

Ethics and Social Responsibility- A Business Perspective

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Abstract

Business ethics refers to present day organizational standards, principles, sets of values and norms that administer the actions and performance of an individual in the business organization. Acting in an ethical way involves distinguishing between right, and wrong, dos and don'ts, virtue and vice, good and bad and then making the "right" choice. Corporate Social Responsibility (CSR) has been attracting interest newly by the corporate world universally. The corporations discharge their CSR through social development in various ways in varying degree. However, the practice of CSR has also attracted controversy and criticism. Most companies have some form of corporate social and ethical responsibility with the broad goal of contributing to the well-being of the communities and society. But there is increasing pressure to dress up CSR as a business discipline and demand that every initiative deliver business results. If CSR activities are performed by the concerns, mitigate risks, enhance reputation, and contribute to business results will be the major outcomes. This article explains why firms must focus on CSR activities in the present era of business. This study tries to bring out the factors that persuade and restricts the business to fulfill social responsibility. The study also tries to points out the various social responsibility models.

Keywords: Ethics, Business, Social Responsibility, Society, Models.

1.0 Introduction

Ethics refers to the system of moral principles and rules of conduct applied to business. Business ethics is also known as corporate ethics which means that the business should be conducted according to certain self – recognized moral standards. Business ethics refers to present day organizational standards, principles, sets of values and norms that administer the actions and performance of an individual in the business organization. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. Business ethics are ethical principles that direct the way a business behaves. Acting in an ethical way involves distinguishing between right and wrong, do's and don'ts, virtue, and vice, good, and bad, and then making the "right" choice. It is relatively easy to identify unethical business practices if the firm practices business ethics.

Corporate social responsibility (CSR) has become an integral part of business practice over the last decade. It is said that such activities create value for the firm's stakeholders. Corporate Social Responsibility means the way in which business firms integrate environmental, economic and social concerns into their culture, values, strategy, decision making and operations in an accountable and transparent manner. It leads to the better creation of wealth, an improved society and better practices in the business organization. Most companies have some form of corporate social and environmental responsibility with the broad goal of contributing to the well-being of the communities and

society. But there is rising force to dress up CSR as a business discipline and demand that every plan deliver business results. If CSR activities are performed by the concerns, mitigate risks, enhance reputation, and contribute to business results will be the major outcomes.

1.1 Importance of the Study

Now - a - days the companies are forced to perform social responsibility and ethics due to various reasons. This article explains why firms must focus on CSR activities in the present era of business. This study tries to bring out the factors that persuade and restricts the business to fulfill social responsibility. The study also tries to points out the various social responsibility models.

1.2 Objectives of the Study

1. To understand the concept of Corporate Social Responsibility and business ethics.
2. To find out the scope of CSR and business ethics.
3. To point out the various Social Responsibility Models in business.
4. To understand the viewpoints of corporate social responsibility on organizational performance.

1.3 Social responsibility and Ethics - Meaning

Social responsibility means that individuals and companies have a sense of duty to act in the most excellent interests of their environments and society as a whole. Social responsibility of business is referred to as corporate social responsibility (CSR). Business ethics is the study of appropriate business policies and practices concerning potentially hot issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities.

1.4 Ethical Responsibility towards various interest groups

Apart from the corporate responsibility of increasing the wealth of owners (shareholders) the social responsibility of corporations are also being acknowledged. The areas in which the corporate world has conceded its social responsibility and customary programs to deal with them are :

1.4.1 Responsibility towards environment:

- Production of safe items
- Using biodegradable packages
- Educating consumers on Product use and disposal.
- Being truthful in advertising, and
- Establishing a procedure for dealing with consumer complaints

1.4.2 Responsibility towards employees:

- Providing fair compensation and Benefits
- Providing safe work environment
- Eliminating discrimination
- Providing opportunities for Personal and Professional development, and
- Having progressive human resource policies.

1.4.3 Responsibility towards Agencies:

- Fulfilling obligation under regulations and statutes of these agencies.
- Co-operating in planning and investigation, and
- Coordinating administrative activities with these agencies.

1.4.4 Responsibility towards Community:

- Progressive economic stability.
- Safeguarding Public Safety
- Protecting the environment and
- Aiding in the development of Social and Cultural resources of the community through corporate Philanthropy.

1.4.5 Responsibility towards media:

It is also the duty of the corporate world to work together and frank about the issues that affect public welfare.

1.5 Social Responsibility Models

There are some models which describe the evolution and scope of social orientation of companies. Notable ones include Carroll's model, Halal's model, and Ackerman's model.

