

Business Ethics and Corporate Social Responsibility: A Strategic Approach

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I. Introduction

Business Philosophy is the operational blueprint of a particular business. For instance, the “Business Philosophy” of Ambani’s might be to develop a business that adheres to qualitative norms and produces products that are accessible to common beneficiaries. Philosophy of Business refers to an understanding of the moral and ethical basis of business as an area of knowledge. Philosophy deals with knowledge. It answers the question of what the role of a business is and as to what is the ethical basis of judgment of whether it is fulfilling its role or not. To draw an analogy, if the role of medicine is to cure the disease, the question is as to whether it is right for medicine to produce genetically-modified material (genomic varieties of new forms of life, new species)? Therefore, while Business Philosophy is a part of Business Policy or Strategy, the Philosophy of Business is a part of Applied Philosophy. Business Philosophy is the standard practice of conducting business so as to achieve the goals of a particular business, that is profit maximization subject to cost constraint by a rational producer.

Geoffrey Klempner opines that “Understanding the rules and conventions of business is one of the main tasks for the philosophy of business. In one of its forms, this is known as 'business ethics'. The other main task understands how business is possible...” To which we need to add, “What is the purpose of business?” Philosophy of Business examines the purpose of business. A more complete definition of Philosophy of Business is: “the fundamental principles that underlie the formation and operation of a business enterprise; the nature and purpose of a business, for example, is it primarily a property or a social institution; its social relevance; and the moral obligations that relate to it.”

Social Responsibility of Business is defined by the strategy of business and its relationship with society. It determines what the responsibility of business towards society is supposed to be and hence, the setting up of the viable practices of such responsibility is based on ethical considerations for the welfare of the society at large. The three inter-related aspects of the philosophy of business are: 1. Strategy of business; 2. its societal relevance; and 3. Its ethical considerations towards society. It is believed that business ethics and social responsibility are unrelated things. A rational business is geared towards profit maximization.

The aim of business has been shaped by meeting the requirements of the members of the society. The state has traditionally been entrusted with the task of ensuring the inclusive growth and environmental sustainability. Accordingly, a business enterprise is supposed to bear the risk of production while going for innovation to have super normal profit.

Moral obligation of business

The conventional understanding is that a business is obliged to pay the remunerations for the services rendered by the factors of production through a regulatory market mechanism. The factor incomes are commensurate to their contribution to social product. The price paid for other resources, including natural resources, is equal to the cost of those in real terms. Hence, it is a popular belief that a business automatically discharges its ethical obligation towards society through market mechanism by adequately compensating the requirements of the people. Since the state fulfils the objective of achieving sustainable development through equitable distribution of income and wealth in society one is tempted to conclude that business ethics is distinct and unrelated to social responsibility. Therefore, no ethical question remains if business pursues its activities in the ordinary course. Hence, there is no such all-encompassing notion of business ethics that is applicable in all cases. The question then reduces to how an entrepreneur behaves, and this is governed by individual ethics. Thus, there is no scope for business ethics, as such. Any social activity or program carried out by a business is hence, only voluntary, devoid of any moral obligation or ethical consideration. Therefore, business ethics is incongruent with corporate social responsibility, as per discussion made till now.

