

Responsibility

Business Ethics, Corporate Social Responsibility and
Sustainability Management

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SAG Part 2

Business Ethics

The challenge of ethical decision making

What is Business Ethics?

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Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed.

Why is business ethics important?

- Advances our understanding of the right and wrong in business
- Corporate scandals in the world
- Evolving nature of the job role of managers and management education
- Personal level of business ethics
- Addresses the power and influence in society
- Brings significant benefits to organizations
- Positive CSR or business ethics yields better performance

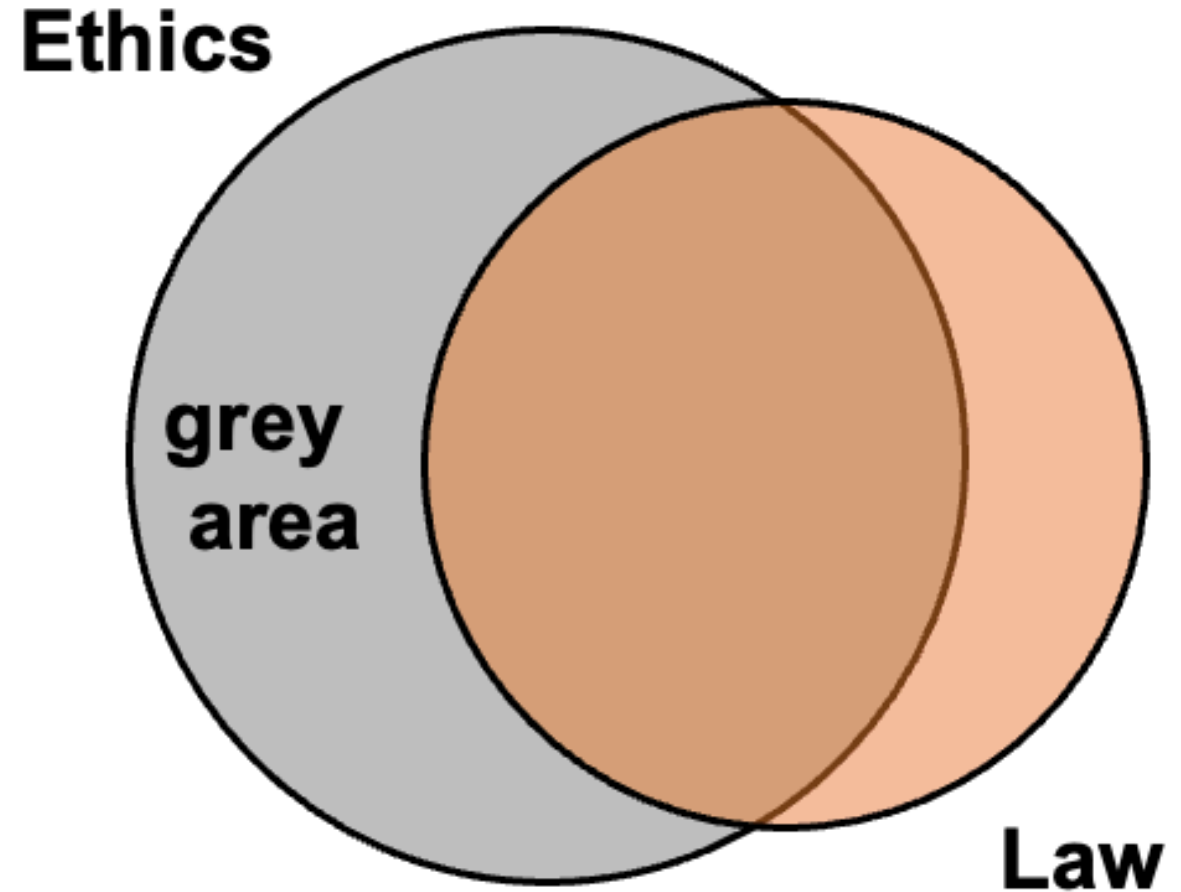
Defining morality, ethics and ethical theory

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- **Morality:** (norms, values, beliefs) embedded in social processes, which define right and wrong for an individual or a community
- **Ethics:** study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation. These rules and principles are called ethical theories
- **Ethical theories:** the rules and principles that determine right and wrong for a given situation

Ethics and the law

- Law can be defined as a system of rules that are enforced through social institutions to govern behaviour
- If something is not illegal does not mean that this is ethical
- Law is the 'floor' of acceptable behavior
- Ethics deals with the 'grey' areas of business



Examples for ethical issues in the context of a multinational business I

- Employees
 - Working conditions, job design, wages, work-life balance
- Customers
 - Marketing and sales policies, product safety, pricing
- Competitors
 - Anti-competitive behaviour, industrial espionage

Examples for ethical issues in the context of a multinational business II

- Suppliers
 - Comparable prices, timely payments of invoices, preferential treatment
- Civil Society (pressure groups, NGOs, local communities)
 - Respecting local customs and norms, accountability and transparency, gentrification
- Government and Regulation
 - Taxation, provision of information, lobbying

Ethical values in large multinational companies

Based on a publication defining and measuring organizational values.

