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WHY TO TALK ABOUT ETHICAL AND RESPONSIBLE BUSINESS?

Giving meaning to ethics and responsibility in business

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Introduction

In general nobody denies that in today organisations are not any more evaluated only according to their financial performance but also to accountability and responsibility. Ethical and corporate responsibility issues have been the subject of numerous discussions in the world today. More and more attention and efforts are being directed to these matters, various research projects are being conducted, publications and articles issued, study programs elaborated and seminars organised in order to create an awareness of the problem in the minds of the people and change the pattern of unethical behaviour.

Besides hundreds or even thousands of academics and researchers all over the world who are involved in teaching and doing research in this field, there is an increasing number of business people who believe it is no longer enough for a company to say that their only concern is to make profits for their shareholders, when they are undertaking operations that can fundamentally affect (both negatively or positively) the lives of communities in countries throughout the world.

The reason of this popularity has been claimed as gaining a positive reputation among stakeholders (Porter and Kramer, 2002), however a growing number of people refer to the increase of expectations and demands from societies and various stakeholders (e.g. Carroll, 1991, 1995; Freeman, 1984; Donaldson and Preston, 1995; Harrison and Freeman, 1999; Clarkson, 1995; Wood, 1991; Goodpaster, 1991; and see also Kooskora and Kujala, 2008/09).

The environment around us has changed and this has created the need to re-evaluate the purpose of business and goals in organisations (see also Davis, 1973; Carroll, 1991; 1999; Aupperle et al, 1985; Elkington, 1999). Ever more complex global economy with continuing economic, social and environmental inequities has created the need to organisations to better understand the need and be able to be accountable for their performance to all stakeholders, including shareholders, analysts, regulators, activists, labour unions, employees, community organizations, and the news media (e.g. Freeman, 1984; Clarkson 1995).

When earlier the dominating approach was ‘the business of business is business’ and that the sole concern of business is profit maximisation and satisfying shareholders (e.g. Friedman, 1970), then now in the so called ‘new world’ the idea of business has changed (Freeman, 1984; O’Malley, 2003; Matten and Moon, 2004). At present organisations have to take responsibility for the whole and are concerned about all stakeholders, not just shareholders, business success is measured in terms of stakeholder satisfaction (e.g. Freeman, 2000; Donaldson and Preston 1995; Näsi, 1995 and several others) and contribution of environmental, social as well as financial activities.

In this essay I will discuss about the topics of ethics and responsibility in business, arguing that this is nothing new and unnatural, not something additional to the business activities, but in important and even decisive integral part of everyday business. For understanding the essence of ethics and responsibility in business I am taking a more holistic view, which combines together the concepts of Corporate Governance (CG), Corporate Social Responsibility (CSR) and Ethical Leadership (EL) and follows the Stakeholder approach. Similarly I have used the same concepts in my work about Corporate Moral Development (see Kooskora, 2008), but during the last years I've even more convinced that this model can be used for more general discussions about ethics and responsibility in business as well.

Talking and thinking about ethics and responsibility

Human beings think by means of concepts. In this way we try to create order into the surrounding world. It is through concepts that we understand the world and relate to one another. Concepts help to make the world meaningful to us (Weick, 1995). We can argue that people have discussed the issues of ethics and responsibility, trying to give real meaning to those concepts for hundreds, even thousands of years, since the time of great philosophers Socrates and Plato, Aristotle, Confucius, LaoTzu, Buddha, and the Vedas and Vedanta text books (see Ethics, Encyclopedia Britannica). Powerful thinkers from the ancient China, India and Greece expressed the ideas of a good harmonious society, which are built on the foundation of co-existence and mutuality, needing mutual support, tolerance and care (Chenyang Li, 2008) and although these ideas might not explicitly refer to business, they all found that ethics is a long term policy, helping mankind and bringing prosperity.

