and activists.

Therefore, it is crucial that the manager's ethics and the business' ethics align. Constant burnout of its employees can be a symptom of a lack of strong business ethics, or misalignment of ethics between the employee and managers' ethics. The emotional turmoil faced by employees working for an organisation that they have first-hand knowledge is causing harm to some aspect of the local or international community or environment is draining for employees and managers alike. Corporations such as these, either have a high turnover of personnel or even struggle to stay open long term. Not everyone can be satisfied 100%, but common ground can be managed for most corporations so that the business runs smoothly.

2.2 Principles of Business Ethics

Business ethics principles include:

1) Accountability
Accountability of ethical business practices can be perceived as a two-way street, where the employee may be held responsible for not speaking up about unethical practices of an organisation. The organisation would also be responsible for allowing unethical practices to occur behind the back of their employees.

2) Care and Respect
A safe and harmonious working environment for employees should be implemented by managers so that professionalism can be maintained in their workplace. A safe environment ensures that the employees are comfortable and it builds on the notions of being in your comfort zone and working in optimal conditions.

3) Honesty
Transparent communication between employees and managers/owners of businesses is vital to ensure that the trust of the employees is earned and maintained through the organisation's lifecycle. When employees feel that there are strong communication channels and that they are aware of what is happening with the organisation that they are cooperating with, within reason, it creates a sense of trust from the employer to the employee and the employees will be more invested in their work.

4) Avoid Conflicts

A working environment with minimal conflicts ensures a positive experience for employees which is then, in turn, reflected in their work. The feelings of joy and contentment through the creation of positive memories at work and positive relationships between colleagues, score a higher chance for individuals working at a higher standard.

5) Compliance
Rules and regulations need to be followed by organisations, especially when moving towards a more business ethics approach to work. Organisations that are known to be compliant with the regulations of communities/societies in which they operate, hold more respect in the public's eye.

6) Loyalty
Employees are expected to display loyalty to their organisation, and any issues to be dealt with internally. This ensures that both the employees are happy, and the image of the organisation is held to the highest standard. An organisation with a high turnover rate projects a sense of 'unrest.' Generally, people prefer familiarity, so employees leaving their job rapidly, raises questions as to the possible reasons behind their decisions.

7) Relevant Information
Organisations are obliged to share reports regarding their business practices as well as their financial statements. The information that is shared should be truthful and not be altered in any way, especially to the benefit of the organisation. Organisations should not under any circumstances alter their reports, either to hide their profits and avoid taxes or to claim help from the government in times of economic recession.

8) Law Abiding
Decision-making should be not affected by the personal beliefs or biases of managers or owners. There are laws that require the correct and fair treatment of individuals in the workplace. This ensures that the organisation will not be sued for wrongdoing as well as keep their employees happy.

9) Fulfilling commitments
Agreements should be implemented as per mutual concessions and not to the benefit of only one party. This is, essentially, highly unethical. A business should look out for its benefit, but there is the danger of falling into the trap of 'you might have won the battle but not the war.' That is not to say, businesses should not benefit themselves, but they should be careful to not burn bridges when doing so.

2.3 Different Types of Business Ethics

The world of business is constantly evolving, and so too is the concept of business ethics. Most organisations address more than one set of business ethics, although sometimes there is a stronger emphasis on the different sub-sections under the umbrella concept, depending on the field of the organisation. These sub-sections include:

1) Corporate Responsibility
The organisation works with the aim to safeguard the interest of its employees, its customers, and its shareholders. Their sole focus is not on creating a profit for themselves. By zooming out to appreciate the wider picture, the organisation opens itself to future

opportunities. It also allows the organisation to be viable in the future as well as to create and adapt to new trends and business practices.

2) Social responsibility
Environmental protection, social issues and issues that might not relate to the organisation directly are addressed. Doing better for others. Doing better for others, ultimately benefits the organisation as well. By giving back to communities, preserving the environment and investing in the community, it creates a sense of doing good for others. In the 21st century, the general public has the power to determine what is viable in the market through the power of their money. More and more individuals choose to vote with their money and do better for others, therefore they choose to support organisations that do not only focus on creating a profit!

3) Personal responsibility
Individuals are expected to act in an ethical and responsible manner. This relates to voting with your money and the need for organisations to not only look at making a quick profit, rather by helping others to stay viable in the future.

4) Technology ethics
With the changes of how businesses use technology and the internet for their practices, there is a strong need for data protection of individuals. This is an area where individuals are most vulnerable, yet they are not always aware of it.

