CHAPTER 5

BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

Chapter Outline :

INTRODUCTION

Business is an integral part of society. Business affects and is affected by the society. The two-way relationship must be healthy and positive for the social and economic development of a country. For the business to contribute to the development of the society it is important that the business practices are honest, fair and transparent. These have to legally and socially conforming. Business is not merely a money-earning system; it educates the society, provides channels of income, establishes technology and product standards and satisfies human wants. It learns from the society and transmits its own knowledge to the society through its products, philosophy, management, human resource development, advertising and other marketing operations, technologies, publications and public relations. It has its own culture incorporating knowledge, beliefs, values, attitudes and preferences, which is an important determinant of its internal environment. According to Steiner and Steiner (1997), culture is 'a set of traditional values, rules or standards transmitted between generations and acted upon to produce behaviour that falls within acceptable limits'. In business environment, culture establishes an identity of business. It is a prominent reason that a number of Indian, Japanese and US firms are identified according to their historical and typical styles of management, which are products of their business culture.

THE CONCEPT OF BUSINESS ETHICS

The word 'ethics' is derived from the Greek word ethos that means 'custom'. Ethics denotes the relative concepts of right and wrong and refers to the distinction between good and bad, moral and immoral so that its practice can improve the quality of life and human conditions. Business ethics is the application of moral standards to managerial decision-making. It is the systematic application and study of customs, moral values and standards that guide behaviour in business environment. The ethical principles of a business manager are the guidelines and rules that enable him to make value-based judgements.

DESCRIPTIVE AND NORMATIVE ETHICS

Like many concepts in the social system, business ethics can be descriptive or normative. Descriptive ethics is what is already being accepted as right or desirable or customary and the present working of an organisation is judged in terms of such prevailing ethical standards. Normative ethics disregards what at present is considered ethical and prescribe independently what the values or practices of an organisation should be. It is basically prescription as it lays down, on some logical basis, what the operative standards should be for an organisation. There can be a number of alternative normative ethical standard that a particular firm has before it to choose from. These could be the ones developed and advocated by management, owners, employees, and media, public at large or the government. Nevertheless, the normative standards depict what the different segments of society expect from business. These expectations need not be the same; rather, there may be elements of conflict, which pose dilemmas for business decision-making. Similarly, business ethics may conflict with actual pecuniary business interests. An organisation may be committed to employee welfare but may be reluctant to part with a substantial amount of compensation in case of an industrial accident involving workers in times of recession and losses.

Most of the professionally organised firms maintain a code of ethics to be followed by different organisational units and members. A firm itself has a mission statement which spells out answers to two basic questions: Why does it exist and for whom does it exist? Then it has a vision which spells out the broad approach as to how its mission will be achieved. The two statements together provide the broad contours of business ethics which are further broken down into rules, guidelines, behaviour norms, conduct standards and conventions. Existence of mission and vision statements however, by themselves, doesn't ensure ethical conduct and performance of a firm. Creation and maintenance of an ethical environment require healthy practices supported by the top management and the culture of the organisation. Human resources are a key factor in this regard.

TRADITIONAL AND EXTENDED VIEWS

Traditional view of business ethics is basically individualistic. It focuses individuals in the business organisation and for ethical lapses individuals are identified, held responsible and dealt with. The lapses could be in the form of embezzlement, dereliction of duty, misuse of official position, sexual harassment of another employee and the like. Individual lapses are identified in terms of established codes, rules, procedures and guidelines at the firm level and these norms, themselves, may not as such conform to ethical standards.

In the expanded or expansive view, ethical aspects of the proposed or planned actions at the firm level influence managerial decision-making. At the various levels of management hierarchy, employees are sensitised and motivated to take decisions keeping in view the ethical dimensions of the decisions. Thus, ethics become an integral part of the management strategy. The extent to which ethical considerations are involved in day-to-day managerial decision-making would be determined by the philosophy of the top management. Integration of ethics into managerial decision-making is termed as institutionalisation of ethics.

THREE BASIC PRINCIPLES OF BUSINESS ETHICS

There are three basic principles of ethics which can be applied to business. These are utilitarianism, rights and justice. These are derived from the discipline of philosophy. These principles enable a business manager to develop a logical base in reaching ethically sound decisions, to identify ethical problems and to make decisions that conform to ethical standards.