Sources: Junxion, 2025

This list is condensed from a list of 500 values we found online. While it's a good list of words that are easy to understand, it may be flawed by cultural bias. So if necessary, you might take some time to find a similar list that is more compatible with the culture in your nation, state, or community.

Above and Beyond	Clarity	Dignity	Generosity
Accessibility	Cleverness	Discipline	Genius
Accountability	Collaboration	Diversity	Goodness
Achievement	Commitment	Drive	Gratitude
Adaptability	Community	Duty	Growth
Adventure	Compassion	Economy	Happiness
Affection	Competence	Education	Health
Alertness	Completion	Effectiveness	Honesty
Altruism	Confidence	Efficiency	Hope
Ambition	Connection	Elegance	Humility
Appreciation	Consistency	Empathy	Humor
Assertiveness	Contentment	Encouragement	Imagination
Awareness	Contribution	Energy	Impact
Balance	Courage	Enthusiasm	Independence
Belonging	Courtesy	Equality	Innovation
Boldness	Creativity	Ethics	Insight
Bravery	Credibility	Excellence	Integrity
Calmness	Curiosity	Exploration	Justice
Capability	Customer Focus	Fairness	Knowledge
Candor	Daring	Faithfulness	Leadership
Caring	Decency	Family	Loyalty
Certainty	Decisiveness	Fearlessness	Wisdom
Challenge	Dedication	Fidelity	
Charity	Democracy	Flexibility	
Citizenship	Dependability	Focus	
Cleanliness	Determination	Freedom	

Ethical values expected by employees

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Results of an employee surveys meta study.

- Trust and integrity
- Transparency
- Fairness
- Responsibility
- Caring
- Compassion
- Respect
- Citizenship
- Courage
- Honesty

Relationship Business Ethics and Sustainable Development

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Sustainability can be seen as a key goal of business ethics – in the sense, that ethical behaviour is also social, ecological and economic responsible behaviour and good for the society.

The Triple Bottom Line

The phrase „the triple bottom line“ was first coined in 1994 by John Elkington.

One is the traditional measure of corporate profit—the “bottom line” of the „**profit**“ and loss account. The second is the bottom line of a company’s „**people**“ account—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company’s „**planet**“ account—a measure of how environmentally responsible it has been.



Corporate Social Responsibility

The responsibility of corporations for their impact on society

Why do corporations have social responsibilities? ¹⁴

Moral reasons

"THE MORAL CASE"

- Corporations cause social problems
- Corporations should use their power responsibly
- All corporate activities have some social impacts
- Corporations rely on the contribution of a wide set of - stakeholders in society, not just shareholders

Business reasons

(‘enlightened self-interest’)

"THE BUSINESS CASE"

- Extra and/or more satisfied customers
- Employees may be more attracted/committed
- Forestall legislation
- Long-term investment which benefits corporation

CSR – What is this?