Ethics as part of every field of human activity is gaining increasingly more importance in all societies. Ethics starts with a person—a real, living, breathing human being who makes moral and ethical choices everyday for better or for worse. Already Aristotle (1996) believed that the key to building a sound, ethical community is to consider the character of those people who make it happen. Ethical people are those who make up an ethical society and ethical organizations. Ethical questions are essentially questions about whether people ought or ought not to perform certain kinds of actions; about whether those actions are good or bad, right or wrong, virtuous or vicious, worthy of praise or blame, reward or punishment, and so on (see also Werhane and Freeman, 1997; Kooskora, 2005).

However, not only talk but actual behaviour – real acts by people – are the things that matter most. In his Nichomachean Ethics Aristotle (1996) suggested that morality cannot be learned simply by reading a treatise on virtue, as the spirit of morality is awakened in the individual only through the witness and conduct of a moral person. Nowadays ethics and morality are not concerns exclusive to moral philosophers, but ethical issues have given rise to heated debates in academia and are fast growing concerns for businesses as well. Business is nothing else than a part of human activity; organizations are founded by people and are meant for people, and for successful business we need other people and good relations with them.

Werhane and Freeman (1999) have stated that ethical issues are an integral part of business, because all business decisions are choices made by people and every such decision or action affects people or relationships between people; and is embedded in a belief system that presupposes some basic values or their abrogation. Consequently, with business ethics as with any other branch of ethical enquiry, the point of the exercise is to resolve questions of conduct. It has, then, an essentially practical purpose. Success in creating a climate for responsible and ethically sound behaviour requires continuing effort and a considerable investment of time and resources.

Although the fields of ethics and responsibility in business have grown exponentially in the last decades, the majority of business leaders have still confused and unclear understanding of

the concepts and their meanings in reality. Today we see more companies than ever before being engaged in serious efforts to define and integrate ethical business and CSR into their business but often feel that these efforts remain at the level of talking not real action. Still nobody denies that expertise in marketing, accounting, or management is not enough to adequately deal with arising problems, related to honesty, integrity, transparency, trust and responsibilities.

Talking about ethics and responsibility in business is as old as business

Topics of business ethics and corporate responsibility keep fascinating us today and probably also in the future and some people may believe that the topics of ethics and responsibility in business are new and the phenomenon of maximum recent 50 years. However, we can say that questions of ethics in business are as old as business itself. The first facts about business ethics were written down already more than 2500 years ago.

For example, there are 12 business principles known from the year 500 B.C. These principles are attributed to Tao Zhu-gong, who is also known as Fan Li and reputedly been the right hand man to the Yueh Emperor. His maxims include 1) ability to know people; 2) ability to handle people; 3) ability to focus on the business; 4) ability to be organized; 5) ability to be agile and flexible; 6) ability to demand payment; 7) ability to use and deploy people; 8) ability to articulate; 9) ability to excel in purchasing; 10) ability to diagnose and seize opportunities and combat threats; 11) ability to initiate and lead by example; 12) ability to be far-sighted. Among those principles the 2nd Business Principle sounds 'Treating people with respect will gain one wide acceptance and improve the business'; the 9th 'Haggling over every ounce in purchasing may not reduce one's cost of capital' and the 11th 'Comradeship and trust will emerge naturally when discipline and high standards are enforced'. We can say that these maxims do indeed focus internally on the quality of business decision-making. They do not advocate fraud, manipulation, or rent-seeking through political connections (see Young, 2002).

This confirms that the discussion of business ethics is not a recent phenomenon, but we can assert that the intensity of these discussions has increased. Much has been written and discussed about corporate governance, corporate social responsibility, corporate citizenship, accountability, sustainable business, and ethical and responsible leadership (e.g. Carroll, 1995; Ciulla, 2004; De George, 1993; Elkington, 1999; Freeman, 1995; Hoivik, 2002; Maak and Pless, 2006), but although the concepts differ and different authors have used various approaches, the content and meaning of these concepts refer to concerns for ethical and responsible business practices. Edward Freeman (2000, p. 172) expresses it well: 'The basis for ethics, or the moral point of view, is that most people, most of the time, take, or want to take, responsibility for the effects of their actions on others. And, if they did not, then what we call *'ethics'* and *'morality'* would be meaningless.'

