



## **BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY IN TIMES OF COVID-19**

*Ética empresarial e responsabilidade social corporativa nos tempos  
de COVID-19*

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### **ABSTRACT**

This article aims to discuss the impacts of COVID-19 on corporate social responsibility and corporate governance policies. We endorse Corporate Governance oriented by ethics and morality as an essential organizational posture that needs to be adopted in order to respond to the crises effectively. The study has a qualitative and exploratory character in order to foster an important discussion on organizational behavior. Regarding the prescriptions founded, we can highlight as an initial step towards a solution would involve the creation of a special committee to manage the crisis. The largest obstacle to overcome would be the protection of different social groups, where inequality margins impact the outcome of the crises.

**Keywords:** Corporate Social Responsibility; Business Ethics; COVID-19.

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## ÉTICA EMPRESARIAL E RESPONSABILIDADE SOCIAL CORPORATIVA NOS TEMPOS DE COVID-19

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### RESUMO

Este artigo tem como objetivo discutir os impactos do COVID-19 nas políticas de responsabilidade social corporativa e governança corporativa. Endossamos a Governança Corporativa pautada pela ética e pela moralidade como postura organizacional essencial que deve ser adotada para dar uma resposta efetiva às crises. O estudo tem caráter qualitativo e exploratório com o objetivo de fomentar uma discussão importante sobre o comportamento organizacional. Em relação às prescrições encontradas, podemos destacar que um passo inicial para uma solução envolveria a criação de uma comissão especial para administrar a crise. O maior obstáculo a ser superado seria a proteção de diferentes grupos sociais, onde as margens de desigualdade impactam o desfecho das crises.

**Palavras-chave:** Corporate Social Responsibility; Ética de negócios; COVID-19.

## **INTRODUCTION**

Towards the end of 2019, the world started to deal with the COVID-19 outbreak in Wuhan, China (ZHANG et al., 2020). For undeveloped countries such as Brazil, dealing with new pathogens is a norm and is evident through coexistence with Dengue, Zika, and H1N1, amongst others. Initially, local government officials and citizens were not concerned, given that the outbreak was occurring over 17000km away. However, less than four months into 2020, the World Health Organization (WHO) officially declared a state of emergency as the world acknowledged the uprising pandemic, with the risk of a health system collapse due to the rampant, uncontrolled spread of infected cases.

As the crisis continues to manifest itself, companies are faced with a serious question: how should commercial activities be maintained without putting stakeholders and associated parties at risk? This essay aims to discuss the impacts of COVID-19 on corporate social responsibility and corporate governance policies. The study has a qualitative and exploratory character in order to foster an important discussion on organizational behavior.

For one to respond appropriately to the question above, one will have to propose a solution that is based on the fundamentals of corporate ethics, and in order to understand this concept, the foundation is of utmost importance. According to Srour (2003), morality is the building block of ethics, it is considered as a set of cultural norms within society that determines what is deemed to be correct or incorrect. Ethics, associated with morality, is understood as a science that studies human behavior concerning one's peers, taking into account moral rules; approval or disapproval of society before its pre-established values. Corporate ethics is a reflection of dominant organizational norms and values, considering factors responsible for actions producing positive results. This essential posture needs to be adopted in order to respond to the crises in an effective manner.

May and Mackin (2020) emphasize that the crisis imposed by COVID-19 must be guided by moral principles, social responsibility, and a change in corporate governance systems. Jha and Cox (2015) say that corporate social actions extend to the community where the firm operates, the environment, and how the firm treats employees, suppliers, and customers.

The critical factor of "decision making" is the key to success in the battle against the new coronavirus crisis. Organizational leaders will have to analyze and deliberate plans which are of ethical nature and consist of responsible actions. The main objective should be to uphold the health of collaborators above any business decisions. Businesses have the critical know-how, the reach, and resources - the right tools to create opportunities and a means of the auxiliary to aid the world and contribute towards recovery.

## **1. CORPORATE GOVERNANCE**

The structuring of collaborative plans and the engagement of stakeholders to solve social problems involves the theme of corporate governance. Corporate Governance could be the deciding factor to resolving approaches in dealing with the current pandemic. It is understood as a system in which companies are directed, monitored, and encouraged, involving the relationships between all its parts, from the partners, management, supervisory and control bodies, to other interested parties. This system consists of a board of directors which is an organ responsible for the decision-making process, strategically opening the way, as it plays the role of guardian in relation to the principles, values, corporate objectives, and governance system of the company (IBGC, 2015).