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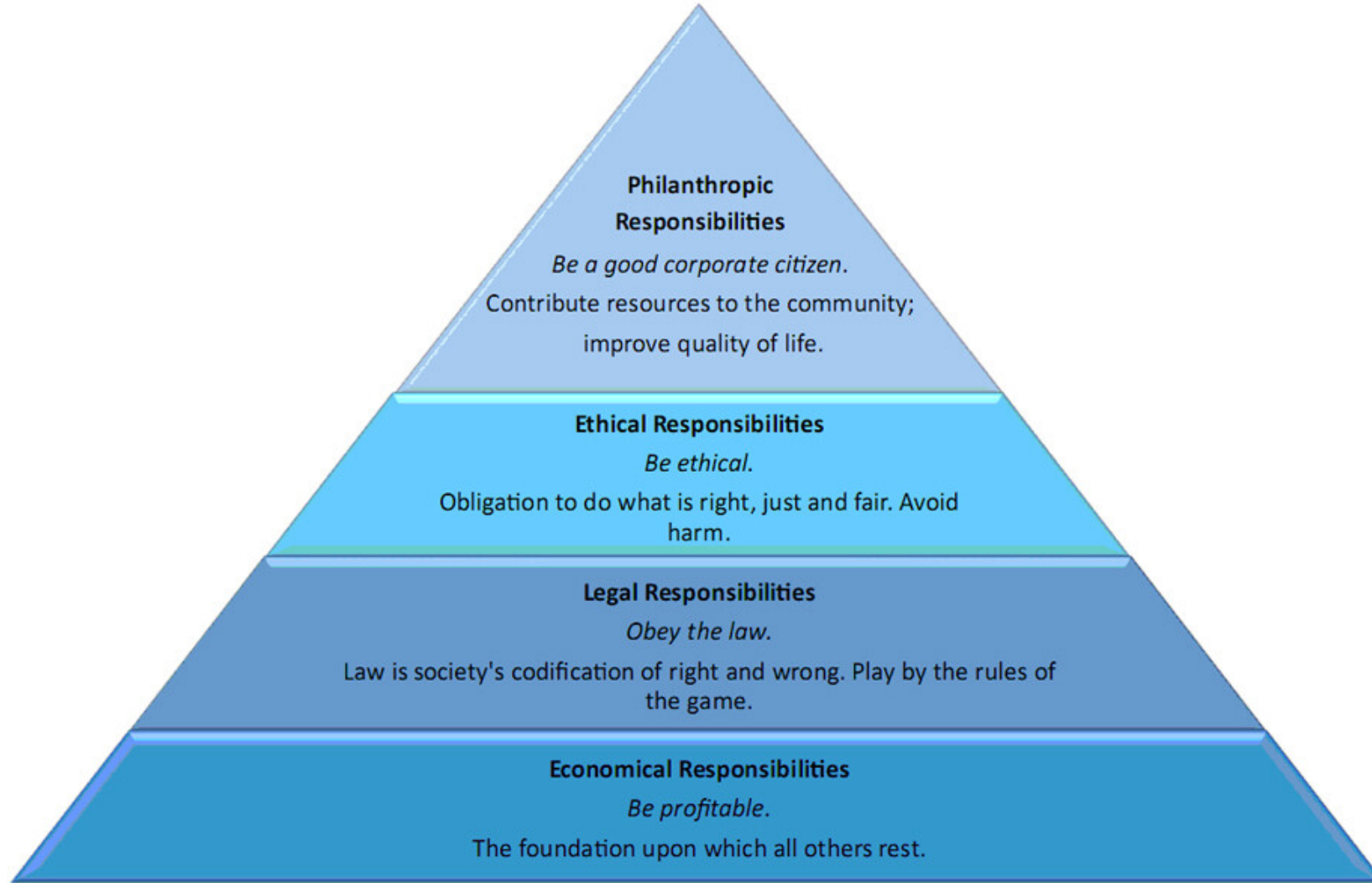


An [Introduction by Thomas Beschorner](#)
([University of St.Gallen, 2012](#)).

- CSR = Corporate Social Responsibility
- Good business for a good society – today and tomorrow
- CSR is not charity – it is about how companies earn their profits.
- It takes employees of integrity and appropriate organisational structure to realize CSR - It is a matter of individual and institutional ethics.
- Soft law and governance mechanisms based on companies self commitment.

CSR Pyramid

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The first theoretical framework for corporate social responsibility.

The Path to CSR (Zadek 2004)

Using the theory of organizational learning Simon Zadek introduced a stage model to help categorize the level of corporate social responsibility maturity in companies

Stage	Name	What organisations do	Why they do it
1	Defensive	Deny practices, outcomes or responsibilities	To defend against attacks to their reputation that in the short term could affect sales, recruitment, productivity and the brand
2	Compliance	Adopt a policy-based compliance approach as a cost of doing business	To mitigate erosion of economic value in the medium term because of ongoing reputation and litigation risks
3	Managerial	Embed the societal issue in their core management processes	To mitigate the erosion of economic value in the medium term and to achieve longer term gains by integrating responsible business practices into their daily operations
4	Strategic	Integrate the societal issue into their core business strategies	To enhance economic value in the long-term and to gain first mover advantage by aligning strategy and process innovations with the societal issue
5	Civil	Promote broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first mover disadvantages and to realise gains through collective action

Source: (Zadek, 2004)

CSR definition according to ISO 26000

The responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that

- contributes to sustainable development, including health and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behaviour; and
- is integrated throughout the organisation and practised in its relationships.

*Note: International Standardisation Organisation (ISO) standard on Social Responsibility (ISO 26000 SR).

What are common motives for responsible business practices?

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Moral case

- Ethical motivations of owners or executive management
- Societal expectations with regard to responsible behaviour
- Responsibility for global challenges and future generations

Business case

- Increased competitiveness (e.g. cost reduction, productivity, innovation)
- Differentiation (e.g. supply chain, reputation, products and services)
- Capital access (e.g. through better ratings)

- Risk reduction (e.g. legal, reputation, HR)
- Customer loyalty
- Regulatory compliance
- Brand value
- Attractiveness as an employer and employee loyalty

Example "Motives": Lego

"Everything is NOT awesome": Global campaign to ditch Shell as marketing partner led to more than 1 million people asked Lego to end its partnership.