Utilitarianism

Utilitarian is the philosophy which preaches maximum good for the maximum number of people as a result of an action. An action of a business causes both a benefit and a cost and an analysis of such an action is done in terms of a cost-benefit analysis. According to this analysis, a decision or action should be undertaken if the expected benefit exceeds the cost. The utilitarian theory focuses on the end result rather than the means that produce the result. Under this approach, a loss-making unit should be closed down if the resources so released are utilised in other plants or activities that cause net increase in employment, income or taxes to the government which are spent back to increase public welfare. There cannot be unanimity over the logic of such a philosophy. In this example, owners and managers of a firm may lend their support to such a decision but the workers would oppose it.

Principle of Rights

Another aspect of ethical principle is based on the principle of rights. Rights can be natural or legal. Natural rights come almost automatically as these can be considered as divine. Rights to life, freedom and happiness are, for example, natural rights. Some of these may even provided directly or indirectly in a country's constitution and to that extent the distinction between natural and legal rights could be blurred. Legal rights are provided by law, executive orders or court decisions and are enforceable by the government. In a number of countries like India and the US there exist fundamental rights like freedom to speech and expression, religion, assembly and the right to vote.

In the world of business, various pieces of legislation provide certain rights to consumers, investors, savers, owners, workers and suppliers. These rights protect the respective groups against unethical or unfair practices of others. Similarly there are rights for business property and environmental rights. In society there are certain preference or disadvantaged groups for which special rights are created. These rights generally exist for women, children, minority groups, physically handicapped, economically deprived or certain social classes that are believed to have been deprived of equal opportunity for a considerable time in the past. Most of the natural rights are contained in the present day concept of human rights **(Box 5.1)**.

BOX 5.1

The Universal Declaration of Human Rights by the UN

The Universal declaration of human rights by the United Nations provides a common standard of achievement for all people and all nations. The declaration includes:

- The right to life, liberty and the security of persons.
- The right to equal protection against any discrimination.
- The right to freedom of movement, thought and expression.
- The right of property alone as well as in association with others.
- The right to work to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
- The right to just and favourable remuneration.

Source: The Worldwide web home page of the UN <http://www.leftjustified.com/leftjust/fount/wtp/un-decla.htm>

Principle of Justice

This principle seeks to provide fair or just treatment to individuals and organisations. It is very difficult to specify what is fair or just in a given situation as it depends upon the basic set of criteria on which the concept rests and the concepts themselves are highly subjective and debatable. In business environment, like in other non-business situations, there are basically three types of justice-distributive justice, compensatory justice and retributive justice. Distributive justice refers to equitable and just distribution of benefits, gains and burdens or costs of business. Main channels of distributive justice in business take place through dividend policies, remuneration systems and pricing practices. When business practices don't follow the principles of distributive justice; government intervention is called for to undertake corrective action.

Compensatory justice is concerned with paying fair amounts in compensation against losses incurred as a result of particular business decisions. The loss could arise to a worker by an individual accident or to a consumer by an unsafe product or to a supplier by way of a delayed payment. Damage could even be caused to society through pollution. Companies which don't adhere to the principle of compensatory justice are often challenged in courts of law. Retributive justice refers to the justice by way of punishment to the wrongdoer. A company could be punished for violating laws, tax evasion or misleading advertising and could be made to pay heavy damages to the victims. This can erode financial viability and reputation of the organisation. Punitive damages awarded to victims are often greater than the compensation values.

DEVELOPING AN INTERNAL ETHICAL ENVIRONMENT

Developing an internal ethical environment is a long-term process in business. An ethical environment is not only a social responsibility but also a requirement to generate goodwill assets which have their own returns in financial as well as non-financial forms. ***A firm enjoying goodwill and reputation is able to attract talented human resources, borrow more cheaply and on good credit terms from the market and enter into business contracts more easily as compared to others.*** It even enjoys a better government, public and consumer support.

Developing an ethical environment requires a sustained effort and a key fole of the top management in creating a suitable human resource environment. There are four major sources from where ethical values are derived-religion, philosophical systems, cultural experience and the legal system. These values are derived both at individual and corporate levels. Personal ethical values are a great contributor to the corporate ethical values. Nevertheless, most professionally managed organisations make efforts to preserve an ethical climate through long-term ethical programmes in order to maintain goodwill assets and protect them against avoidable litigations. These programmes are basically of two types:

a. Value based programmes which are designed to enable the employees to take decisions incorporating moral standards and integrity; and

b. Compliance based (or conforming) programmes, designed to conform to or comply with societal norms, codes of conduct, business laws or commonly accepted business principles.

