

CHAPTER – 6

SOCIAL RESPONSIBILITIES OF BUSINESS

AND BUSINESS ETHICS

CONCEPT OF SOCIAL RESPONSIBILITY

Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.

The assumption of social responsibilities by business enterprises implies that they respect the aspirations of society and would try their best to contribute to the achievement of these aspirations along with their profit interests.

This idea is in contrast to the common notion that business exists only for maximising profits for its owners and it is relevant to talk of public good. It follows that a responsible business, and indeed any responsible member of society, must act with due concern for the effects on the lives of other people.

CASE OF SOCIAL RESPONSIBILITY:-

A) ARGUMENTS FOR SOCIAL RESPONSIBILITY:-

1. JUSTIFICATION FOR EXISTENCE AND GROWTH:- Business exists for providing goods and services to satisfy human needs. Through, profit motive is an important justification for

undertaking business activity, it should be looked upon as an outcome of service to the people. In fact, the prosperity and growth of business is possible only through continuous service to society.

2. **LONG-TERM INTEREST OF THE FIRM:-** A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society'. When increasing number of members of society including workers, consumers, shareholders, government officials, feel that business enterprise is not serving its best interest, they will tend to withdraw their cooperation to the enterprise concerned.
3. **AVOIDANCE OF GOVERNMENT REGULATION:-** From the point of view of a business, government regulations are undesirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.
4. **MAINTENANCE OF SOCIETY:-** The argument here is that laws cannot be passed for all possible circumstances. People who feel that they are not getting their due from the business may resort to anti-social activities, not necessarily governed by law. This may harm the interest of business itself. Therefore, it is desirable that business enterprises should assume social responsibilities.
5. **AVAILABILITY OF RESOURCES WITH BUSINESS:-** The arguments holds that business institutions have valuable financial and human resources which can be effectively used for solving problem. For example:- business has a pool of managerial talent and capital resources , supports by years of experience in organizing business activities.

B) ARGUMENTS AGAINST SOCIAL RESPONSIBILITY:-

- 1. VIOLATION OF PROFIT MAXIMISATION OBJECTIVE:-** According to this argument, business exists only for profit maximization. Therefore, any talk of social responsibility is against this objective. In fact, business can best fulfill its social responsibility if it maximizes profits through increased efficiency and reduced costs.
- 2. BURDEN ON CONSUMERS:-** It is argued that social responsibilities like pollution control and environmental protection are very costly and often require huge financial investments.
- 3. LACK OF SOCIAL SKILLS:-** All social problems cannot be solved the way business problems are solved. In fact, businessmen do not have the necessary understanding and training to solve social problems.
- 4. LACK OF BROAD PUBLIC SUPPORT:-** Here the argument is that the public in general does not like business involvement or interference in social programmes.

KINDS OF SOCIAL RESPONSIBILITY:-

- 1. ECONOMIC RESPONSIBILITY:-** A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic produce goods and services that society wants and sell them at a profit. There is little discretion in performing this responsibility.
- 2. ETHICAL RESPONSIBILITY:-** This includes the behavior of the firm that is expected by society but not codified in law. For example, respecting the religious sentiments and dignity of people while

advertising for a product. There is an element of voluntary action in performing this responsibility.

3. **DISCRETIONARY RESPONSIBILITY:-**This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquakes. It is the responsibility of the company management to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures which give good returns on investment.
4. **LEGAL RESPONSIBILITY:-** Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.

SOCIAL RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS:-

1. **RESPONSIBILITY TOWARDS THE SHAREHOLDERS OR OWNERS:-** A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment. The corporate enterprise on a company form of organisation must also provide the shareholders with regular, accurate and full information about its working as well as schemes of future growth.
2. **RESPONSIBILITY TOWARDS THE WORKERS:-** Management of an enterprise is also responsible for providing opportunities to the workers for meaningful work. It should try to create the right kind of working conditions so that it can win the corporation of workers.
3. **RESPONSIBILITY TOWARDS THE CONSUMERS:-** Supply of right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise toward its customers. The enterprise must take proper precaution against adulteration, poor quality, lack of desired service and courtesy to customers, misleading and dishonest advertising, and so on.
4. **RESPONSIBILITY TOWARDS THE GOVERNMENT AND COMMUNITY:-** An enterprise must respect the laws of the country and pay taxes regularly and honestly. It must behave as a good citizen and act according to the well accepted values of the society. It must protect the natural environment and should avoid bad, effluent, smoky chimneys, ugly buildings dirty working conditions. It must also develop a proper image in society through continuous interaction with various groups of people.

ROLE OF BUSINESS IN ENVIRONMENT PROTECTION

Businesses need to play a key role in environmental protection because every human being including businessmen is part of the environment. Businesses cannot engage in practices that harm the environment because profitability cannot replace the well-being of other humans.