2014

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Thursday 9 October 2014 06:00 BST



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Lego ends Shell partnership following Greenpeace campaign

Toymaker will not renew current multimillion pound deal, that sees Shell-branded Lego sets sold at petrol stations, following a viral video against Arctic drilling by the green group

Science Museum former head gives Greenpeace Lego campaign '0 out of 10'



Mini activist figures at a Shell gas station in Legoland in Billund, Denmark, part of a global campaign targeting Lego and highlighting Shell's plans for Arctic oil exploration. Photograph: Uffe Weng/Greenpeace

Lego will not renew its marketing contract with Shell after coming under sustained pressure from Greenpeace to end a partnership that dates to the 1960s.

Example "Motives": Erste Bank

Zweite Sparkasse (second chance banking for people facing financial exclusion)



Example "Motives": Innocent

1999 founded: "Healthy drinks on campus"



Example "Motives": Unilever

- Unilever "Sustainable Living" Brands (26 brands)
- Purpose-led Brands
- Growing brands

Environmental, Social, And Governance Evaluation

Unilever PLC/N.V.

Summary

Unilever is a British-Dutch multinational and one of the largest global, fast-moving consumer goods (FMCG) companies with more than 400 brands across 190 countries, employing around 161,000 people. It is co-headquartered in London and Rotterdam. The company operates in the stable consumer goods industry and is a global leader in all of its product categories: Beauty & Personal Care (40% of total revenue), Food & Refreshment (40%) and Home Care (20%). The group generated revenues of close to €51 billion and EBITDA of about €14 billion in the financial year (FY) 2018, with about 2.5 billion people estimated to use Unilever products on a daily basis.

Unilever's ESG Evaluation score of 89 reflects its high sustainability focus that we view as well-embedded in the company's long-term strategy, and decision-making process. We believe that Unilever has capitalized on consumers' increasing focus on environmental and social impact, through sustainable innovations and new products brought to the market with a reduced environmental impact—for example, it has achieved a reduction of more than 95% reduction in phosphates from its laundry powders. Our assessment also takes into account Unilever's focus on the entire value chain. For example, it is developing products that can provide the same performance with less water, while also focusing on sustainable sourcing of raw materials. Unilever's global scale and operating efficiency put the company in a favorable position to address its sustainability challenges, absorb higher costs associated with sustainable materials and practices, and realign its portfolio of brands to be more purpose-driven. Ultimately, we are mindful that consumers may be unwilling to accept the potentially higher prices associated with a brand's steps to raise living standards and protect the environment.

Entity	Unilever PLC/N.V.
Headquarters	United Kingdom of Great Britain and Northern Ireland
Primary operation location(s)	United States, United Kingdom, Brazil, Netherlands, India, China
Publication date	Dec. 10 2019
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ESG Profile Score

75/100



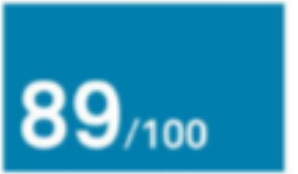
Only specific material and actual scores

Preparedness Opinion

Best in class

Address	Excellent
Assessment	Excellent
Action	Good
Culture	Excellent
Decision-making	Excellent