These programmes communicate corporate values and lay ground rules for ethical behaviour.

SALIENT FEATURES OF A CORPORATE ETHICAL PROGRAMME

The main features of a business ethics programme are the following:

a. ***Top Management Commitment.*** This is an indispensable component of an ethical programme. As pointed out earlier, top management should not only have consistent commitment but it also has to provide continuous leadership in establishing and maintaining internal ethical environment. In such environment, members of the top management set examples of behaviour for managers and employees down the line. These practices, when followed by others, become a part of corporate culture. To encourage the adoption of ethical practices by others, top managements often institute a system of incentives and rewards.

b. ***Ethical Code.*** Nearly all corporate organisations known for ethical practices have a well-publicised code of ethics. The code describes the principles and rules of conduct and behaviour and lists the practices that are desired and that are prohibited. These are essentially normative and qualitative. The codes themselves don't ensure ethical practices but these do provide valuable guidelines the deviation from which can be detected and dealt with.

c. ***Communication System.*** For the code of ethics to be followed by all the employees of an organisation, it is essential to have a good communication system between the management and other employees. Communication is both downstream (from management to employees) to communicate messages concerning ethical practices and upstream from employees to managers to provide feedback. The messages are both written and verbal. Some of the main communication channels include letters, meetings, newsletters, training videos, posters, e-mail, on-line systems and interactive training.

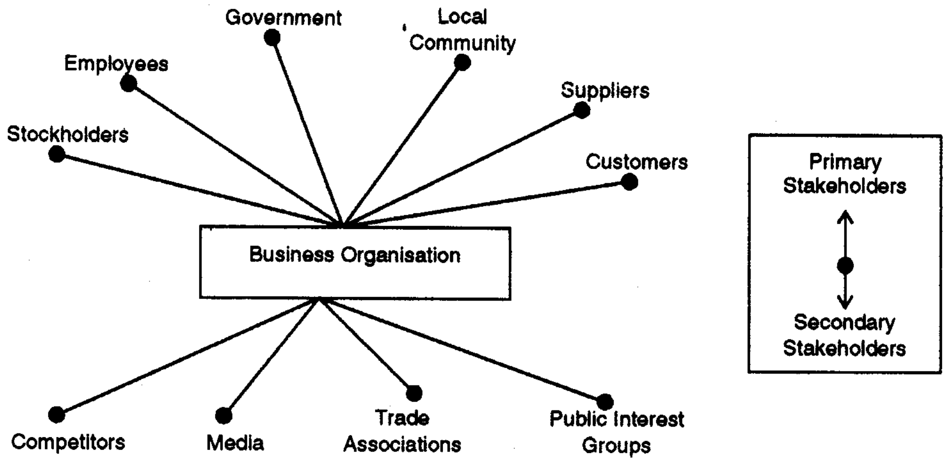
d. ***Enforcement.*** Enforcement of ethical standards is required as all the employees may not voluntarily adopt such standards. Corporation keen to maintain an internal ethical environment institute systems of both incentives and disincentives to encourage the employees to adopt recommended rules of conduct. These measures are designed both to prevent the malpractices and punish the wrongdoers. The extreme form of penalty could be dismissal or legal action.

CORPORATE SOCIAL RESPONSIBILITY

There is a two-way relationship between business and society. Business affects the different segments of society and is affected by them. The different segments are also known as 'publics' or 'stakeholders' with which it deals directly or indirectly and which have direct or indirect stake in the business **(Box 5.2)**. The segments are both internal and external. Internal segments are the owners and the employees (including managers). External segments are the competitors, customers and suppliers with which the business organisation has direct and almost continuous interaction. Then, there are local communities, advocacy groups (including social, economic and political groups or coalitions with their own agenda who have intellectual base and a vocal power) amidst which the organisation has to operate. Finally, and most importantly, the organisation deals with the government the relationship with which is a key factor for its survival and growth.

BOX 5.2

Stakeholder map of a business organisation



Primary Stakeholders are essential for survival of business.

Secondary Stakeholders are important but not essential for survival.