5) Fairness
Personal beliefs should not be part of decision making, rather it should be based on scientific data.
6) Trustworthiness and Transparency
Accountability and ethical reporting should be employed when addressing important issues such as financial reports and legal issues.

2.4 Business Ethics Theories

The three primary business ethics theories are deontological theory, utilitarianism, and norm theory.

Deontological theory
The deontological theory is founded on the premise that ethical behaviour is based on a pre-established set of rules or principles across different contexts. Though the actual result of following these pre-established moral rules may vary, according to this theory, the outcome should not determine whether the action is ethical or not. According to this thinking, if you make a promise, for instance a promise to return money you have borrowed, but you have no intention of paying it back, then your act is ethically wrong.

Utilitarianism
The utilitarian theory continues on differentiating right from wrong by putting more weight on the outcomes. This theory places more emphasis on businesses taking into account what actions can benefit the greatest amount of people. One example is the practice of tiering the pricing of a product or service to different groups of customers. This can be seen in the airline sector, where there is a different pricing system for the first class, business class and economy class seats on airplanes.

Norm theory
The norm theory suggests that there are certain standards of moral behaviour that should be adhered to by the entire group. Admissible conduct is generally outlined for a spectrum of possible situations. For example, a corporate code of conduct or an employee handbook that supplies the framework on how employees in an organisation are expected to behave and conduct themselves in different situations. A breach of the guidelines would usually result in disciplinary action.

2.5 The benefits of Business Ethics for Social Enterprises

Figure 1 Business Ethics Diagram (https://www.thehumancapitalhub.com/articles/The-Advantages-Of-Ethical-Behaviour-In-Business)

The value of business ethics spans further than employee loyalty and the powerhouse front that the management team presents. Maintaining a respectable and immaculate reputation in the local community as well as internationally is of the utmost importance, both for short-term and long-term success. If an enterprise is perceived to be operating in an unethical fashion, investors are less likely to buy into the company, nor will the enterprise be supported by a loyal customer base.

Prescribing a set of meticulous business ethics for the operation of an enterprise has the advantage of:

- **Attracting more investors to the enterprise's business**. An investor will feel safe depositing their money into an enterprise that holds high morals and rule ethics. They are likely to feel even more contentment knowing their financial support is not advocating or contributing to unethical practices. Presenting an image of strong business ethics can also be an attractive feature for new investors.
- **Take the Company's Reputation to the next level.** A company that is known for conducting itself ethically can build up its reputation positively in the acting sector. A advantageous reputation is more likely to increase the number of new customers through word-of-mouth recommendations. On the other hand, a reputation for dealing in unethical deeds can take a stab at the company's image and future business. This is especially true in today's climate of social media, where information can spread like quick fire across local and global networks.

- **Develop customer loyalty**. Maintaining a loyal customer base is a key ingredient to long-term business success. Repeat customers do not require far-reaching marketing costs, as opposed to acquiring new customers would.
- **Competitive advantage (customer base)**. The ethical conduct of an enterprise can be the source of attraction to its products and services for customers. According to Adobe's new Future of Marketing Research report from 2021, 7 in 10 customers are more likely to buy and remain loyal to brands they can trust.
- **Prevent legal problems**. If there is not a strong culture of business ethics that is adhered to by the management and staff body of the enterprise, managers or leaders are more likely to attempt to scrimp in order to get the number up in profits. They may ignore worker's health and well-being, use inferior and hazardous materials or fulfil environmental requirements. The punishments for not complying with legislation or the rights of the worker can be austere, for instance legal fees, fines or sanctions by governmental bodies. Additionally, the subsequent negative publicity can lead to detrimental damage to the company's reputation which, ultimately, will dip into your pockets more than legal fines.
- **Retain the best staff team**. Professional staff who have the skills and education for the job they have been hired for expect to be paid accordingly. They also anticipate career advancement in the organisation based on their work output and their contribution to the organisation's advancement and success. Upholding exceptional business ethics, will prevent the need for constantly replacing staff reorganizations of the company.

3. Corporate Social Responsibility

3.1 Defining Corporate Social Responsibility

Corporate social responsibility can be defined as a "type of business self-regulation with the aim of social accountability and making a positive impact on society" (Business News Daily). The UNIDO's definition is more detailed, stating "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders."