ESG Evaluation



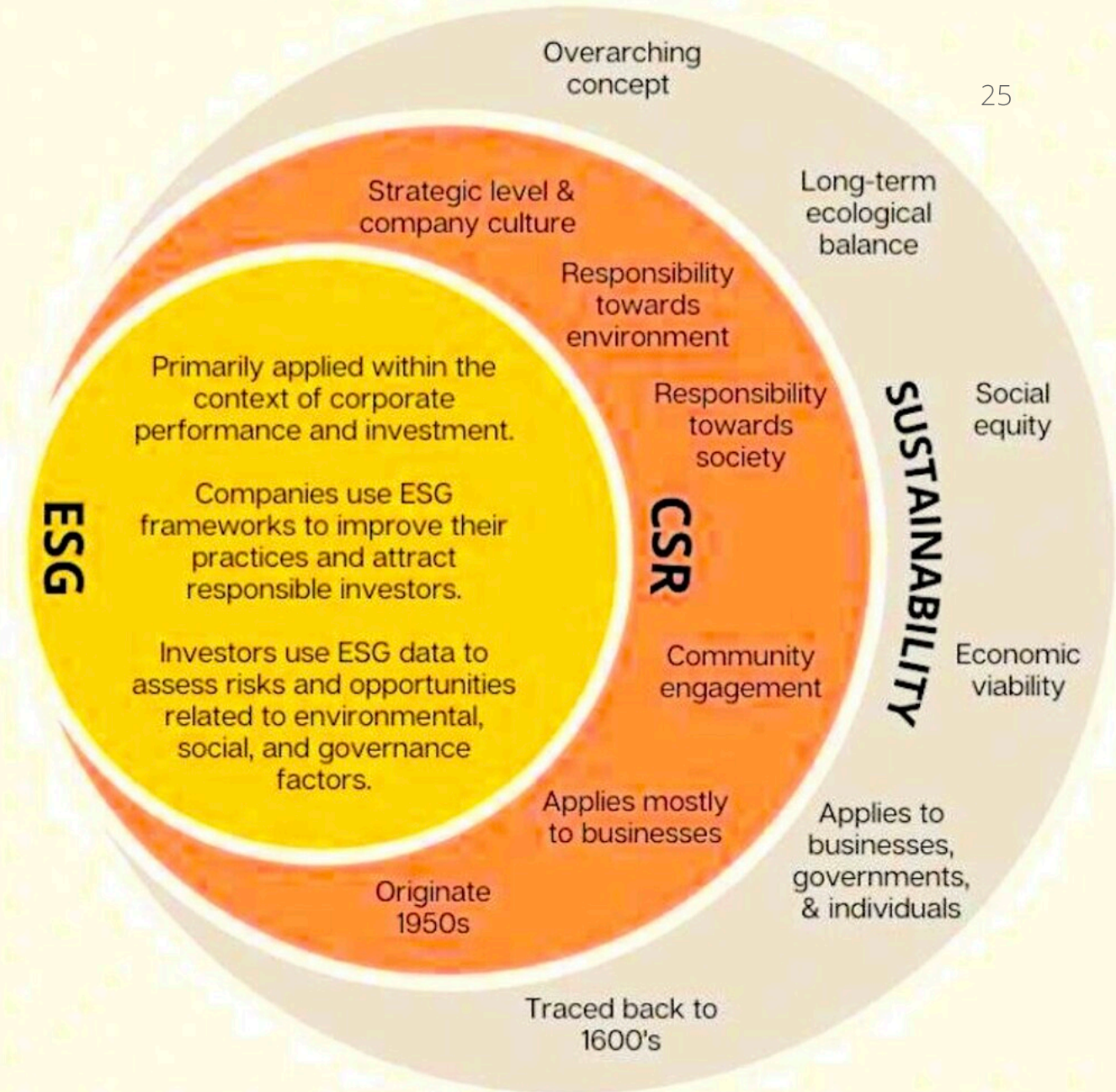
Higher score indicates better sustainability

Quelle: S&P Global Ratings

Sustainability Management

Integrating social and ecological issues in operation

Relation between Sustainability, CSR and ESG concepts



The value chain view of the company

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Supply chain: Sequence of activities or parties that provides products or services to the organization.

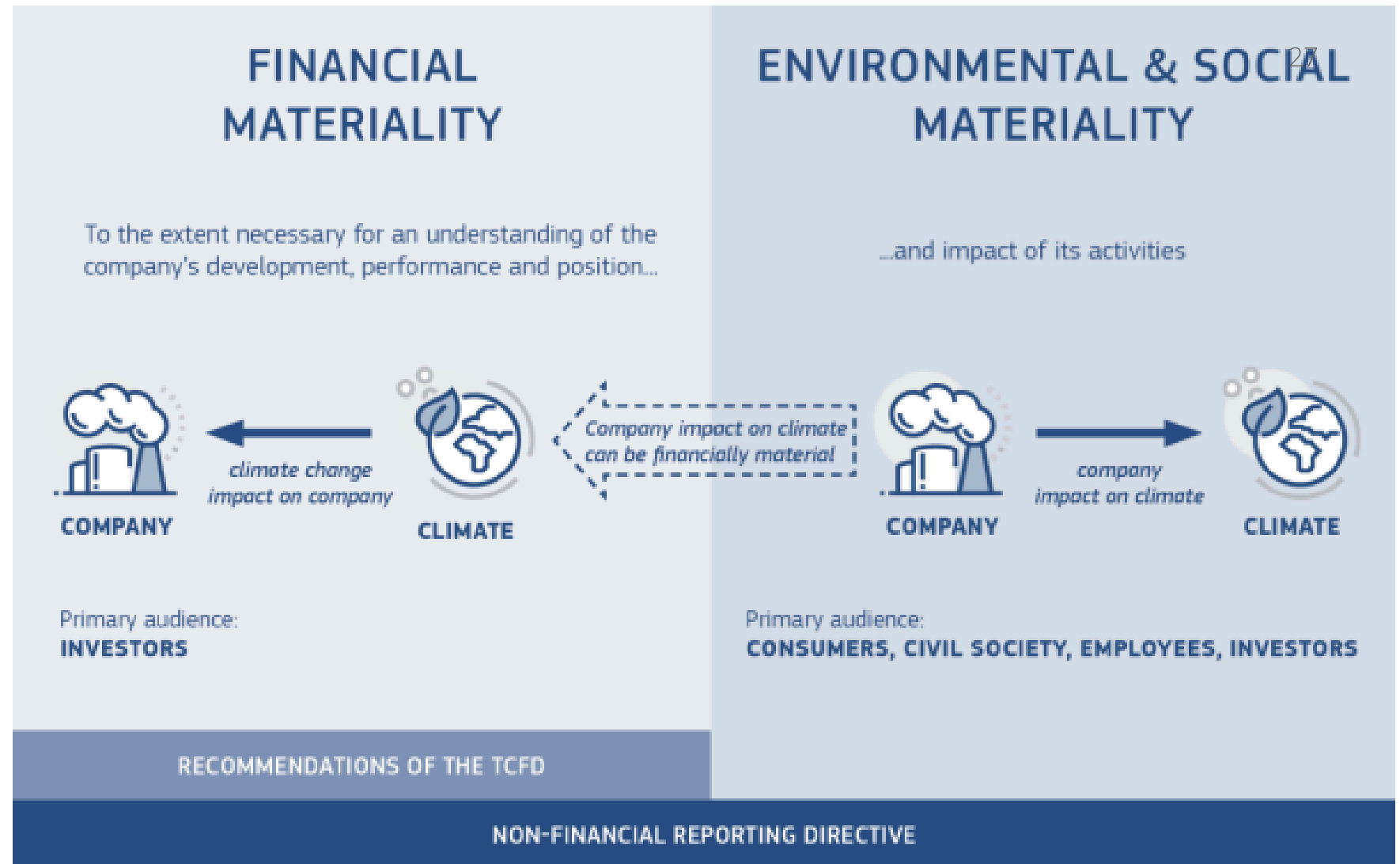
Value chain: Entire sequence of activities or parties that provide or receive value in the form of products or services.