1.5.1 Carroll's model

Archie B. Carroll has defined CSR as the complete range of duties business has towards the society. He has proposed a 3-d conceptual model of corporate performance. Four types of responsibilities are suggested by Carrol for this model.-

1.5.1.1 Economic: The firm being an economic entity, its primary responsibility is to satisfy economic needs of the society and generation of surplus for rewarding the investors and further expansion and diversification.

1.5.1.2 Legal: The laws of the land and international laws of trade and commerce has to be followed and complied with.

1.5.1.3 Ethical: Ethical responsibilities are norms which the society expects the business to observe like not resorting to hoarding and other malpractices.

1.5.1.4 Discretionary: Discretionary responsibilities refer to the voluntary contribution of the business to the social cause like involvement in community development or other social projects pertaining to health and awareness of the masses.

First, a firm has to satisfy its economic responsibilities, followed by fulfilling legal responsibilities in order to survive in the market. The primary motive of every business is a profit motive in the modern world so that they must concentrate on profit only. A firm has to become economically stable first; then only it can include social responsibility strategies in the proposed plans.

1.5.2 Halal's model

Halal's model of social responsibility is a quite difficult task. A firm can only attempt to form a practical alliance among groups having varied interests, engaged in creating value for distribution among members of the union. The social issues may become contradictory further than a definite level of economic activity. The coordination between economic and ethical decisions is necessary so that the future of the firm and shareholders may be safeguarded.

1.5.3 Ackerman's model

This model defines CSR in three different phases

1.5.3.1 First phase - Top management recognizes social problem

1.5.3.2 Second phase – The Company appoints staff specialists to look into the issue and find measures to tackle it

1.5.3.3 Third phase - Implementation of the strategy derived by the specialists.

1.6 Arguments for Social Responsibility:

Business is a creation of society. So it should respond to the demands of the society. Business managers are appreciative to use its resources for the common good of society because the business uses resources which fit into the society. It is because of these factors, social responsibility is to be met by the business.

1.6.1 The self-interest of business is best served by meeting the aspirations of society:

The long-term self-interests of the business are best served when business assumes social responsibilities. Good atmosphere, education, and opportunity make better employees and customers for the business. Hence there is a growing realization on the part of the enlightened business managers that it is in their self-interest to fulfill the aspirations of the society.

1.6.2 To improve the public image of business: The business will retain the needed credibility with the public if it performs its social obligations. Good relations with workers, consumers, and suppliers will lead to the success of a business. Socially responsible firms gain more customers and employees feel proud to work for such organizations.

1.6.3 It is the moral thing to do: The social responsibilities of business managers must be proportionate to their social power. If the business managers do not suppose social liability, their social power will be taken away by the society through government control and regulations and other means.

1.6.4 Handling the Government Regulations with Ease: Government is a massive institution with long arms. It seeks to regulate business in the public interest. Before government stretches its long arms, businesspersons should release their obligations to society.

1.6.5 Business Is Resourceful: With a pool of resources, such as capital, labour, and expertise, business is in a better position to tackle social problems and work for social goals. Many astute people from society give disagreement that business has the skill, familiarity and money resources and advanced mind. If these resources are used to solve the social problem, then societies can rich within some year.

1.6.6 Let Business Try: It is that many other institutions have failed in handling social problems. So the business should try to handle social problems in a better way.

1.6.7 Prevention is Better than Cure: Social problems have to be handled by the management at some point of time or the other. Problems with labour unions should be handled in a diplomatic way so that they will not develop into a serious social breakdown that consumes most of the management's time.

1.6.8 As a Token of Gratitude: Business units benefit from society. Based on the commonly customary principle, that one owes debts of appreciation towards those who benefit us, the corporations have sum unpaid that it owes to society.

1.6.9 To increase the status of society: Businessman sells the goods to the customers and customers are the social person. If the businessman is responsible towards society, then he can increase his reputation in society. This is the one of most important argument that after providing good quality of goods at a lower price and providing other free facilities to customers, a business can grow his business.

1.6.10 To fulfill legal obligations: Businessman must follow the rules and regulations framed by Indian Parliament and by obeying this rules, they can save from government

penalties. According to this case, a businessman should come to the fore for doing social work. After this, he can respect the law.

1.6.11 More Public expectation from business: In the modern time it may be argued that businessman should fulfill the expectation of the public. Businessman gets raw material for very little cost and after producing he sells at elevated cost. So it is the duty of businessman to allocate some portion of profit in the form of contribution.

1.6.12 Better Environment from business: If a business gives good working condition to employee then it will provide better environment for business. It will be possible by providing good facility in factory and high wages to labourers. It will reduce absenteeism, labour turnover and labourer crimes.