Sustainability is an issue that the world has to face today in the situation of growing population, increasing social disparities and the scarcity of resources that come along with the benefits that globalization brings. John Dalla Costa (1999) has stated: 'Not long ago the concerns of ecologists were as irrelevant to business planners as those of ethicists are today. 'Green' has gone from being a disparagement to becoming a badge that no smart company would risk being without. Ethics are similarly en route to becoming a strategic imperative.'

And today we can assure that it is becoming increasingly apparent that the full integration of ethical standards into business practice is not only preferable, but also necessary for long-term organizational survival (e.g. Freeman, 2000). There is no doubt that changes in the business world, such as globalisation, world-wide competition, the need for closer collaboration between organizations and people from different countries have raised the need for businesses

to add concern for ethics and responsibility even more clearly to their activities and think carefully about their organizational purposes. According to Paine (1997, p. 378), ‘without a moral compass calibrated to society’s expectations, business leaders risk forfeiture of their broad authority to act as creators of wealth and managers of society’s resources. Without a compelling concept of purpose, they are likely to face great difficulty in mobilizing their organizations for outstanding performance into the future.’

Ethical and responsible business a holistic approach

One possible approach to the topic of ethical and responsible business is to take a more holistic view, combining together concepts of Corporate Governance (CG), Corporate Social Responsibility (CSR) and Ethical Leadership (EL) (see Kooskora, 2008; 2010). Just recently I have started to use a new conceptual model (Kooskora, 2010a) which helps to describe ethics and responsibility in business by linking together the concepts of corporate governance, corporate social responsibility and ethical leadership, and where strong emphasises is put on relationships with important stakeholders and how the organization copes in managing these relationships (Freeman, 1997; Carroll, 1991). I used the same concepts in discussing the phenomenon of Corporate Moral Development (CMD), the understanding of balancing concerns for business and ethics, (see Reidenbach and Robin, 1991), but now I am convinced that a slightly re-designed model can help to give meaning to the more general ideas of ethics and responsibility in business as well.

Ethics and responsibility in business at the core of this approach are determined by the values, principles embedded into the organizational cultures and possessed by the managerial leaders, and revealed through certain behaviour and activities of the organizations and their managerial leaders. CG is understood as the corporate direction, performance, objectives, drivers, interests, organizational structure and main organizational activities and the consideration of and relations with different stakeholders and the wider environment. CSR includes the concern for ethics and CSR, perceived responsibilities, attitudes toward CSR activities in relationships with main stakeholders and society. EL is determined by personal and organizational morality (incl. ethical norms, motives, use of power and influence, leadership/management style, communication, development of followers).

Ethical and responsible business and Corporate Governance

We can understand the concept of corporate governance (CG) as a set of relations between a company’s board, its shareholders and other stakeholders, providing the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (Kooskora, 2009). The notion of corporate governance relates directly to the issue of management structure at the top of corporations and it is considered today to play an important role in the economic health of corporations and society in general.

The term corporate governance relates to how corporations, firms and organizations are owned, managed and controlled and is most often viewed as both the structure and the relationships that determine corporate direction and performance. However, one may claim that the concept of corporate governance is poorly defined because it potentially covers a large number of distinct economic phenomena. As a result, different people have come up with different definitions that basically reflect their special interest in the field (see Kooskora, 2008).

Narrowly CG can be defined as the relationship a company has with its shareholders (e.g. Lawrence and Lorsch, 1986; Lazonick & O’Sullivan, 2000) or, more broadly, as its relationship with society (World Bank, 2001). The most well-known approaches associated with corporate governance theory are agency theory (Fama and Jensen, 1983; Jensen and

Meckling, 1976); transaction cost economics (Williamson, 1988) and stakeholder theory (e.g. Brenner, 1995; Carroll, 1979; 1991; Freeman, 1995). Sullivan and Shkolnikov (2007, p. 1) have related corporate governance to business ethics, stating that corporate governance is about accomplishing the core values of transparency, responsibility, fairness and accountability. Because these values are also key concerns for business ethics, the two can be seen as being directly related. However, the corporate governance aspect deals with setting up the structures through which these values are attained, while ethics is both a guide for behaviour and a set of principles (or a moral code). Sims (1992) recognizes that organizational culture has a significant influence on establishing ethical behaviour in an organization and enumerates normative recommendations for creating a culture that supports individual ethical behaviour.