No business organisation can afford to be in conflict with any of these segments. Its wisdom lies in developing cordial and congenial relationship with these groups on the long-term. The organisation, therefore, has to rise above its profitability and bottom line considerations and take care of societal interests.

SOCIAL RESPONSIBILITY VERSUS SOCIAL RESPONSIVENESS

Social responsibility highlights moral obligation of business towards social development and requires some resource spending for solution of social problems or on activities of socio-economic welfare. It emphasises social dimension of business activity in which it makes contribution towards improvements in the quality of life. The responsibility can be both obligatory (required by law) and voluntary (as a matter of social policy of the organisation).

Concept of social responsiveness emerged in the beginning of 1970s out of the arguments of the opponents of social responsibility. They believe that the managers of a firm are obliged to earn the highest possible rate of return on the owners' (stockholders) funds entrusted to them within the framework of the existing corporate legal system. They believe that any social responsibility devolved upon the business organisation undermines the spirit of free enterprise. The concept of social responsiveness makes a clear departure from the social responsibility concept and denotes responsiveness of a firm to changing social environment, expectations and requirements. Socially responsive firm responds to social demands, needs and problems and has a system or mechanism (like social audit or environment scanning) for the same. The responsiveness is shown by its behavioural pattern. It emphasises managerial rather than ethical aspect of a firm's relation with society and signifies institutionalisation of social policy and actions.

In 1992, a number of leading companies including Coca Cola, Time Warner, AT&T, Ben & Jerry's, Motorola, Reebok and Levi-Strauss formed a business association called Business For Social Responsibility to spread and popularise the message of social responsibility. In India, business associations like CII and FICCI constantly strive to make business aware and responsive to the needs of the society. Almost all the countries of the world have corporate laws relating to the various aspects of the operation of business so that it could be made subservient to the needs of the society and the country. All business organisations have to conform to these laws as a mater of obligation; but the concept of social responsibility is basically voluntary in nature. It seeks to achieve societal concerns much beyond the requirements of corporate laws. Different organisations meet social responsibility standards in various forms and in various ways depending upon their own vision and resources.

DIMENSIONS OF SOCIAL RESPONSIBILITY

The nature and extent of responsibility towards different stakeholder groups are discussed below:

Responsibility Towards Stockholders

Stockholders are the owners of a business firm who have a direct stake in it. This is the class of people who have risked their capital and it is the primary responsibility of a firm to protect the capital and provide a fair or reasonable return to the owners in the long run. Not only that, the firm should strive for a reasonable stability of the dividend income of the owners. This devolves upon the managers of the firm a responsibility of running the business in such a way that it remains viable and growing in the long run through optimal and strategic management of resources available to it. Shareholders have a right to know how their resources are being used and how the business of the firm is conducted. That means there has to be a reasonable degree of transparency in the business operations of the firm.

Responsibility Towards Employees

Employees including all categories of workers and managers are the human resources on the strength of whom a firm operates in the competitive environment of the market. Employees are the key resources of a firm and it has a major responsibility towards their well-being and growth. The firm must provide a fair compensation system including wages and salaries, facilities, amenities and perquisites commensurate with work requirements and status. It is the moral responsibility of the firm to set fair work standards and provide welfare facilities including healthcare, sanitation, education and basic facilities like housing and water supply. The firm must provide suitable training and development facilities so that employees can show increase in productivity and have opportunities for career growth. The firms must recognise, appreciate and support qualitative and creative work and should have a suitable reward and incentive system. Good organisations have a consistently maintained motivating environment, which keeps the workers loyal and satisfied. Such firms listen to the workers' suggestions and grievances and take appropriate actions when considered necessary.

The issues concerning job security are controversial but mindless retrenchments not consistent with business conditions must be avoided. Such practices can be counterproductive as organisations spend huge sums of money on recruitment, training and development of employees. Most of these aspects are dealt within the various labour laws but a firm's responsibility towards employees extends much beyond legal provisions.

Responsibility Towards Consumers

Consumers are the foundation of business and all the operations of the firms are directed to meet consumer needs and problems. A dissatisfied customer is a warning signal to a firm. A business that thrives on consumer exploitation cannot survive in the long run. Many businesses have been able to make quick profits in situations of monopoly and consumer distress. Most of the countries have legislated consumer protection measures against business malpractices.