1.7 Arguments against Social Responsibility

Eminent scholars put forth the below lines of arguments. Most of them are logical and related to the realities of the situation.

1.7.1 Profit Maximization is the Ultimate Goal: Business units are accused of having profit maximization as their goal. Since business operate in a world of poverty and hunger, the economic efficiency of business is a matter of precedence and should be the lone mission of business.

1.7.2 Society has to Pay the Cost: The costs of social responsibility will be passed on to the society and the society should bear these additional costs.

1.7.3 Businessman should mind his Business: The only business of a devoted businessman is to do his business efficiently. He should concentrate only in his line of business. He should not get mixed up in the social events. If his attention is diverted into social problems, the survival of his business unit itself shall become a question.

1.7.4 Burden of Additional Costs: The businessman should confine his activities to his business only. Any assumption beyond the economic necessities and legal obligations or stipulation would mean some additional costs.

1.7.5 Lack of Competence: The outlook of business managers is primarily economic and technological. They are not trained nor do they have possessed the requisite skills or resources to determine which project is socially desirable and needs support. Hence, if their decision fails, the amount spent on such projects shall become a squander.

1.7.6 Dilution of the Principal Purpose: Improving economic productivity and maximizing profitability are the twin basic objectives of any business enterprise. Concentration of business interests into social actions shall amount to overlooking of these two objectives. Failure to accomplish this basic mission will show the way to a failure of the business both in its economic and social roles.

1.7.7 Business should not be given too Much Power: Social action programmes should be left to the Government and other Social Welfare Organizations. If business were given a chance to engage itself in such programmes also, it would lead to extreme concentration of power.

1.7.7 Deterioration of Free Enterprise Economy: Assumption of unrelated social responsibilities shall lead to the deterioration of the free enterprise economy. In a free enterprise economy, there can be or should be one and only social responsibility of business to use its resources and employ in only those activities which can boost the profits of the business enterprise.

1.7.8 Lack of Accountability: Responsibility and accountability should go together. There is no means or device to make sure accountability from business to public. Hence in the nonexistence of any instrument, it is worthless to talk about responsibility to the society. Such a proposition is not logical also.

1.7.9 Cost of social work: Business has already limited resource. So, if it is used in social work then business activity may sluggish and business's expenses will add to and it will affect business inversely.

1.7.10 Businessman is not expert in social work: Businessman may not be an expert in social work because he has not done MSW. Without perfect facts, business should not do any social activity but give attention only on his business.

1.7.11 Social responsibility is not legal responsibility: Some businessman argues that social responsibility is not legal responsibility, no one pressure on businessman to give donation under any law.

1.7.12 International competition: One of important argument is given by Indian businessman that they have to face international competition. After adopting some social responsibility, it will raise the prices of their [product](#) and after contest our business will fail and foreign companies will succeed in competition.

1.7.13 Ignore Business Aim: It is the duty of Govt. to do those social activities and if a businessman pay no attention to his business aim and start social activities, then after ignoring business aim businessman can achieve something in business.

1.8 Conclusion

This paper is an attempt to study the concepts of ethics and social responsibility relating to business. There are various interest groups of business known as stakeholders such as owners, managers, employees, creditors, government, and society etc. The business has to perform various duties and responsibilities towards the society in which they exist. Mainly there are three social responsibility models namely Carrols model, Halal's Model and Ackerman's Model. Some scholars argue that social responsibility is a necessity in the modern world by pinpointing certain arguments, while some others are against social responsibility by suggesting various arguments. However if a business firm adopts ethics and social responsibility, the results will be far reaching.

1.9 Research Methodology

The study is descriptive in nature .The topic selected for study is Ethics and social responsibility – A business perspective .Exhaustive literature survey regarding the topic and related concepts has been done. Secondary data is used for the study. For this purpose, various sources are used such as books, research papers, articles, newspapers, magazines, and websites. The study focuses the narrative part of the social responsibility and ethical behaviour of business concern.

1.10 Implications

The implications of this study can be far-reaching. The role of business ethics and social responsibility is questionable and therefore its ability in meeting the goals is according to the vision and mission of the organisation. They may or may not discharge these responsibilities. However, the role it plays is unbelievable and prospects are unpredictable as it is business concern.

1.11 Limitations of the Study

The present study suffers from the limitation that it does not take into consideration the varying aspects in detail and provides only a theoretical background / backdrop to the concept of business ethics and corporate social responsibilities. There is dire need to empirically validate the relationships using original data collected using structured questionnaire.

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