- Parties that provide value include suppliers, outsourced workers, contractors and others.
- Parties that receive value include customers, consumers, clients, members and other users.

The value chain is used as a **framework** to identify the positive and negative social impact of a companies activities (“inside-out”) as well as the influences on the business (outside-in”).

The concept of materiality

Relevant for strategy, operations and reporting



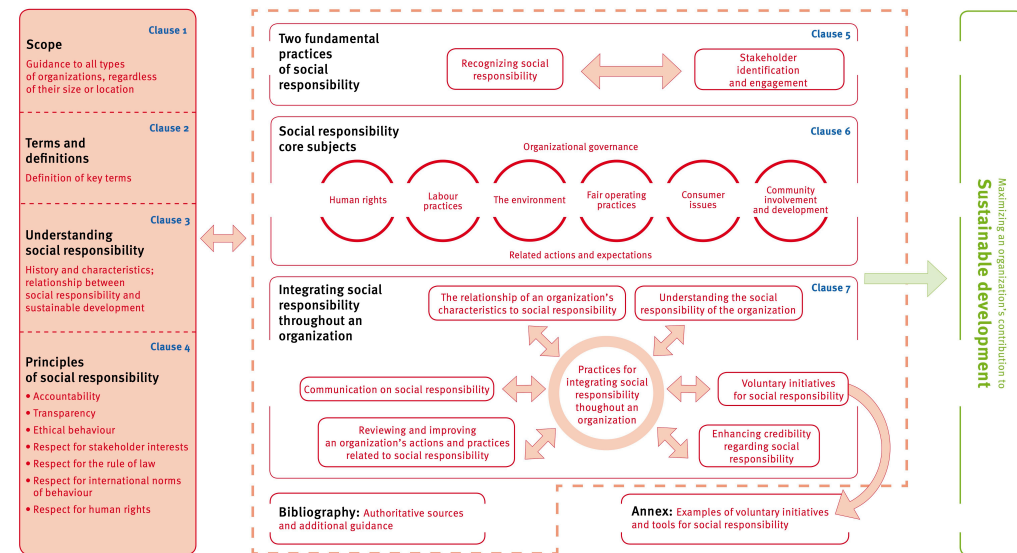
* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.

Principles of social responsibility

These are the **principles for businesses** based in the ISO 26000.

