

BUSINESS STUDENTS' PERCEPTION OWARDS SOCIAL RESPONSIBILITY AND BUSINESS ETHICS.

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ABSTRACT

In light of innumerable recent business scandals, sensitizing business students to the importance of individual and collective actions seems increasingly warranted. The business students should not only be provided with opportunities to build business skills, but also to help them to understand the powerful effects that business decisions and actions can have on society and the potential collateral damage they can cause. Unfortunately, business education traditionally has been delivered in a way that emphasizes economic rather than relational impacts which reflects the typical business myopia on short-term goal. Individual differences in ethical ideology are believed to play a key role in decision making. Business students must first perceive ethics and social responsibility to be important before their behaviors are likely to become more ethical and reflect greater social responsibility. However, little research has been conducted concerning business students perception regarding the importance of ethics and social responsibility as components of job decisions. A critical step towards helping business students to realize the balance between maximizing the careers in business and minimizing behavioral harm is the understanding of ethics and social responsibility. The current study focuses on the research conducted in management colleges to determine the differences among business students gender-wise in first and second year, in the ethical views and personal values. The findings reveal that business students views were not favorably predisposed to believing CSR was important. The relationship between males and female students' perception towards social responsibility was also examined. Several directions for future research are identified.

Keywords: Ethics, Social Responsibility, Decision Making, Business Students

INTRODUCTION:

In recent years the topic of business ethics has become an important issue in the press, in politics, in life, and, also, in many business schools. Ethical behavior is extensively discussed and accepted as an important component of managerial decision-making, but exactly how ethical behavior should be taken into consideration is somewhat problematic (Etheredge, 1999). Socially responsible practices in business have been extensively discussed in recent years (e.g., Aquilar, 1994; Carroll, 1993; Drucker, 1984; Paine, 1994; Weiss, 1994) and have accepted as significant aspects of management practice and decision-making. While few reputable authorities argue against their importance in principle, there is a good deal of controversy about the extent to which they should be taken and their relevance to organizational effectiveness. Some authorities (e.g., Carson, 1993; Friedman, 1962, 1970; London, 1993) argue that managers should conduct business in the interests of the stockholders, that applying the organization's resources to the social good undermines the market mechanism, jeopardizes organizational survival and places management in the role of non-elected policymakers. Others argue that, as business is an influential element of society, it has a responsibility, or at least an obligation, toward solving problems of public concern (Monsen, 1974), that it is in the enlightened self-interest of organizations to be socially responsible (Davis, 1974), or that ethical behavior is more profitable and more rational than unethical behavior, and crucial for the effectiveness of business organizations (Velasquez, 1996).

This paper reports on empirical research on topics relevant to the larger discussion of business ethics the influence of perceived importance of ethics in business operations and decision making. Research was conducted in management college to determine whether there were differences among business students in first and second year, and whether the differences, if any, in male and female students ethical views and personal values. Although the researchers are primarily concerned with exploring the similarities and differences in ethical beliefs among business students from two different years, the researchers also examine variations in the ethical beliefs in gender of the business students.

LITERATURE REVIEW:

Corporate social responsibility (CSR) Stakeholder theories suggest that organizations need to address issues beyond shareholder wealth (Donaldson and Preston, 1995; Freeman, 1984). Indeed, businesses have long felt a tension between satisfying stockholder interests versus those of a wider group of impacted parties (i.e., stakeholders; e.g., Bird et al., 2007). As early as 1917, Henry Ford was criticized by shareholders for reinvesting Ford Motor Company profits on plant expansion rather than distributing profits as dividends. In defending his actions, Ford suggested that business performs a valuable service to society beyond just making money for shareholders (Lewis, 1976; cited in Lee, 2008). CSR as a field of study began at least six decades ago when Fortune magazine (1946) published an article in which the editors suggested that CSR “meant that businessmen were responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit and loss statements” (cited in Bowen, 1953, p. 44). Even then, CSR was viewed as an important business consideration, as 93.5% of the businessmen surveyed for the article agreed with this statement (cited in Carroll, 1999).

The primary premise of a seminal book of that era, *Social Responsibilities of the Businessman* (Bowen, 1953), was to ponder the following question, “what responsibilities to society may businessmen reasonably be expected to assume?” (Carroll, 1999). Since then, CSR has evolved from idiosyncratic

philanthropic executives' activities to widespread acceptance of stakeholder management and incorporation into strategic performance models (Lee, 2008; Porter and Kramer, 2006). During the past several decades, many CSR definitions have been offered. For example, Bowen (1953) suggested that businessmen have an obligation "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." Carroll (1979) suggested four primary components in his CSR definition: "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time." Later, Jones (1980) defined CSR as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract."

