

SOCIAL RESPONSIBILITIES OF BUSINESS AND BUSINESS ETHICS



Class 11

BUSINESS STUDIES

**INTRODUCTION & CONCEPT OF
SOCIAL RESPONSIBILITY**

INTRODUCTION

- ❑ A business enterprise should do business and earn money in ways that fulfill the expectations of the society. Every individual living in society has certain obligations towards society. He has to respect social values and norms of behaviour.**
- ❑ A business enterprise is permitted by society to carry on industrial or commercial activities and thereby earn profits. But it is obligatory on part of the business enterprise not to do anything, that is undesirable from society's point of view.**

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- ❑ Manufacture and sale of adulterated goods, making deceptive advertisements, not paying taxes which are due, polluting the environment and exploiting workers are some examples of socially undesirable practices which may increase the profit of enterprises but which have adverse effect on society at large.**

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- ❑ On the other hand, supplying good quality goods, creating healthy working conditions, honestly paying taxes prevention/installing pollution devices in the factory, and sincerely attending to customer complaints are examples of socially desirable practices which improve the image of enterprises and also make them profitable.

CONCEPT OF SOCIAL RESPONSIBILITY

- ☐ **Social responsibility relates to the voluntary efforts on the part of businessmen to contribute to the social well-being.**
- ☐ **Social responsibility is the obligation of businessmen towards the society. Businessmen must review the impact of their decisions and actions on the other sections of the society.**

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Social Responsibilities refers to the obligations of business 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.

~Howard R. Bowen

NEED FOR SOCIAL RESPONSIBILITY

A businessman must perform social responsibilities because of the following reasons.

1. Self - interest :

- **In present-day environment, the expectation of public from business has changed. Business is the creation of society and makes use of resources of society and if business fails to satisfy the valuable needs of society, then society can revoke back its resources.**

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- **To survive and grow in society for long run the business must come to the expectations of the members of society. The way society is giving to business what it requires, in the same way business must give society what it wants.**

2. Better Environment for Business :

- **Social responsibility creates better environment for business operations as social responsibility improves quality of life, results in raising standard of living, so business will get better community to conduct business.**
- **The labour will be of better quality, the customer will be of better quality and society will be better so better opportunities for business will be available.**

3. Public Image :

- **A business can improve its image in public by assuming social responsibilities. Satisfied employees, workers, customers and suppliers contribute in success of business. The people develop faith and trust in the business assuming its social responsibilities.**

- **Nowadays consumers and workers are well informed. Consumers expect better quality products at reasonable prices. Similarly, workers expect fair wages. If business is satisfying their expectations by assuming social responsibility then the businessmen can improve their image in the eyes of consumers, employees, etc.**

4. Avoidance of Government Interference :

- **Government intervention is costly to businessmen and restricts their flexibility and freedom of making decisions. For example, Government has passed the Consumer Protection Act to prevent adulteration, black marketing and other anti-social practices. Thus social responsibilities are essential for avoiding governmental action against business.**

5. Contribution to Social Problems :

- **Business has created some social problems such as pollution, creation of unsafe workplaces, discrimination etc. There is a moral argument that business has an obligation to help in solving social problems because it helped in creating those or in perpetuating those problems.**
- **Businessmen must take initiative to solve social problems because these are created as a result of business operations.**

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**ARGUMENTS FOR AND AGAINST
SOCIAL RESPONSIBILITY**

ARGUMENTS FOR SOCIAL RESPONSIBILITY

(i) Justification for existence and growth:

- **Business exists for providing goods and services to satisfy human needs. Though, profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people.**
- **The prosperity and growth of business is possible only through continuous service to society.**

(ii) Holding business responsible for social problems:

- **It is argued that some of the social problems have either been created or perpetuated by business enterprises themselves. Environmental pollution, unsafe workplaces, corruption in public institutions, and discriminatory practices in employment are some of these problems.**
- **Therefore, it is the moral obligation of business to get involved in solving these problems, instead of merely expecting that other social agencies will deal with them on their own.**

(iii) Availability of resources with business:

- **This argument holds that business institutions have valuable financial and human resources which can be effectively used for solving problems.**
- **For example, business has a pool of managerial talent and capital resources, supported by years of experience in organising business activities. It can help society to tackle its problems better, given the huge financial and human resources at its disposal.**

(iv) 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.