There is no one formula an enterprise can integrate the structure of CSR. However, integrate into their operations and culture they must for the sake of their reputation and brand name. An enterprise can incorporate a CSR approach to their work by:

- embracing an environmentally friendly and eco-conscious approach to the structure and production of the enterprise
- boosting equality, diversity, and an inclusive manner in the work environment
- respecting employees
- making sure decisions enacted follow an ethical manner

- giving back to the community

The potential benefits of implicating a CSR approach to the operations of the enterprise include:

- enhancing the positive image and reputation of the enterprise
- growth in sales and customer loyalty
- improved brand recognition
- access to capital
- savings in overall operation costs
- can attract quality talent and retain employees
- development of the organisation
- improvement in financial performance

The process towards becoming a socially responsible enterprise can appear straightforward but there are a few bumps that may come along. The mistakes that appear more often are:

- **Adopting CSR as a marketing strategy**. Promoting your business in light of its CSR approach may backfire if the business doesn't eventually follow through. Rather than a one-time event, taking the road of slow progress, adapting CSR practices over a period of time can be more beneficial for both employees and consumers and, especially, to long-term social responsibility.
- **Going down the path of unrelated initiatives**. Abstaining from taking part in efforts that are not directly associated or related to the primary business focus or even go against the organisation's ethical guidelines can go a long way in building a brand. It also shows more thought in the practice rather than blindly throwing out money on a first comes, first served basis.
- **Following the trend of the industry**. To set the bar in the enterprise's sector, the organisations needs to take a step forward and not settle for the sustainable activities that are just legal requirements.

3.2 The four-part definitional framework for CSR

Carroll's four part definition of CSR was originally stated as follows: "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time" (Carroll 1979, 1991). This set of four responsibilities creates a foundation or infrastructure that helps to delineate in some detail and to frame or characterize the nature of businesses' responsibilities to the society of which it is a part. In the first research study using the four categories it was found that the construct's content validity and the instrument assessing it were valid (Aupperle et al. 1985). The study found that experts were capable of distinguishing among the four components. Further, the factor analysis conducted concluded that there are four empirically interrelated, but conceptually independent components of corporate social responsibility. This study also found that the relative values or weights of each of the components as implicitly depicted by Carroll approximated the relative degree of importance the 241 executives surveyed placed on the four components—economic = 3.5; legal = 2.54; ethical = 2.22; and discretionary/philanthropic = 1.30. Later research supported that Aupperle's instrument measuring CSR using Carroll's four categories (Aupperle 1984) was valid and useful (Edmondson and Carroll 1999; Pinkston and Carroll 1996 and others). In short, the distinctiveness and usefulness in research of the four categories have been established through a number of empirical research projects. A brief review of each of the four categories of CSR follows.

Economic responsibilities

As a fundamental condition or requirement of existence, businesses have an economic responsibility to the society that permits them to be created and sustained. At first, it may seem unusual to think about an economic expectation as a social responsibility, but this is what it is because society expects, indeed requires, business organizations to be able to sustain themselves and the only way this is possible is by being profitable and able to incentivize owners or shareholders to invest and have enough resources to continue in operation. In its origins, society views business organizations as institutions that will produce and sell the goods and services it needs and desires. As an inducement, society allows businesses to take profits. Businesses create profits when they add value, and in doing this they benefit all the stakeholders of the business.

Profits are necessary both to reward investors/owners and also for business growth when profits are reinvested back into the business. CEOs, managers, and entrepreneurs will attest to the vital foundational importance of profitability and return on investment as motivators for business success. Virtually all economic systems of the world recognize the vital importance to the societies of businesses making profits. While thinking about its economic responsibilities, businesses employ many business concepts that are directed towards financial effectiveness – attention to revenues, cost-effectiveness, investments, marketing, strategies, operations, and a host of professional concepts focused on augmenting the long-term financial success of the organization. In today's hypercompetitive global business environment, economic performance and sustainability have become urgent topics. Those firms that are not successful in their economic or financial sphere go out of business and any other responsibilities that may be incumbent upon them become moot considerations. Therefore, economic responsibility is a baseline requirement that must be met in a competitive business world.

Legal responsibilities

Society has not only sanctioned businesses as economic entities, but it has also established the minimal ground rules under which businesses are expected to operate and function.