The autonomy of the board is vital since its role is to reduce risks and improve strategic company decision-making. In view of this, independent audits are important, as long as they are carried out in a collaborative manner, while ensuring resources are being used efficiently. There are 4 basic principles that guide the corporate governance system: transparency, accountability, equity, and social responsibility (IBGC, 2015).

Regarding the prescriptions found, we are able to highlight a solution that would involve the creation of a special committee to manage the crisis and adequately deal with lockdown. This committee should involve individuals from Human Resources, the Legal, compliance, communications, and IT departments. The committee should be formed by the board of directors as the principal of this agency and allocate a head as an agent to carry

out predetermined objectives. Bylaws should be put into place in order for the committee to act on a larger degree of autonomy, to quickly respond to any new incidents or demands, which surface during these unpredictable and turbulent times. Following the establishment of a corporate governance system, the crisis committee will have to function transparently. Outsourced opinions conducted by independent specialists will reinforce accountability and minimize fraudulent behavior.

This committee will be able to carry out risk assessments applicable to the current business reality and alignment with company principles (EUROMONEY, 2020). Using this information, the board can decide on a means of maintaining operational activities while preserving the health and integrity of all members and collaborators. This will allow for companies to deal with operational risks and fully plan for harmful externalities. A key factor of avoiding this type of risk exposure, is investing within this crisis committee, allocating more funds towards research and development.

The second step which contributes towards a solution is social responsibility, something which strongly correlates with ethics and acts as a key principle to corporate governance. Organizations which understand or, in actual fact, are socially responsible in benefiting consumers, creating actions with little publicity and positive impacts on society, are companies that obtain value of image and brand. Witkowska (2016) explains that corporate social responsibility must be stakeholder-oriented, while integrating social, environmental, and economic concerns.

The analysis shows that there are numerous businesses committed to facing the crises responsibly and this is seen in various sectors, where financial resources are applied, sanitary and health equipment are provided, and investments are made towards research and development. There are, however, a handful of companies which have chosen a different path when presented with the current choice between socially responsible actions or economic gains. Organizations that have chosen to follow a path of socially responsible actions, form part of an extensive list. A few examples of Non-Profit Organizations, amongst many, include (ETHICAL CONSUMER, 2020):

**Table 1 - Non-profit organizations actions against COVID-19 crisis**

<b>Organization</b>	<b>Explanation</b>
Feeding America	Where a COVID-19 response fund is made available, helping to ensure food banks across struggling regions;
Doctors Without Borders	Sending medical aid to countries hit hardest by the virus and strengthening infection control programs, helping over 70 countries;
Team Rubicon	A veteran-based company which provides assistance to regions affected by natural disasters and emergencies, currently has directed forces into helping logistics, packaging, and food distribution.

Source: Ethical Consumer (2020).

A few examples of organizations that include donations in assistance to medical and social supplies are:

**Table 2 –Examples of organizations donations in assistance to medical and social supplies**

<b>Organization</b>	<b>Explanation</b>
JBL	Donating headsets to schools in need of virtual class assistance.
T-Mobile partnering up with Verizon, AT&T, and iHeartMedia	Donating over 40.000 cell phone chargers to allow for contact between families and hospital patients.
GSN Games	Raising \$217.000 for the Meals and Wheels Covid-19 response fund.
New Balance	Shifting their shoe productions to masks, offering it at cost price

Source: Ethical Consumer (2020).

As many businesses choose a righteous path, a few have chosen to focus on self-gain. Examples of these companies include:

**Table 3 –Examples of companies focused on self-gain during the COVID-19 crisis**

Organization	Explanation
Amazon	Crowned as the clear financial winner of the crisis, have maintained warehouses and mass production, ignoring health and safety rules. Workers have claimed a lack of face masks, rejection for remunerated sick leave, a scarce number of sanitary measures, and complete disregard for social distancing.
Fraser Group	Has been reported on zero-hour contracts not being paid, while stores are closed and social distancing is disrespected;
Arcadia Group	Having laid off 300.000 store workers, with no financial compensation or warning.

Source: Ethical Consumer (2020).