- **Therefore, it is in its own interest if a firm fulfills its social responsibility. The public image of any firm would also be improved when it supports social goals.**

(v) 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.**

ARGUMENTS AGAINST SOCIAL RESPONSIBILITY :

(i) Violation of profit maximisation objective:

- According to this argument, business exists only for profit maximisation. Therefore, any talk of social responsibility is against this objective.
- In fact, business can best fulfill its social responsibility if it maximises profits through increased efficiency and reduced costs.

(ii) Burden on consumers:

- It is argued that social responsibilities like pollution control and environmental protection are very costly and often require huge financial investments.
- In such circumstances, businessmen are likely to simply shift this burden of social responsibility by charging higher prices from the consumers instead of bearing it themselves. Therefore, it is unfair to tax the consumers in the name of social responsibility.

(iii) Lack of broad public support:

- **Here the argument is that the public in general does not like business involvement or interference in social programmes. Therefore, business cannot operate successfully because of lack of public confidence and cooperation in solving social problems.**

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**KINDS OF SOCIAL
RESPONSIBILITY**

KINDS OF SOCIAL RESPONSIBILITY

1. Economic responsibility:

- A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit. There is little discretion in performing this responsibility.

2. 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.**

3. Ethical responsibility:

- **This includes the behaviour 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.**

4. 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.

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**SOCIAL RESPONSIBILITY TOWARDS
DIFFERENT INTERST GROUPS**

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Business comes into contact with various groups such as consumers, employees, government~, suppliers, community, owners, media, etc. The business is responsible to all these interest groups.

1. Responsibilities of Business towards Consumers : Responsibilities towards consumers include:

- (i) Production of safe items by maintaining quality standards**
- (ii) To ensure regular supply of goods and services**
- (iii) To educate customer regarding the use and contents of the product**
- (iv) Being truthful in advertising**

- (v) To follow fair trade practices**
- (vi) To handle consumer complaints and grievances quickly**
- (vii) To design and develop the product keeping in mind the needs and requirements of the customers.**

2. Responsibilities towards Employees

- (i) Providing fair compensation and benefits**
- (ii) Providing good and safe working conditions**
- (iii) Providing opportunities for personal growth and development**
- (iv) To develop a sense of belongingness**
- (v) To provide incentives and services like housing, medical, insurance, retirement benefits, etc**

3. Responsibilities towards the Owners / Shareholders / Investors

- (i) To ensure safety of investment**
- (ii) To ensure fair and regular return on investment**
- (iii) To give complete information regarding the financial position of the business**
- (iv) To ensure appreciation of investment by proper utilisation of resources**
- (v) To give them opportunities to participate in decision-making**

4. Responsibilities towards the Government

- (i) To abide by rules, regulations and laws**
- (ii) To pay taxes and duties on time**
- (iii) To help in solving social problems**
- (iv) To adopt fair dealing specially when involved in external trade so that country's reputation is maintained**
- (v) To cooperate in planning, investigation and administrative activities of the government.**

5. Responsibilities towards the Community

- (i) To protect the environment from all types of pollution**
- (ii) To provide more employment opportunities**
- (iii) To promote national integration**
- (iv) To bring improvement in the local area where the plant is located by providing amenities such as drinking water, electricity, dispensaries, etc**
- (v) To help the weaker section of the society**
- (vi) Providing economic stability**
- (vii) To preserve social and cultural values.**

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POLLUTION AND ITS CAUSES

BUSINESS AND ENVIRONMENT PROTECTION

- **The greatest problem that industries and businessmen are creating is that of pollution. The absence of effective legal control system has also encouraged many air- and water - polluting industries being set up in urban areas.**
- **Their emissions are seriously affecting the health of workers and local residents. This damage to the environment has contributed to increasing disease and disaster.**

CAUSES OF ENVIRONMENTAL POLLUTION

- **Pollution can be defined as “the injection of harmful substances into the environment”: Since Independence, a large number of small-and medium-scale industries have been set up in cities and towns. As a result, environmental pollution has become a major problem.**

❖ **Environment pollution arises due to the following causes:**

- 1. Air Pollution :** Air pollution refers to injection of harmful~ substances in the atmosphere which results in lowering the quality of air we breathe in. Air pollution is a serious problem for the whole world as it has created a hole in the ozone layer of atmosphere. Smoke, chemicals emitted by factories and smoke emitted by vehicles are the main causes of air pollution.

2. Water Pollution : Water pollution refers to the dumping of chemical and other wastes in rivers, lakes etc. Generally the factories located near the rivers, streams dump their waste into rivers, lakes, streams etc. thereby causing pollution of water.