In a CSR definition review article, Dahlsrud (2006) suggested that CSR involves five primary dimensions: economic, environmental, social, stakeholder, and voluntariness. Most definitions reviewed emphasize the duty businesses have to society (to do social good) and reveal the multifaceted nature of CSR. Moreover, the definitions at least imply (if not explicitly state) that organizations are relational and therefore connected – intentionally or not – with stakeholders much beyond shareholders and employees. Organizations that sensitively manage these relationships may more likely find CSR efforts to be an important source of competitive advantage and achieve long-term organizational success (e.g., Porter and Kramer, 2006). Based on the foregoing and in the context of our study, we define CSR as an organization's ethical duty, beyond its legal requirements and fiduciary obligation to shareholders, to sensitively consider and effectively manage its impact on its internal and external relationships and environments.

Research on CSR has been accelerating rapidly in the past decade. However, much of the research is either theory focused or case based, leaving much to be left explored empirically. There are however a few studies that help to provide some indication of CSR's importance as both a predictor and as an outcome; for example, it appears that attitudes towards a firm are positive and enhanced when consumers are aware of a firm's CSR practices (Brown and Dacin, 1997; Creyer and Ross, 1997). CSR has been an increasingly important area of focus in both academia and in practice. For example, Christensen et al. (2007) found that 42% of the top global MBA programs require CSR in their core content. In the business world, nearly "90% of Fortune 500 firms embraced CSR as an essential element in their organizational goal, and actively promoted their CSR activities in annual reports" (Boli and Hartsuiker, 2001). Among the 250 largest multinational firms in 2005, 64% published formal CSR reports (Porter and Kramer, 2006).

According to Levitt (1986), to say that the purpose of business is to make a profit is "morally shallow." As he stated, "If no greater purpose can be discerned or justified, business cannot morally justify its existence". Although there is still considerable debate over the desired degree of business responsibility beyond making a profit, many writers call for ethical and socially responsive practices in business (e.g., Frederick, Davis, and Post 1988; Luthans, Hodgetts, and Thompson 1984). The functional area within business that is more likely to receive the greatest social criticism is probably marketing, in part because, as Robin and Reidenbach (1987) pointed out, there has been limited adoption of social responsibility and business ethics by marketing practitioners. They recommend that organizations incorporate these concepts into their strategic marketing planning process. Consistently, in his address to marketing educators at a national conference of the American Marketing Association (AMA), AMA's former Chairman of the Board William D. Neal expressed concern that marketers are losing the confidence of the consumers, and he called for an increased focus on the ethical applications of marketing knowledge (AMA 1991). Given its increasing importance both in academia and in practice, and given the evolution of CSR to include

societal expectations of businesses to behave ethically and sensitively, we asked tomorrow's managers (i.e., business students) about their perceptions about the social responsibilities of businesses.

HYPOTHESIS DEVELOPMENT:

With respect to gender, several studies highlight more ethical behavior among women than men. The study of Phau and Kea (2007) shows the superior value of ethics among female students of three countries studied (Australia, Hong Kong, and Singapore). Similar results were found in the work of Peterson and colleagues (2001). Empirical results are not always consistent. For example, Kidwell and colleagues (1997) find no significant differences between men and women concerning the reasons for their ethical behavior. However, the results of a meta-analysis by Borkowski and Ugras (1998) demonstrate that female students exhibit more positive ethical attitudes than males. Accordingly, we expect that women adopt more moral business ethics attitudes than men, who are more focused on their amoral self-interest. Hence, we hypothesize:

Hypothesis 1: Female students firmly believe that profits are not a paramount in business ethics than male students.

Morality and ethics have a long history of discourse in a variety of contexts, including philosophy, religion, and, more recently, business. Part of what fuels the intensity of this discussion is the belief that people differ in the ways moral dilemmas are viewed and moral judgments are made (e.g., Davis et al., 2001; Schlenker and Forsyth, 1977). The views of each individual or group towards social responsibility are different. Hence, we hypothesize.

Hypothesis 2: Second year business students' value good ethics for good business more than the first year MBA students.

METHOD:

To empirically test the hypotheses, a questionnaire was administered. Data was collected from a sample of 110 business students. As in the previous studies (Moore and Radloff, 1996; Phau and Kea, 2007; Preble and Reichel, 1988; Sims and Gegez, 2004; Small, 1992), the researchers used business students in order to ensure the comparability of the results. Furthermore, the attitudes and values of business students are important in themselves, as these business students represent future managers (Preble and Reichel, 1988). Representing the future generation of managers, business students are an important group with strong potential impact on the everyday practice of, and the principles governing, business (Glenn, 1992). Out of the 110 questionnaires administered 107 were of use to the researcher. Age of the population is 23 to 29 years. The respondents are all graduates from different disciplines like Arts, Agriculture, Science, Commerce, Engineering, and Pharmacy.