What could be proposed to facilitate these organizations is a management model which aims at not only considering the interest of owners but also, a wide range of stakeholders. Jha and Cox (2015) emphasize that the motivation for social responsibility need not always be the monetary benefit, likewise society expects more from companies than only maximizing profits (FREEMAN, 2001).

In this way, by clearly identifying internal and external stakeholders, relationships can be formed, prioritizing the best fit strategy to creating equity amongst all parties (FREEMAN, 2016). Monitoring actions and results are key to clearly defining and updating procedural responsibility acts, while creating a plan of inclusion to integrate external groups, broadening contributions towards the decision-making process. In order to fully achieve successful integration of stakeholder groups, it is compulsory for organizations to possess predetermined policies which are easily comprehensible, decisions, and interests which are aligned, ultimately, positioning the company within a sustainable framework.

Companies with an inclusive organizational culture are probably more comfortable to stakeholder integration, turning the decision-making process into one which is more agile while maintaining satisfaction over stakeholder interests. This avoids less efficient practices and unnecessary developments of new system channels. Organizations that are unfamiliar with this model should take initial steps by integrating employees, not only from the executive and senior management but also middle management and operational workers. These groups of individuals are considered to be valuable as they have a grasp on customer relations, organizational culture, and a perspective over the effects of the pandemic. These vast numbers of perspectives could help contribute to creating socially fair actions, while aiming at a decent return of investment and a sufficient amount of capital on hand, in order to maintain organizational activities.

With the unbalanced scale of working via virtual means, no distinction has been made in terms of daily working periods. At this point, it seems as if individuals are placed within a 24-hour working day cycle, leading to an increase in depression due to the uncertainty of future events, and a steady increase in the number of burnout cases due to an overload of work. Avoiding retrenchment and promoting financial security is something that acts as a dealing mechanism, and through the stakeholder integration process, employee mental and physical health could be preserved. This gives them the opportunity to voice out their concerns which ultimately forms part of the decision-making process.

Infection over the economy shocks the business sector and is understood as a prolonged plague with an unforeseen rein until the effects of the vaccine has been perceived. Private institutions possess great responsibilities, although they're not able to win the war without an army. Banks act as key soldiers in this battle, where responsible actions are necessary for positive social impact to exist. China has approved a \$71 billion reduction in loans to allow companies to cope and resume operations. The U.S Central Bank has reduced interest rates to facilitate confrontation against the crises. Brazil's Central Bank plans to offer extra services to stimulate the economy, by approving loans and financing. Brazilian banks had reacted quickly to the pandemic, expressing great support of social distancing with public campaigns and service measures, in addition to a compiled donation agenda. A grace period of 2months had been announced by larger banks to assist smaller institutions to lead with debt while increasing credit grants and reducing interest rates (EUROMONEY, 2020).

Contrary to what is mentioned above, some banks are making it difficult to release credit, increasing interest rates, and reducing payment terms for new debts. This creates an ultimatum in dealing with the crisis, as

maintaining operations and remuneration becomes dependent on generating more revenue, inserting these institutions within a socially responsible dilemma. It is of utmost importance that banks rely on socially responsible actions in alignment with consumer needs. Advertising without effective measures of transparency and harmony turns publicity into obsolete propaganda, where the public misinterprets organizational decisions, as there is no clear reason to why these actions are necessary for the survival of these companies. Taking into account society's expectations and needs, it becomes possible for organizations to gain empathy, especially during a time where responsibility isn't limited to commercial transactions.

## 2. SOCIAL RESPONSIBILITY

Social responsibility does not only form part of corporate governance, but also sustainability, which is understood as: living in a permanent manner of production while maintaining the equilibrium of natural resource consumption. Sustainability makes way for the triple bottom line concept, defining which characteristics are necessary in order for organizations to be considered sustainable. The triple bottom line refers to a company that produces a balance between being economically viable, socially fair, and environmentally friendly (SROUR, 2003; ELKINGTON, 2013).

The triple bottom line provides ethical guidance to organizations and allows them to obtain a good reputation with perpetuity. This creates a perception of quality in relation to products or services, attracting investments, retaining potential talent, and influencing the volume of sales. A company that adopts an ethical stance can meet demands with counteroffers that are mutually beneficial to all parties, where the company's social and environmental interests come together to create a vantage point (SROUR, 2003).