3. Land Pollution : Land pollution refers to dumping of toxic waste in the land which affects the fertility of land and makes it unfit for agriculture. There are two aspects of land pollution: one is how to improve the quality of land which is already damaged and second is how to check further contamination of land.

In order to check land pollution, methods of solid waste disposal are used. The combustible wastes are now separated and are used as fuel in industrial boilers etc.

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NEED FOR POLLUTION CONTROL

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- **Pollution is a serious problem. It is spoiling the quality of environment. Air pollution is creating breathing problems, water is becoming unfit to use and land is losing its fertility. The main reasons to control the pollution are as follows:**

- 1. To Ensure Safety :** Due to environmental pollution and smoke the visibility is reducing. Due to poor visibility there are more chances of accidents of automobiles on highways and poor visibility can be hazardous for the landing and taking off of the aeroplanes. To reduce the number of accidents there must be a check on pollution so that visibility gets improved.

- 2. Economic Losses** : Air pollution is blackening the buildings, water pollution is affecting the sea life and land pollution is affecting the fertility of land. All these are bringing heavy economic losses for the country. For example, Taj Mahal is losing its beauty due to pollution caused by industries around it. It is a great economic loss for our country.

- 3. To maintain the Natural Beauty :** The pollution is having direct impact on the natural beauty. The natural beauty consists of mountains, rivers, trees, land etc. The pollution is affecting all these. For example, instead of adding to beauty, the polluted rivers and streams are spreading foul odour. The beautiful buildings and monuments which add to beauty are getting blackened with pollution.

4. To Ensure Healthy Life : Pollution control is must to ensure healthy life of people. Pollution is the root cause of many diseases. Air pollution is the main cause of heart and lung diseases, and cancer. Water pollution is the cause of liver problems and problems of kidney etc. Pollution control is a must to keep a check on these diseases.

Role of Business in Environment Protection

- 1. Making use of eco-friendly techniques of production**
- 2. Recycling industrial waste**
- 3. Treating the waste through technologies before discharging them into water or dumping on the land**
- 4. Participating in eco-friendly activities such as plantation of trees, cleaning rivers, ponds, etc.**

- 5. Making use of eco marks by producing eco-friendly products**
- 6. Abiding by the bye-laws and policies framed by the government**
- 7. Spreading awareness among the general public regarding the importance of eco-friendly techniques and products**

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BUSINESS ETHICS

BUSINESS ETHICS

- ❑ **Business Ethics refers to the set of moral values or standards or standards or norms which govern the activities of a businessman. Ethics defines what is right and what is wrong. It involves critical analysis of human acts to determine whether these are right wrong. For a businessman the ethical decisions expected are:**

- i. To provide the customer with true information regarding the product and services**
- ii. Allowing the customer to make free choice**
- iii. Providing quality products at reasonable price, etc**

ETHICS VS. LAW

Ethical behaviour is above the behaviour required by law. Both law and ethics decide what is right and what is wrong. Laws reflect the ethical or moral values of society, that is, what conduct is permitted and what is not permitted in the society and if one is breaking the law then one is punished or penalised. The business ethics also decides what is the expected conduct of businessman and what is not expected by the society. Some unethical aspects of business are also punishable such as adulteration, black marketing etc.

ETHICS VS. LAW

but some acts are considered unethical which are not punishable under law e.g., unduly high price charged by the businessman is unethical but it is not punishable under law that is why we say ethics are above the law.

Elements of Business Ethics

Some of the basic elements of business ethics while running a business enterprise are:

- 1. Top Management Commitment** : Top management has a very important role to guide the entire organisation towards ethical behaviour. The CEO and other top level managers must be openly and strongly committed towards ethical conducts and guide people working at middle and low level to follow ethical behaviour .

2. Establishment of Compliance Mechanism :

To make sure that actual decisions match with a firm's ethical standards, suitable mechanism should be established e.g., corporate ethics in training, recruitment, selection etc.

The employees of the organisation must be free to report about the matters of unethical behaviour in the organisation.

3. Involving Employees at ALL Levels : While making ethical programmes and policies employees must be involved because these have to be practised by them only. By forming small groups of employees the ethical policies can be discussed by them and we can examine .,their attitude towards these policies.

- 4. Measuring Results** : Although it is very difficult to measure the ethical results but it must be verified and audited that how far work is being carried on according to ethical standards. From time to time the top level must meet the employees to set the future plan of action.



THANKS

FOR

WATCHING