Corporate governance is seen as an essential mechanism to help the company attain its corporate objectives, and this includes the corporation's relationships with its different stakeholders (see also Kooskora, 2008a). It is an essential mechanism to help the company attain the corporate objectives and is viewed as both the structure and the relationships that determine corporate direction and performance. Corporate governance has implications for company behaviour towards employees, shareholders, customers and banks. Good corporate governance plays a vital role in underpinning the integrity and efficiency of financial markets. Poor corporate governance weakens a company's potential and at worst can pave the way for financial difficulties and even fraud. If companies are well governed, they will usually outperform other companies and will be able to attract investors whose support can help to finance further growth.

Ethical and responsible business and Corporate Social Responsibility

The area of corporate social responsibility (CSR) has grown dramatically all over the world in the last decades. Moreover, during the last few years, such a view has become increasingly accepted that ethical behaviour is the best long-term business strategy for a company. Treating employees, customers, vendors and the public in an ethical, fair and open way is not only the right thing, in the long run, moreover it's the only way to stay in business. CSR has been regarded as the business contribution to sustainable development and is thus one of the topics covered more often than before in the agendas of the world economic and social forums, debated over in global development discussions, and addressed in the strategic political frameworks such as the EU Lisbon agenda. In 2001 European Commission publishes on Green Paper promoting CSR (see Green Paper, 2001) and this has highlighted the ideas of CSR in most of the European countries.

Increasingly more businesses than ever before are involved in serious efforts to define and integrate CSR into all aspects of their business. They believe that CSR has a positive impact on economic performance (Freeman, 1984; Matten & Moon, 2004; O'Malley, 2003). New voluntary CSR standards and performance measurement tools continue to proliferate amidst the ongoing debate about whether and how to formalize legal CSR requirements for companies.

Although most of authors today are roughly the saying the same thing (e.g. Carroll, 1979; Näsi, 1995; Freeman, 1995; O' Malley, 2003, OECD, 2001; UN Global Compact, 2009; Wood and Jones, 1995 and several others), the ideas are presented from a slightly different point of view and therefore it can be confusing, especially for a newcomer to CSR, to reach the essence of the concept. Proponents as well as opponents of CSR agree that there is no single, commonly accepted definition for the concept (Coelho et al, 2003); we can also use names as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance to describe the same ideas. These different names and definitions given for the CSR are sometimes even opportunistic

(see Friedman, 1970; Crook, 2005; and Freeman, 1984; Donaldson and Preston, 1995 for example) but in general it can be understood in terms of the changing relationship between business and society.

Corporate social responsibility (CSR) is understood to be the way a company achieves a balance or integrates economic, environmental and social imperatives, while at the same time addressing shareholder and stakeholder expectations. Thus, CSR is generally perceived as a compromise between three elements: economic, environmental and social responsibility and at the core of the concept we can see the responsibilities of organizations towards people, society and the environment that are affected by their activities.

Generally it is believed that the concept of CSR stems from the USA, where the business responsibility in a society has met particularly strong demands (e.g. Carroll, 1999). Therefore most of the authors, literature and conceptualizations originate from this American conceptualization (see Crane and Matten, 2004, p. 46). However in Europe, CSR has been translated into the concept of business ethics that takes into account the much more nuanced role of the government, legal framework and social control of the social collectives that are much stronger in Europe than in the USA and it seems that in the USA, the roles of individual and corporation and single situations tend to matter more. When going more back to history, then from ancient times we can find CSR philosophy from Kautilya's Arthashastra, which was written in Sanskrit already in the 4th century BC (e.g. Muniapan and Dass, 2008) and these ideas were also known and applied in European business more than two hundred years ago (Bonin, 2008).