BOX 5.3

Five fundamental consumer rights

The basic rights of a consumer include:

- Right to safety
- Right to product knowledge and education
- Right to product choice
- Right to full value
- Right to justice (compensation against loss or damage)

(Also see **Chapter 22**)

However, socially responsible firms have good concern for consumers and their rights (see **Box 5.3**). The consumer has a right to safety respecting which the firm must provide safe products. Product safety is important in case of such products as automobiles, toys, pharmaceuticals and other chemicals. He has right to knowledge and education so that the firm is obliged to provide complete and reliable information about the product and such necessary information that enables him to take a decision. Consumer's right to choice provides that there should be no restriction on the choice of a product by a consumer and a firm should not deny particular categories of products to certain classes of consumers. Right to justice dictates that the firm must listen to consumer complaints and provide suitable compensation for loss or damage incurred due to the use or consumption of the product. The consumer has right to full value, which states that the product must perform according to the firm's declaration. The firm declares the utility, performance or life of the product in its advertisement, product labels or other promotional literatures. From the firm's end, the right implies that the firm must deliver the product precisely as per specifications, claims and declaration made by it. This is not merely a nature of responsibility; it is essential for a firm to maintain its credibility and goodwill in the market and to avoid consumer disputes. Some of the implications of the firms' concerns for consumer rights are that they should:

- strive to improve product quality through research, development and innovation;
- provide goods to consumers at fair or competitive prices;
- ensure adequate availability of products in the market;

- provide satisfactory after-sale and consumer-support services;
- provide complete knowledge about the product, particularly its side or adverse effects;
- ensure right product standards; and
- avoid exaggerated or misleading claims.

RESPONSIBILITY TOWARDS SUPPLIERS

A business firm procures a variety of materials including machinery, tools, spares, raw materials, intermediate goods, finished products and business services like consultancy, repair and maintenance etc. These supplies are known as industrial goods and services that are meant for further processing or resale. A good relation with suppliers is essential for lower cost and continuity of operations. In a situation of monopsony, the industrial buyer commands a substantial market power and may tend to exploit the suppliers. However, good business organisations might use their bargaining power to their advantage but they don't resort to unfair or exploitative practices. An ethical business organisation does not break contracts, makes timely payments, does not seek legal loopholes in supply contracts to take advantage and encourages suppliers to build long-term business relationships. It even seeks to dovetail its sourcing or procurement network with the marketing channels of suppliers to reduce sourcing and marketing costs to the advantage of both the parties.

RESPONSIBILITY TOWARDS COMPETITORS

A socially responsible firm plays a fair game in competition. It engages itself in healthy competition by learning the good business strategies and practices of its competitors. It does not indulge in brand assassination, which may be defined as the deliberate design of a firm to denigrate or tarnish the image of a competitor's brand through its misrepresentations or wrong comparison. Such a firm supports free and fair competition and does not indulge in monopolistic, restrictive or unfair trade practices. Monopolistic practices restrict competition, retard technological development and discourage new investment. Restrictive trade practices chiefly take place on the marketing side and include market collusions, price discrimination, predatory pricing, tie-up sales, exclusive dealerships and resale price maintenance. Unfair trade practices mainly include misleading advertisements, tricky prices, unreasonable product guarantees or second-hand goods posed as new. Such practices are unfair both to competitors and consumers.

RESPONSIBILITY TOWARDS GOVERNMENT

Business organisation, which are socially responsible, are good corporate citizens. Their business operations are legally conforming and contribute to the development of the industry and the economy. These units are fair and regular in the payment of various taxes and charges, provide data as may be required by the government from time to time, help in the implementation of various practices and schemes of the government and respond to the instructions and appeals issued from time to time. These organisations give preference (to the extent possible) to government companies in their purchase of industrial supplies and sell to the government at relatively lower or concessional rates. Good relations with the government have their own rewards. Such firms find it easier to obtain new licenses, credit from public sector banks and supply orders from government organisations. Firms that invite raids, enquiries, strictures, penalties or confiscation by government due to their suspicious or irresponsible actions find their market reputation eroded.

Responsibility Towards Local Community

It is both in the interest of business and the society that a business firm takes steps for the economic and social development of the local community. It serves to enhance the image and acceptance of the firm among the public. Local acceptance is very important as it ensures support from local masses. Local masses suffer many problems and disturbances caused by the firm such as land, water, air and noise pollution, decline in agricultural productivity and shortage of water and power and must be compensated, at least indirectly. The firm can compensate by way of developing local infrastructure like paved roads and water supply, providing civic facilities like parks and sanitation, establishing educational institutions and dispensaries and providing employment. It can also encourage local trade and sub-contracting wherever possible.