These ground rules include laws and regulations and in effect reflect society's view of "codified ethics" in that they articulate fundamental notions of fair business practices as established by lawmakers at federal, state and local levels. Businesses are expected and required to comply with these laws and regulations as a condition of operating. It is not an accident that compliance officers now occupy an important and high-level position in company organization charts. While meeting these legal responsibilities, important expectations of business include:

- Performing in a manner consistent with expectations of government and law
- Complying with various federal, state, and local regulations
- Conducting themselves as law-abiding corporate citizens
- Fulfilling all their legal obligations to societal stakeholders
- Providing goods and services that at least meet minimal legal requirements

Ethical responsibilities

The normative expectations of most societies hold that laws are essential but not sufficient. In addition to what is required by laws and regulations, society expects businesses to operate and conduct their affairs in an ethical fashion. Taking on ethical responsibilities implies that organizations will embrace those activities, norms, standards and practices that even though they are not codified into law, are expected nonetheless. Part of the ethical expectation is that businesses will be responsive to the "spirit" of the law, not just the letter of the law. Another aspect of the ethical expectation is that businesses will conduct their affairs in a fair and objective fashion even in those cases when laws do not provide guidance or dictate courses of action. Thus, ethical responsibilities embrace those activities, standards, policies, and practices that are expected or prohibited by society even though they are not codified into law. The goal of these expectations is that businesses will be responsible for and responsive to the full range of norms, standards, values, principles, and expectations that reflect and honour what consumers, employees, owners, and the community regard as consistent with respect to the protection of stakeholders' moral rights. The distinction between legal and ethical expectations can often be tricky. Legal expectations certainly are based on ethical premises. But, ethical expectations carry these further. In essence, then, both contain a strong ethical dimension or character and the difference hinges upon the mandate society has given business through legal codification.

While meeting these ethical responsibilities, important expectations of business include:

- Performing in a manner consistent with expectations of societal mores and ethical norms
- Recognizing and respecting new or evolving ethical/moral norms adopted by society
- Preventing ethical norms from being compromised in order to achieve business goals

- Being good corporate citizens by doing what is expected morally or ethically
- Recognizing that business integrity and ethical behavior go beyond mere compliance with laws and regulations (Carroll 1991)

As an overlay to all that has been said about ethical responsibilities, it also should be clearly stated that in addition to society's expectations regarding ethical performance, there are also the great, universal principles of moral philosophy such as rights, justice, and utilitarianism that also should inform and guide company decisions and practices.

Philanthropic responsibilities

Corporate philanthropy includes all forms of business giving. Corporate philanthropy embraces business's voluntary or discretionary activities. Philanthropy or business giving may not be a responsibility in a literal sense, but it is normally expected by businesses today and is a part of the everyday expectations of the public. Certainly, the quantity and nature of these activities are voluntary or discretionary. They are guided by business's desire to participate in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense. Having said that, some businesses do give partially out of an ethical motivation. That is, they want to do what is right for society. The public does have a sense that businesses will "give back," and this constitutes the "expectation" aspect of the responsibility. When one examines the social contract between business and society today, it typically is found that the citizenry expects businesses to be good corporate citizens just as individuals are. To fulfill its perceived philanthropic responsibilities, companies engage in a variety of giving forms – gifts of monetary resources, product and service donations, volunteerism by employees and management, community development and any other discretionary contribution to the community or stakeholder groups that make up the community.

Although there is sometimes an altruistic motivation for business giving, most companies engage in philanthropy as a practical way to demonstrate their good citizenship. This is done to enhance or augment the company's reputation and not necessarily for noble or self-sacrificing reasons. The primary difference between the ethical and philanthropic categories in the four-part model is that business giving is not necessarily expected in a moral or ethical sense. Society expects such gifts, but it does not label companies as "unethical" based on their giving patterns or whether the companies are giving at the desired level. As a consequence, the philanthropic responsibility is more discretionary or voluntary on business's part. Hence, this category is often thought of as good "corporate citizenship." Having said all this, philanthropy historically has been one of the most important elements of CSR definitions and this continues today.

In summary, the four-part CSR definition forms a conceptual framework that includes the economic, legal, ethical, and philanthropic or discretionary expectations that society places on businesses at a given point in time. And, in terms of understanding each type of responsibility, it could be said that the economic responsibility is "required" of business by society; the legal responsibility also is “required” of business by society; the ethical responsibility is “expected” of business by society; and the philanthropic responsibility is “expected/desired” of business by society (Carroll 1979, 1991). Also, as time passes what exactly each of these four categories means may change or evolve as well.

The pyramid of CSR

The four-part definition of CSR was originally published in 1979. In 1991, Carroll extracted the four-part definition and recast it in the form of a CSR pyramid. The purpose of the pyramid was to single out the definitional aspect of CSR and to illustrate the building block nature of the four part framework. The pyramid was selected as a geometric design because it is simple, intuitive, and built to withstand the test of time. Consequently, the economic responsibility was placed as the base of the pyramid because it is a foundational requirement in business. Just as the footings of a building must be strong to support the entire edifice, sustained profitability must be strong to support society’s other expectations of enterprises. The point here is that the infrastructure of CSR is built upon the premise of an economically sound and sustainable business.