Consequently, CSR we can define as achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment. CSR means addressing the legal, ethical, commercial and other expectations that society has of business, and making decisions that fairly balance the claims of all key stakeholders; moreover, companies that deal with their CSR in a forward-looking manner ensure that it becomes an integral aspect of their corporate governance (see Aldrichi, 2009). In its simplest terms it is: what you do, how you do it, and when and what you say (Business for Social Responsibility).

The need for taking the stakeholders into proper consideration – including shareholders, analysts, regulators, activists, trade unions, employees, community organizations, and the media – has increased, as the various stakeholder communities are increasingly asking companies to be accountable not only for their own performance, but for the performance of their entire supply chain, and to rise to meet new business and social priorities such as social responsibility (Clarkson, 1995; Harrison and Freeman, 1999). Sometimes the consequence of an environmentally responsible resource-saving innovation, for example, may be the loss of jobs, as a new technology enables to operate in a more productive and less labour-intensive manner. In addition, an innovative process is often a challenge for meaningful involvement of stakeholders as innovators do not often have a clear vision, what guidance or information should be disseminated to stakeholders during different stages of this innovation process.

Ethical and responsible business and Ethical Leadership

In order to understand the contemporary significance of ethical and responsible business we need to explore the essence of business as we see it today. Organisations as such cannot behave independently of the human beings that form them. Cole (1995) argues that organisations shouldn't be seen as separate entities, because they are composed of individuals whose physical, emotional and intellectual states can fluctuate from hour to hour. Corporations are often seen as moneymaking machines and sometimes it is forgotten that it is actually individuals who form a corporation.

As a corporation cannot exist without the individuals that run it, those same individuals have to make choices that are often related to morality and ethical conduct. Cole (1995) suggests that we look at an organization as a physical organism to help us describe the physical layout or mechanics of the entity. Therefore we can posit the argument that a corporation has responsibilities because it acts only if and when the individuals in it choose to do so. According to O'Malley (2003) business should be seen as a subset of society, which creates value not only for itself but for society as well. Society in turn is a subset of the environment and can therefore only prosper in the long term to the extent that the environment flourishes.

One's personal maturity and ethical development is challenged when a person is required to become a leader. Leadership is one of the many areas of human life and social relationships in which moral character matters most. That is why contemporary leadership development seeks more and more guidance from the ethical perspective and character formation. We can say that the ethical behaviour and leadership are critical for establishing and maintaining ethical culture in the organization (see also Kooskora, 2005) and primary keys for organizational sustainability. The leader plays a critical role in establishing and maintaining the ethical culture within his/her organisation. Too often the emphasis has been put primarily on the manager's expertise, technique, power, knowledge and strategic choices, at the expense of the leader's moral character, but leadership excellence cannot be evaluated without an assessment of the leader's character, moral vision, integrity, values and caring for others and taking responsibility.

However, there appears to be a growing acknowledgement in the business community of the need for 'good' leadership, implying both effectiveness and morality (Ciulla, 2001; 2004). Aronson (2001) believes that since appropriate values are at the root of moral conduct, the business leaders of today must possess a set a values that will not only enhance a favourable perception in the eyes of stakeholders, but also lead to greater effectiveness and efficiency of organizational members. Similarly Carroll (2010) highlights the importance of improving the organization's ethical culture and points to the messages and information that managerial leaders transmit foremost through their behaviours and activities, sometimes even unintentionally.

Bass and Steidlmeier (1999) believe that ethics of leadership rests upon three pillars: 1) the moral character of the leader; 2) the ethical legitimacy of the values embedded in the leaders vision, articulation, and program, which followers either embrace or reject; and 3) the morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue. Such ethical characteristics of leadership have been widely acknowledged by several authors (Kanungo and Mendonca, 1996; Trevino, 1986; Kouzes and Posner, 1992). Thus, ethical leadership combines ethical decision-making and ethical behaviour, and occurs in both individual and organizational context.