The World Business Council for Sustainable Developments (WBCSD, 2020) has published three response projects in hopes of correctly tackling the current pandemic. The first, being long-term impacts of COVID-19, guides businesses on how to fully recover from the crises by building a system that targets vulnerabilities to create a more sustainable future. The second response is returning to normal - employee health and business recovery. This involves a plan of resilience to face the second wave of COVID-19 while preparing them for any future eventualities of similar nature. This will be achieved by securing the wellbeing of employees and their families, through confinement and also providing supplementary resources to enhance the value of businesses and their respective collaborators. Lastly, vital supply chains, such as food, which faces deep risks. Chronic hunger and food insecurities rise as the pandemic progresses, spiking an economic downturn with strain on food supply chains. A Rapid Response Platform is used to tackle these risks by working with experts to address these systematic flaws, fueled by poverty and inequality, by mobilizing actions to support those in the highest need.

The pandemic had emphasized the importance of intercommunications between different social divisions while reinforcing global awareness, demystifying the idea of profit at the expense of others or the environment. For companies to overcome obstacles, they need to be clearly mapped out and addressed in order to promote the company's image, with concrete actions tackling inequalities and social injustice. The key objective here is to understand new behaviors in the supply chain and demand, consumption patterns, and the needs of employees, all of which enable a real connection between stakeholders and the community (SAI GLOBAL, 2020)

The United Nations created a system known as the Global Pact, where 17 traits are mentioned, encouraging the commercial sector to adopt politics over corporate social responsibility and sustainability. A few suggestions have been made in order for organizations to effectively lead with the global crisis, as can be seen in Table 4.

**Table 4 – Suggestions to organizations lead with the global crisis**

Suggestion	Explanation
Increasing consciousness	By sharing WHO and Pan America Health determinations and precautions over preventive measures.
Being flexible	To employees working remotely.
Supporting collaborators	By creating health and mental support groups.
Providing help	With equipment and materials in scarcity amongst infected regions, either by offering assets, resources or financial and medical aid.

Source: Pacto Global Rede Brasil (2020).

Specialists have noted organizations within the Brazilian commercial sector, promoting educational channels and awareness of the current pandemic. These articulations are of extreme importance as our actions today would help the future of tomorrow. A report of organizational confrontation against COVID-19 was conducted by the Brazilian network of the Global Pact, which demonstrated results of an analysis involving 84 institutions (PACTO GLOBAL REDE BRASIL, 2020):

- 84% are in support of adopting sustainability and social responsibility policies;
- 97% agree with contributing towards finding a solution;
- 42% is involved in socially educating the public over the pandemic; and
- 72% stand by policies that preserve jobs.

According to Imprensa Nacional (2020), the government has realized a series of laws and decrees establishing guidelines and rules aimed at containing the transmission of COVID-19. Federal Law n° 13.979/20, created on February 20, 2020, provides for measures to deal with the public health emergency. This law, in conjunction with the penal code, proposes potential punishment if individuals disregard the quarantine determinations from a medical prescription or health surveillance agency. Putting sanctions into place to deal with organizations or individuals which disrespect legal determinations to minimize pandemic effects, will appropriately enforce the ideology of equity, provided that businesses cater to all interested parties by creating an even playing field for everyone (BRASIL, 2020).

Lastly, the largest obstacle to overcome would be the protection of different social groups, where inequality margins impact the outcome of the crises. Lower social classes have fewer resources at their disposal to fully tackle the pandemic.

## **CONCLUSION**

In conclusion, it is plausible to maintain commercial activities without endangering direct stakeholders and other interested parties. This could be achieved by forming a crisis committee, deliberated by the board of directors, using a management system to implement adequate procedures, deemed as fit under the ethical code of conduct. In this manner, organizational practices are seen as viable under the triple bottom line concept, classifying actions as sustainable, reaching, not only a socially responsible stance but also an environmentally friendly title, while being able to generate enough revenue to maintain operations and remunerate employees. This committee should create its norms based on medical determinations while following suggestions made by the WBSCD.

The compliance tool becomes fundamental and guarantees that actions are carried out efficiently, while remaining under the direction of the law. The main challenge is to recognize and consider that it is not possible to grow indefinitely in an environment with limited natural resources. From the moment we consider this premise, we will make better decisions over government and public policies, businesses, and the way we live and consume. We need to be protagonists of the environmental and social changes necessary to live longer and better lives.

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