MEASURES:

Corporate social responsibility (CSR) was measured using six items from Singhapakdi and colleagues' (1996) 13-item attitude toward social responsibility of business scale. The PRESOR scale has been used in numerous studies (e.g., Singhapakdi et al., 1995, 1996, 2001; Vitell et al., 2003), and has been found to have acceptable reliability and validity. For example, the internal reliability of the PRESOR

subscales has generally ranged from 0.6 to 0.7 (Singhapakdi et al., 1995, 1996). Responses were provided on a nine point scale anchored on “strongly disagree” and “strongly agree.” Five of the PRESOR items were reverse scored, so that higher values for responses to this scale always indicate endorsement of the importance of ethics and social responsibility to organizational success

RESULTS:

Descriptive Statistics for male and female students were computed separately. For males the mean and standard deviation are 31.72 and 6.13 respectively. For females the mean and standard deviation is 27.048 and 7.22 respectively. Independent samples t test was employed to evaluate the significance of difference between second year and first year MBA students. The t value is significant at 0.05 level for df = 106. (Table 1)

Table 1: Students t between First year and Second year MBA students.

		Independent Samples Test									
		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
										Lower	Upper
Total	Equal variances assumed	.978	.325	-2.848	106	.005	-6.14654	2.15792	-10.42482	-1.86827	
	Equal variances not assumed			-2.877	105.515	.005	-6.14654	2.13641	-10.38241	-1.91068	

Second year business students have scored more on importance of business ethics and social responsibility than MBA second year students. Cohen’s d was also computed to assess the effect size which yielded a value of d=0.30. As per Cohen’s criteria, this effect size is small. This has also been confirmed by computing point biserial r between Group- memberships (MBA second year coded as 0 and MBA first year coded as 1) and Social Responsibility. Significant but small correlation of 0.138 was obtained indicating that second year MBA students’ value good ethics for good business more than the first year MBA students. Similarly independent samples t test was employed to evaluate the significance of difference between males and females perception towards social responsibility. The t value is significant at 0.05 level for df = 106. (Table 2). Thus the hypothesis second year business students’ value good ethics for good business more than the first year MBA students.

Table 2: Students t between male and female students.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Profits	Equal variances assumed	.681	.411	-3.201	106	.002	-4.67181	1.45961	-7.56563	-1.77799
	Equal variances not assumed			-2.930	35.068	.006	-4.67181	1.59430	-7.90818	-1.43543

Female students have scored more profits are paramount to business than male students. Cohen’s d was also computed to assess the effect size which yielded a value of $d=0.26$. As per Cohen’s criteria, this effect size is small. This has also been confirmed by computing point biserial r between Group-memberships (Males as 0 and Females coded as 1) and Profits. Significant but small correlation of 0.138 was obtained indicating that females do not consider profits more important as compared to male students. The significant difference indicates the difference in opinions of male and female student’s responses. The female candidates scored more thus proving the hypothesis that female students firmly believe that profits is not a paramount in business ethics than male students.

CONCLUSION:

In the current study, we examined the relationship with perception about the social responsibility of business corporations, also known as corporate social responsibility (CSR). Specifically, we found that the second year business students in the sample were more likely to have favorable views about CSR than MBA first year students. This would indicate that CSR may appeal to students who have a high ‘ethic of caring’ (e.g., Gilligan, 1982), who have genuine concern for the well-being of others, and who align most closely with actions that do not harm others (Forsyth, 1992; Henle et al., 2005). Our findings revealed that business students who indicated holding ethically relativistic views were not favorably predisposed to believing CSR was important (beyond focusing on profit maximization and shareholder wealth). The relationship between males and female students’ perception towards social responsibility was also examined. As with the ethical relativism construct, it was found that male students were not comfortable with business having a socially responsible role beyond profits and wealth maximization. For each of the findings above, our hypotheses were supported. Given our findings, it would be worthwhile to conduct future research to determine whether students with such caring values act on their attitudes in choosing work with organizations which highly value CSR. Similarly, it would be interesting to investigate whether these future managers would be more likely (than those low in idealism) to proactively embrace CSR activities as essential to organizational functioning.

LIMITATIONS OF THE STUDY:

There are several study limitations worth noting. First limitation is that students provided the data for both the predictors and the dependent variables. Single-source, self-report data has been found generally less reliable than data acquired from multiple sources. Second limitation is the limited generalizability of the current findings to the workplace. Although the ‘future managers’ in the sample will likely have workplace influence someday, it would not be advisable to rely on the current findings in making workplace decisions. Indeed, field research should be performed to better determine the views of

managers. It may be that a field study consisting of experienced workers will find widely differing results. The third limitation is that the data were collected at just one point in time. Thus, the degree to which values assessed are stable was not ascertained.

FUTURE RESEARCH:

Future research of a longitudinal nature will better assess the stability of our constructs. One such future project would be to conduct research of a pre-test/post-test nature with extensive CSR class instruction (as an intervention prior to the post-test). For example, freshmen entering a business degree program could be initially surveyed, then once again close to graduation to determine if an education in modern business principles and business ethics (and CSR) has affected their perception. This could yield very interesting results, and could include an investigation of whether such students (after receiving the instruction) indicate becoming more stakeholder theory oriented, whether or not they would be more apt to investigate a firm's CSR practices prior to making a job choice, and the extent to which a firm's CSR practices influence job choice.

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