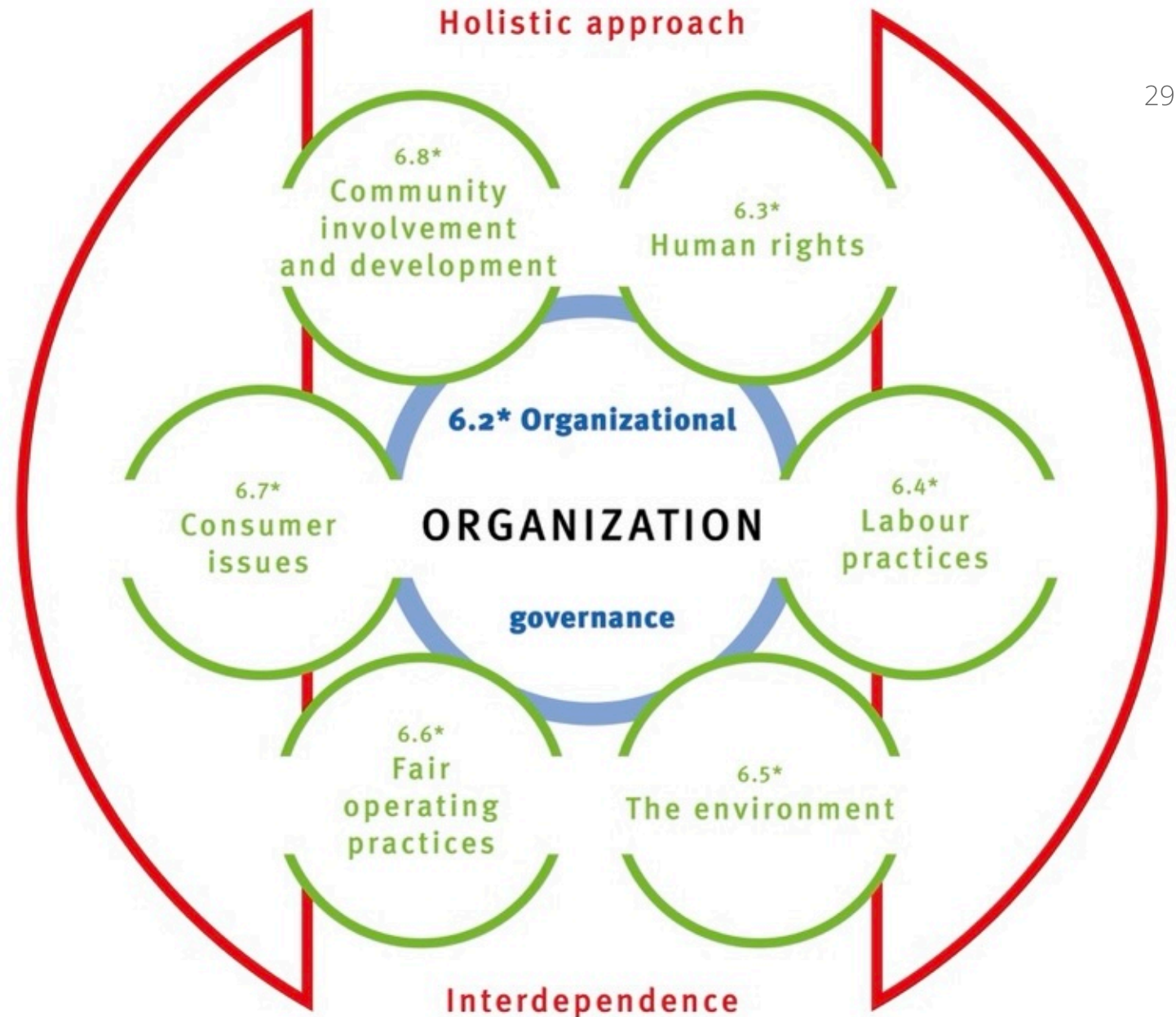
- Accountability
- Transparency
- Ethical behaviour
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behaviour
- Respect for human rights

Full structure of the ISO 26000:



Topics of social responsibility

These are the **7 core subjects** according to the ISO 26000.



Topics of sustainability reporting

These are the **core sustainability topics** according to the European Sustainability Reporting Standard (ESRS) version from 2025.

General	Environment	Social	Governance
ESRS 1 General requirements	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Business conduct
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and eco systems	ESRS S4 Consumers and end-users	
	ESRS E5 Resource use and circular economy		

Image source: EFRAG

Stakeholder Engagement

Who or what is a Stakeholder?

The concept of
"Stakeholder Theory"

was defined by R. Edward Freeman in 1984 and can be summarised as "The Purpose of the corporation should be defined as creating value for all of its stakeholders".

[Introduction to the topic \(Institute for Corporate Ethics, 2009\).](#)



Stakeholder Engagement: Core Concepts

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The term "Stakeholder Management" is used for the internal processes and "Stakeholder Engagement" refers more generally to the overall processes including the interaction.