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It has been observed that many businesses ignore sustainable practices for making the environment safe and secure for coming generations. Businesses also have the responsibility to conserve the environment because they have the money and power to run big environment-friendly projects.

Role of Business in Environmental Protection:

1. Commitment by top management to create a work culture for environmental protection.
2. Ensuring that commitment of environmental protection is shared throughout the enterprise by all divisions and employees.
3. Developing clear policies and programme for purchasing good quality raw materials, introducing superior technology, using scientific techniques of disposal of waste and developing employee skills for pollution control.
4. Consider with the laws and regulations enacted by the Government for prevention of pollution.
5. Participation in government programs relating to management of hazardous substances, cleaning up of polluted rivers, plantation of trees, and checking deforestation.
6. Periodical assessment of pollution control programmed in terms of costs and benefits with a view to improve them.
7. Arranging educational workshops and training materials to share technical information with everyone involved in pollution control.

BUSINESS ETHICS

From the social point of view, business exists to supply goods and services to the people. The word 'ethics' has its origin in the Greek word 'ethics' meaning character; norms, ideals or morals prevailing in a group or society.

Ethics is concerned with what is right and what is wrong in human behaviour judged on the basis of a standard form of

conduct/behaviour of individuals, as approved by society in a particular field of activity.

Business ethics concerns itself with the relationship between business objective, practices, and techniques and the good of society. Business ethics refer to the socially determined moral principles which should govern business activities.

A few examples of business ethics are: charging fair prices from customers, using fair weights for measurement of commodities, giving fair treatment to workers and earning reasonable profits.

ELEMENTS OF BUSINESS ETHICS:-

- 1. TOP MANAGEMENT COMMITMENT:-** Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour. To achieve results, the Chief Executive Officer (CEO) and other higher level managers need to be openly and strongly committed to ethical conduct.
- 2. ESTABLISHMENT OF COMPLIANCE MECHANISMS:-** In order to ensure that actual decisions and actions comply with the firm's ethical standards, suitable mechanisms should be established. Some examples of such mechanisms are: paying attention to values and ethics in recruiting and hiring.
- 3. PUBLICATION OF A CODE:-** Enterprises with effective ethics programmes do define the principles of conduct for the whole organisation in the form written documents which is referred to as the "code". This generally covers areas such as fundamental honesty and adherence to laws' product safety and quality.

4. **MEASURING RESULTS:-** Although it is difficult to accurately measure the end result of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards. The top management team and other employees should then discuss the results for further course of action.
5. **INVOLVING EMPLOYEES AT ALL LEVELS:-** It is the employees at different levels who implement ethics policies to make ethical business a reality. Therefore, their involvement in ethics programmes becomes a must. For example, small groups of employees can be formed to discuss the important ethics policies of firms and examine attitudes of employees towards these policies.

Short Answer Questions

1. **What do you understand by social responsibility of business? How is it different from legal responsibility?**

Answer:- Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.

The assumption of social responsibilities by business enterprises implies that they respect the aspirations of society and would try their best to contribute to the achievement of these aspirations along with their profit interests.

This idea is in contrast to the common notion that business exists only for maximising profits for its owners and it is relevant to talk of public good. It follows that a responsible business, and indeed any responsible member of society, must act with due concern for the effects on the lives of other people.

2. **What is environment? What is environmental pollution?**

Answer:-

3. What is business ethics? Mention the basic elements of business ethics.

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Basic Elements:- 1. Top management commitment

2. Establishment of compliance mechanisms

3. Publication of a code

4. Measuring Results

5. Involving Employees at All Levels

4. Briefly explain (a) Air pollution, (b) Water pollution, and (c) Land pollution.

Answer:-

5. What are the major areas of social responsibility of business?

Answer:-

6. State the meaning of corporate social responsibility as per the companies Act 2013.

Answer:- SOCIAL RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS:-

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- 4. RESPONSIBILITY TOWARDS THE GOVERNMENT AND COMMUNITY:-** An enterprise must respect the laws of the country and pay taxes regularly and honestly. It must behave as a good citizen and act according to the well accepted values of the society. It must protect the natural environment and should avoid bad, effluent, smoky chimneys, ugly buildings dirty working conditions. It must also develop a proper image in society through continuous interaction with various groups of people.

Long Answer Questions

- 1. Build up arguments for and against social responsibilities.**

Answer:-

- A) ARGUMENTS FOR SOCIAL RESPONSIBILITY:-**

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2. Discuss the forces which are responsible for increasing concern of business enterprises towards social responsibility.

3. 'Business is essentially a social institution and merely a profit making activity.' Explain.

4. Why do the enterprises need to adopt pollution control measures?

5. What steps can an enterprise take to protect the environment from the dangers of pollution?

6. Explain the various elements of business ethics.

Answer:

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7. Discuss the guidelines enumerated by the companies Act 2013 for corporate social Responsibility.

Answer:-

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