According to Burns (1978), the leadership process occurs in one of two ways, either *transformational* or *transactional*, whereas the theory of transforming leadership rests on a set of moral assumptions about the relationship between leaders and followers. Bass and others (1987) argue that transformational leaders have been characterized by four separate components. These four factors include idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Transformational leadership integrates creative insight, persistence and energy, intuition and sensitivity to the needs of others to forge the strategy (Bass and Avolio, 1993).

The fact that transformational leadership places a strong emphasis on followers' needs, values, and morals, and involves the attempts to move followers to higher standards and moral responsibility sets it apart from most other approaches to leadership, because it clearly states that leadership has a moral dimension (see Bass and Steidlmeier, 1999; Northouse,

2009). However the transformational leaders can be virtuous or villainous depending on their values. Bass and Steidlmeier (1999) make a distinction between two types of transformational leadership calling the leadership behaviour which is consistent with moral values *authentic* (see also Avolio et al, 2004) and state that absence of such a moral foundation leads to *pseudotransformational* leadership.

Another leadership approach which is firmly grounded on ethical principles is servant leadership (Greenleaf, 1978). The core focus of servant leadership is embedded in the concept that supervising has less to do with directing other people and more to do with serving them (see Dannhauser, 2007, 19). The approach is related to the concept of transformational leadership and other 'ethical perspectives' on leadership (Northouse, 2001).

More recently Maak and Pless (2006) have turned their attention to responsible leadership, highlighting values, emotions and mutual recognition in building and sustaining morally sound relationships with all relevant stakeholders of an organization.

We can say that ethical leadership that is composed of the combination of vision and values-based management is the best approach. Therefore the combination of integrity, ethical standards and fair treatment of employees are the cornerstones of ethical leadership (Brown et al, 2005), furthermore emphasising on trust (Lämsä and Pucetaite, 2006), and its dimensions of credibility, respect, and fairness, and pride can provide us an environment where ethics and responsibility are not only talked about, but also practised in business.

Consequently we can say that the practice of leadership is to guide and look after the interests of people, organizations, countries, or causes and to put the mission of the organization or the good of one's constituents first—to take the responsibility. Ethics is about values and about values-based management, leadership is about vision: having one, sharing one and ethical leadership is a combination of righteous goals and righteous behaviour, righteous ends and righteous means, righteous policy and righteous administration.

Ethical and responsible business and Stakeholder approach

From a stakeholder perspective, the company and its activities are defined according to concepts and propositions arising from those that hold some kind of stake in its existence. The idea is that 'holders' who have 'stakes' interact with the firm and thus make its operation possible (Näsi 1995, 19).

The basic ideas behind the stakeholder approach are not based on recent discoveries, even though the explicit formulation of the theory is rather new. The Oxford dictionary definition of stake-holding records the first use of the term in 1708 as a bet or deposit, 'to have a stake in (an event, a concern, etc.): to have something to gain or lose by the turn of events, to have an interest in; especially to have a stake in the country (said of those who hold landed property)'.

A stakeholder theory of the firm has existed in various forms based on different economic principles since the origins of industrialism. The philosophical antecedents of stakeholder theory reach back into the 19th century, to the conceptions of the co-operative movement and mutuality. Periodically such theories have become marginalised and forgotten, only to be reclaimed later in response to changing economic circumstances. Because of its fragmented development and marginal status, it has never been elaborated and explained as fully and coherently as in the stakeholder theory in respect to the firm.

Stakeholder theory claims that whatever the ultimate aim of the corporation or other form of business activity, managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities (Donaldson and Preston 1995; Freeman 1994). Stakeholder theory attempts to describe, prescribe, and derive alternatives for corporate governance that include and balance a multitude of interests.