In addition to the above, the firm must show responsible behaviour towards the media, public interest groups and trade associations. Good relations with media are always rewarding. It should provide right and justified information to the media relating to developments in the industry and the impact of government policy. It should have a meaningful association with the trade bodies and help it in projecting the right image of the industry before the government, media, public interest groups and other agencies.

STRATEGIC MANAGEMENT OF STAKEHOLDERS

The survival, growth and image of a corporate organisation depends upon its relations with various stakeholders. The managers of the organisation must have a comprehensive understanding of the relative importance of each stakeholders group and constantly monitor changes in them. Not only that, the managers must understand how and to what extent the groups affect and are affected by the interests and operations of the organisation. These groups have to be managed strategically so that the gains from relationship with the stakeholders are maximised and constraints from the relationship minimised. Any strategic management of the stakeholders essentially rests on what may be called 'stakeholder analysis'. The analysis basically involves the following:

- Studying the relationship of each stakeholder group with the firm and finding out to what extent the stakeholder and its relationship is important to the firm.
- Finding out the coalitions or groupings among stakeholders, the basis of coalition and the objectives with which these are formed. Through this information, the firm can formulate a suitable response strategy.
- Understanding the nature of each stakeholder interest so that the firm is able to know what these groups expect from the firm.
- Assessing the strength of each stakeholder so that the firm understands which group and to what extent this group is capable of modifying the firm's business plans and operations to meet its objectives. Different groups have different types of powers. Stockholders have voting power, consumers the market power, suppliers the economic power, government the regulatory power and the local communities the political power. The assessment of each stakeholder's strength is necessary for a firm to design its response and relationship strategy. The firm equally has to be aware of the responsibility of each stakeholder.

The stakeholders' relationships, coalition, nature of interests, powers and responsibilities are subject to constant changes and the firm must monitor these changes closely and continuously. Managers must take cognisance of the stakeholders' interests and concern in their decision-making. They have to understand that the groups are not antagonist to the firm, though their interests sometimes may be opposite to that of the firm. Managers must work cooperatively with these groups and avoid conflicts through open communication, conciliation or even third-party review.

LIMITS TO SOCIAL RESPONSIBILITY

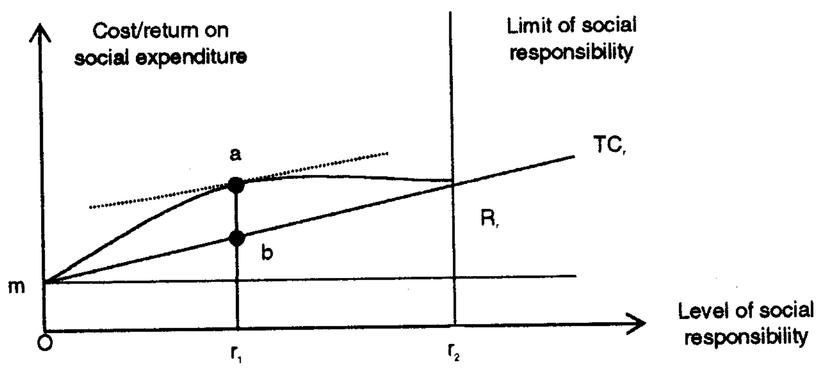
Most of the large and professionally organised firms realise the economic logic behind social responsibility. In any case, they prefer to project their image as socially responsive organisations, alive to the needs and problems of society. As pointed out earlier, socially responsible behaviour is essential for the survival and growth of a firm. A major portion of the responsibility is met in the process of complying with corporate laws, business codes and government instructions issued from time to time with reference to social obligations of business. Modern firms often go beyond obligatory level and build goodwill assets.

Building goodwill and credibility assets through socially responsible activities makes sound business sense. Firms possessing such assets economise on advertisement expenditures as the consuming masses have faith in the utility of their products. The firms, on the strength of such assets, are able to raise resources and industrial supplies adequately, cheaply and on more favourable terms. They can establish distribution channels for their new products more easily and at lower costs, as they already possess a wide customer base. These factors contribute a lot towards keeping the firm competitive in the market through economies of scale and cost reduction.