At the same time, society is conveying the message to business that it is expected to obey the law and comply with regulations because law and regulations are society’s codification of the basic ground rules upon which business is to operate in a civil society. If one looks at CSR in developing countries, for example, whether a legal and regulatory framework exists or not significantly affects whether multinationals invest there or not because such a legal infrastructure is imperative to provide a foundation for legitimate business growth.

In addition, business is expected to operate in an ethical fashion. This means that business has the expectation, and obligation, that it will do what is right, just, and fair and to avoid or minimize harm to all the stakeholders with whom it interacts. Finally, business is expected to be a good corporate citizen, that is, to give back and to contribute financial, physical, and human resources to the communities of which it is a part.

It should be pointed out that social entrepreneurial organisations are not obliged to adopt the full range of CSR initiatives, because they are usually small organisations, they are often non-profit oriented, and they often have limited resources. However, social entrepreneurial organisations CAN adopt ethical behavioural standards and the management functions with these organisations need to:

- monitor employee practices and behaviour
- communicate and reinforce shared cultural and ethical standards
- ensure that the prevalent organisational culture allows whistleblowing in

the event of non-compliant behaviour
- constantly reinforce the importance of ethics in the organisation

Whether social entrepreneurs are profit-oriented or have other societal goals, management may (and should) still adopt:

- Ethical practices and behaviour
- Internal and external communications to reinforce the organisational ethical standards
- Clear, transparent communication in the event of non-compliant behaviour that does not lead to repercussions
- Reinforcement of the importance of ethics in the organisation at every opportunity

Reflection / Self-Assessment

1) How would you implement business ethics if you were a manager?
2) How would you ensure good business ethics from your employees?
3) How does social entrepreneurship relate to business ethics?

Further Resources

https://www.redlands.edu/study/schools-and-centers/business/sbblog/2019/may-2019/3-reasons-why-business-ethics-important/#:~:text=By%20definition%2C%20business%20ethics%20refers,acceptable%20behaviors%20beyond%20government%20control.
https://corporatefinanceinstitute.com/resources/knowledge/other/business-ethics/
https://www.ashoka.org/en-us/focus/social-entrepreneurship
https://netimpact.org/blog/Four-Types-Social-Entrepreneurship
https://www.indeed.com/career-advice/career-development/business-ethics
https://www.bbvaopenmind.com/en/articles/a-history-of-business-ethics/
https://yesfriends.co/collections/women : 'Yes friends' is one of the most sustainable and ethical clothing brands in the world, with a 'Great' score from the independent ethical brand directory 'Good On You'. *Yes friends* is worth mentioning as a case study as they are a truly affordable and sustainable clothing brand. The fashion industry has had some of the most unethical practices in past decades and with the attempt of many large organisations to green wash consumers, it is vital to be able to see how truly ethical an organization is.

On the company's website there are only two products listed – a classic t-shirt and a hoody, essentials in any wardrobe. Yet there are is a plethora of information regarding the ethical practices of the organization as well as the improvements that can still be implemented. Information can be found for all of the steps of the global supply chain that is being used as well as the pricing and cost of the products!

Certifications awarded to *Yes friends* include:

Fairtrade Cotton (FLO licence no: FFLC0862)
Global Organic Textile Standard
Fair Wear Foundation
Business Social Compliance Initiative (BSCI)
Worldwide Responsible Accredited Production (WRAP)
PETA approved Vegan

Some ethical practices of *Yes friends* include:
Sustainable packaging: made from waste sugar cane, carbon neutral and 100% recyclable
Recycle water in factories
Offcuts are recycled to make other cotton items
All dyes are non-toxic and any leftover dye mud is sent to cement factories to be processed.
They pay fair wages to all individuals in the supply chain!

Yes friends is an excellent example of an ethical practice that is not greenwashing its customers. Being certified by independent organizations as well as reporting their ethical practices with proof of what they are claiming, ensures trust, credibility, corporate social responsibility, honesty, accountability and care and respect towards individuals.

Tips to the trainer (optional)

References

https://www.investopedia.com/terms/b/business-ethics.asp
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https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr
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https://www.thehumancapitalhub.com/articles/The-Advantages-Of-Ethical-Behaviour-In-Business

External Resources

IT equipment, access to the internet to carry out research, financial advisors, market accessibility, bank accounts/ financial transaction mechanisms.