Ever since Freeman's introduction in 1984 of the stakeholder concept, the question of "who or what really counts" has resulted in a large variety of sets naming different kinds of stakeholders. According to Freeman (1984, p. 25) each of these groups of stakeholders may play an equally vital role in the success of the business enterprise. In order to know which group of stakeholders is most likely actually to play such a role, Mitchell, Agle and Wood (1997) proposed a set of three attributes that helps corporate management to distinguish more important stakeholders from others. Stakeholders can be categorized by their *power* to influence, the *legitimacy* of their relationship, and the *urgency* of their claim. Stakeholder groups will receive management attention if they are identified as salient and that attention will eventually lead to a change of Corporate Social Performance.

In this model, the stakeholder concept is seen as important in all the concepts combining ethics and responsibility in business. Freeman and colleagues (see Phillips et al., 2003, p. 480) suggest that stakeholder theory is at first a theory of organizational management and ethics. They continue that as with all strategic management theories, it has a moral content, which in this case means that the subjects of the theories are inherently moral subjects, for example, Jones and Wicks (1999) conceive stakeholder theory in terms that are 'explicitly and unabashedly moral'. Additionally Kujala (2001a, p. 234) suggests that the basic idea of analyzing stakeholder relations gives us a new way of looking at business life and that moral issues in business can be described and analyzed by looking at the interaction between companies and their stakeholders (see Kujala, 2004, p. 144). Therefore it can be argued that, an organization's social performance is judged in large part by how it addresses stakeholder relationships and issues.

Moreover, the need for considering stakeholders – including shareholders, analysts, regulators, activists, trade unions, employees, community organizations, and the media – has increased, as they are asking companies to be accountable not only for their own performance, but for the performance of their entire supply chain, and to satisfy an ever-changing set of business issues (Clarkson, 1995; Harrison and Freeman, 1999).

We can say that in today's business environment, management cannot deny its obligations to its stakeholders. One cannot operate without the other. The stakeholder concept suggests that the managers of businesses should take into account their responsibilities to different groups when making decisions and by doing so, businesses can benefit significantly from cooperating with stakeholder groups, and incorporating their needs in the decision-making process. Stakeholder theory is considered to be something of an alternative to government regulation and it is suggested that through stakeholder pressure, corporations will implement concerns related to product safety, truth in advertising, workplace safety and environmental problems. Therefore, in theory, a business should take into consideration all the different stakeholders it influences and set up a two-way communication with them. However, as in practice it is often difficult if not impossible to give the same amount of attention to all stakeholder groups.

Conclusion

It is clear that the topics of ethics and responsibility in business ethics keep fascinating us today and probably also in the future. Companies large and small, the public sector and even civil society organisations are being held accountable in more ways and for a wider variety of things than ever before. Dealing with these, discussing the topics, enhancing the knowledge is not something only for academics and theorists but has already gained attention from businesses and business leaders around the world. It has become evident that the issues of ethics and responsibility in business is not just about comparatively simple questions that can be easily resolved by complying to corporate codes or being involved in corporate philanthropy, but also the practical requirement to balance various stakeholder expectations.

The challenges surrounding us are more complex, fascinating, full of dilemmas and directly affect long-term business success.

Many therefore argue that the core competence of today's and tomorrow's leaders will be relationship management, with the most effective managers being able to show a sure touch in fostering collaboration, engendering an organisational learning culture, managing conflicts of interest and dealing with complexity. The mindset will be more concerned with recognising tensions and trade-offs in stakeholder relations, and attempting to demonstrate good intentions in dealing with them. Effective managers will have the influencing skills, political savvy, cultural awareness and abilities in creating partnerships and communicating to shape and adapt to the business landscape.

I believe that the most important task ahead is to strengthen the evolution of commonly adopted principles and rules of ethical behaviour to support development. To instil hope in the ability and conviction about competency to handle economic relationships, improvement programs have to free up systemic constraints on currently passive individuals and to provide them with the incentives and frameworks to work more actively on their own and on their own behalf.

Consequently it can be said that it is really easy to define ethics and responsibility in business. It means adhering to the ethics principles and taking responsibility for one's business activities and impact, by considering the interests of different stakeholders and investing in good and sustainable relationships. But as in most cases, this is often much easier said than done.

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