Nevertheless, fulfillment of social responsibility involves commitment of financial and other resources, which impact negatively on the profits. It is obvious that the social commitment and responsibility of a firm cannot be limitless. It has to target a particular level of social responsibility to be discharged over a particular period of time. The target responsibility level involves a careful cost-benefit analysis of social responsibility expenditure. In a pure business sense, a firm can maximise its return of social expenditures as shown in the diagram below:

FIGURE 5.1

Determining optimum level of social responsibility



Om is the minimum social expenditure that a firm has to make to comply with the legal requirements. As the level of responsibility increases, total cost to the firm on this account also increases and is represented by the line TCr. Total return on responsibility (approximated in financial terms) is represented by Rr which increases initially and tends to peak off subsequently. Vertical distance between TCr and Rr shows return on social responsibility expenditure, which is maximised at ab corresponding to the responsibility level of Or1. This level of responsibility makes a perfect business sense. However, a firm may go beyond this level and attain Or2 level of social responsibility with no net cost or return to it. This can be a part of the firm's business strategy in which it seeks to reap its benefits in subsequent periods. The responsibility levels Or1 and Or2 show the two limits which a firm can choose as per its own objectives and strategy. Any responsibility level beyond Or2 will cause a net reduction in the firm's net return from social responsibility expenditure.

CONCLUSION

The actual ethical standards and social responsibility level of a corporate organisation depend a lot on the attitude of the top management and the overall human resource environment. The organisation must understand the significance of its contribution towards society both for its long-term survival and growth. Business ethics and social responsibility generate goodwill and other off-balance-sheet assets the monetary equivalents of which may far exceed their financial costs. Social responsibility expenditures are not philanthropic contributions; these are the expressions of positive commitments to society of which business organisations are an integral part.

Key Terms

Cost-benefit analysis	Predatory pricing	Resale price maintenance
Monopoly	Price discrimination	Tie-up sales

Supplementary Readings

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Long Questions

1. In recent years, the philanthropic contributions of companies in developed countries have increased in a significance way. Does it signify higher level of their corporate social responsibility or the old hard sell in disguise?
2. Explain the nature of business ethics. What ethical standards would you suggest for modern companies in the present times?
3. 'Economic activities of a firm must make a social sense just as its social activities should make a business sense'. Discuss.
4. 'Social responsibility is a luxury which few business organisations can afford'. Do you agree? Give arguments in support of your answer.
5. Identify different stakeholder groups for a corporate organisations. Are there any conflicts between their expectation from the organisation? How can they organise resolve such conflicts?
6. Identify the costs and benefits of corporate social responsibility. How can a firm determine optimum level of social responsibility?
7. Does social responsibility conflict with the economic objectives of a business organisation? How can social responsibility be used as a tool to achieve the mission of the organisation?

Short Questions

1. Distinguish between normative and descriptive ethics giving an example in each case.
2. What is the extended view on business ethics?
3. What does the philosophy of utilitarianism preach? Is the philosophy relevant for the modern corporate organisation?
4. Define and illustrate the following:
   (a) Principle of rights
   (b) Principle of justice
5. How can a manager develop an internal ethical environment?
6. List five distinguishing characteristics of an ethical corporate organisations.
7. How is corporate social responsibility different from corporate social responsiveness?
8. What is the difference between shareholders and stakeholders? Identify main stakeholder groups.
9. Give three basic guiding principles for a company for the strategic management of stakeholders.
10. What is the optimum level of corporate social responsibility?

Practical Assignments

1. Browse a leading business daily over the last three months and prepare a list of unethical practices resorted to by various business organisations. From the list, identify the practices of serious nature and hold a brainstorming session to find out the ways to curb such practices.
2. Hold a group discussion on 'Honesty is Still the Best Policy in Business'. Prepare a written report on the outcome of the discussion and circulate it for comments. In the light of the comments, prepare a final report for evaluation.
3. Assess the corporate responsibility level of your B-school indicating the areas of deficiency and suggest ways to remove the deficiency.
4. Select a leading business organisation in your region and make an assessment of its social responsibility towards (a) customers (b) employees and (c) local community.
5. Take a sample of three business organisations one each from small, medium and large industry and conduct a survey of the top managers with regard to their attitude towards social responsibility.