- **Stakeholders:** individuals, groups or organizations that can affect, be affected by, or perceive themselves to be affected by a decision or activity
- **Engagement:** interaction between an organization and its stakeholders
- **Influence/Impact:** How stakeholders affect the organization and vice versa
- **Materiality:** Most significant impacts and dependencies

Why Stakeholder Engagement Matters

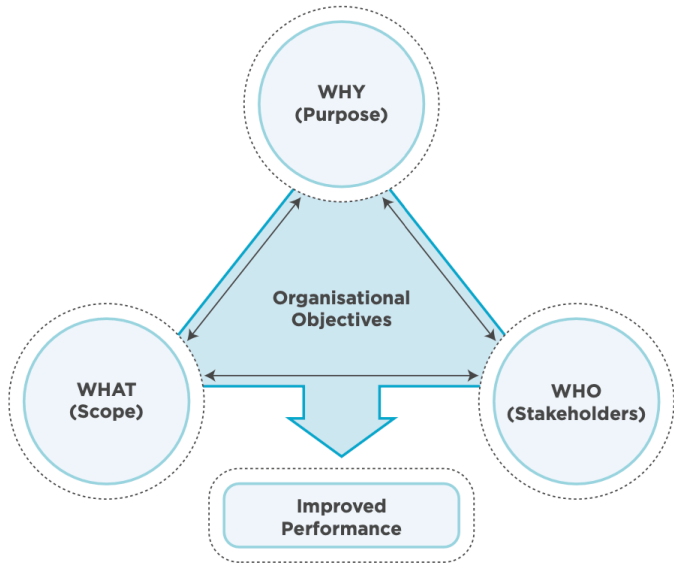
A combination of moral and business case arguments.

- **Risk Management:** Identify and mitigate risks early
- **Innovation:** Gain insights for new products/services
- **Reputation:** Build trust and credibility
- **Compliance:** Meet regulatory and social expectations
- **Competitive Advantage:** Differentiate through strong relationships
- **Social License:** Secure permission to operate
- **Value Creation:** Generate shared value for all parties

Excerpt from the AA1000SES

The Accountability Stakeholder Engagement Standard

Purpose, scope and stakeholders



Level of engagement

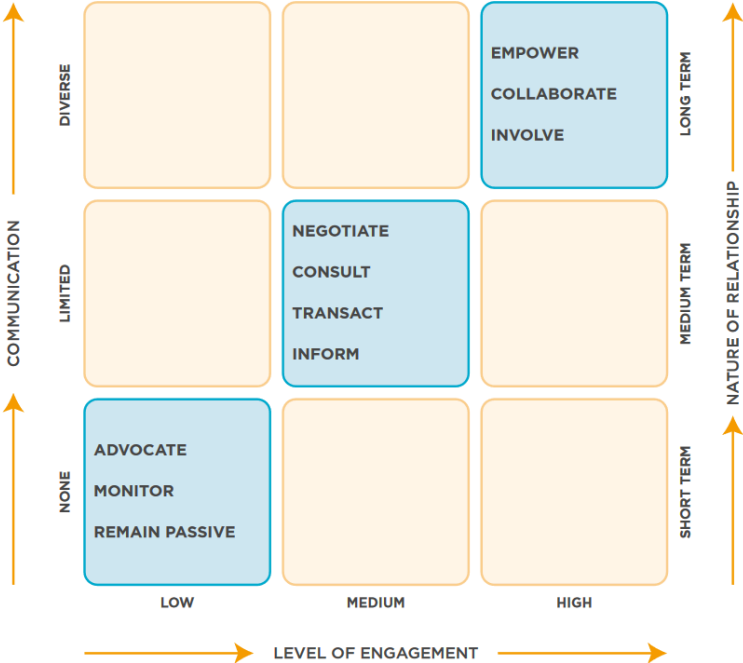


Image sources: AA1000SES

Keys to Success in Stakeholder Engagement

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- **Authenticity:** Genuine interest in stakeholder views
- **Transparency:** Clear about objectives and limitations
- **Responsiveness:** Act on feedback received
- **Flexibility:** Adapt approach as needed
- **Leadership Commitment:** Top management support
- **Integration:** Link to core business processes
- **Long-term Perspective:** Build lasting relationships

Maturity

Measuring the maturity of sustainability and responsibility in businesses

Maturity assessment

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According to the Business Sustainability 3.0 concept.

An [Introduction by Thomas Dyllick \(University of St.Gallen, 2016\)](#).

Business Sustainability 3.0 Typology

BUSINESS SUSTAINABILITY TYPOLOGY (BST)	Concerns (What?)	Values created (What for?)	Organizational perspective (How?)
Business-as-usual	Economic concerns ↓	Shareholder value	Inside-out
Business Sustainability 1.0	Three-dimensional concerns ↓	Refined shareholder value	Inside-out
Business Sustainability 2.0	Three-dimensional concerns	Triple bottom line ↓	Inside-out
Business Sustainability 3.0	Starting with sustainability challenges	Creating value for the common good	↓ Outside-in
The key shifts involved:			
	1 st shift: broadening the business concern	2 nd shift: expanding the value created	3 rd shift: changing the perspective