Since the epoch-making proposition of Drucker about business ethics, there has been remarkable transition in the prevalent conceptualisation of business ethics. The new perspective highlights on the organic relationship between business and society. By now it has been established that social and environmental issues can no longer be addressed entirely through state legislation. In the light of this new development, the business had to undergo introspection to develop new strategies of management. Besides this, the phenomena of a rapid decline in the role of the State and withdrawal of the State from the social space have created a vacuum. The content of CSR conceptual framework is determined by three constituents, containing *principles*, *processes* and their *impact* on stakeholder groups, the interconnection of which proves the dynamic character of CSR. Therefore, the definition of corporate social responsibility should be perceived as equilibrium of corporate social responsibilities, principles and marketing activities (processes), allowing to satisfy or surpass expectations of stakeholders, their groups and the society (Banyte, Gadeikiene, 2008). The concept of stakeholders is thus central to an understanding of corporate social responsibility. In the context of corporate social responsibility satisfaction of the needs of stakeholders and recognition of their expectations are essential aspects of successful company activity. Susniene, Sargunas (2009) state that different areas and different needs dominate when talking about separate stakeholder groups. For example, from the point of view of consumers the most important needs are oriented towards the product and aspects, related to it. When talking about employees, their most important needs are related with the safety, appeal, etc. of their workplace. Society's needs are often oriented towards the aspects of environmental protection, etc. Enterprises apply various management methods, implementing the conception of social responsibility and seeking to satisfy the needs of stakeholder groups. What concerns consumers as one of the most important stakeholder groups of a company, is that management decisions are associated with the company's marketing activities. Precisely for this reason in recent times, different marketing theories and conceptions are used for implementation of the corporate social responsibility. Although essentially they reflect the same underlying ideas, they are known by various names: green marketing, ecological marketing, environmental marketing, sustainable marketing etc. A business house seeks to attain certain goals when applying the principles and technologies of green marketing in its activities. Ottman, Stafford, Hartman (2006) note that there are two main objectives of green marketing: to improve the quality of the environment and to increase the satisfaction of consumers. It has been highlighted that green marketing is closely related with the eco-industry and public harmony, therefore the goals of companies, working in such a way, are oriented towards the implementation of the increase of corporate responsibility for the manufacture of eco-friendly products, the use of material substances and equipment, harmless for the environment, and of ecological efficiency. This substantiates the need to identify the expression of the priorities of green marketing in the context. As the needs of the society and the imbalances in the society have not changed, therefore business has to emerge as the new catalyst. The roles, relationships and realms of the three entities – the government, the business and the society have changed. The first implication is that this imposes a corporate responsibility of businesses towards society. This is indicative of a paradigm shift in the philosophy of business.

Corporate Responsibility of Businesses towards Society

By the existing philosophy, a business only had a responsibility towards its shareholder by earning profit for them. This was understood as the solitary rationale of business. Business was conceivable as an area of human endeavour because society desired this role of it. Hence, earlier businesses could be formed and could operate successfully without including in their conduct anything that is a concern of society, beyond what is valued, created and delivered through the market. It was assumed that any responsibility that business had towards society is duly discharged through the market mechanism. Services, raw materials and other resources that are drawn by business from society are adequately recompensed by the price established by the price mechanism. The prevailing philosophy was content with such a notion. Another conceptual transition is that a business has to be responsible towards society. In addition to its mercantile role, it has to be accountable to the environment. Besides, it has to ensure the welfare of its stakeholders. The newfound role of business directly relates to Business Ethics. Thus, there is a need to incorporate in their 'Business Philosophy' all the three dimensions: (a) good governance (b) corporate social responsibility (CSR) (c) accountability. Business ethics is embodied in corporate governance. There are four pillars of corporate governance i.e. "ATFR".

Accountability: - Management is accountable to the board and the board is accountable to its share holders and stake holders.

Transparency: - All the disclosures of financial statement should be done transparently. The company should be transparent in its approach towards business transactions.

Fair: - The business needs to be fair to all the share holders. There is a famous saying, "Big or small, company is for all".

Responsibility: - The company is responsible for the disclosure of any kind of information regarding business transaction.

Business ethics contains transparency, equity or fair play and socio economic and environmental accountability.

Hurdles faced by the corporates

Now we can discuss the hurdles faced by the corporate by not adhering to the socio economic and environmental norms, So business transactions are carried out by the corporates. They are legal entities i.e. they can sue and can be sued in the court of law. Therefore corporate is more powerful than a person. It is the aggregation of human resources as well as other resources such as capital, raw materials, fuel supply etc. More resources are at its command. In society it has heavy clout. If these bodies do not transact things ethically it will lead to disaster in the society. We can draw examples from history as well. East India Company came as a business organisation and got indulged in so much unethical practices that it created havoc and disaster in the society. British government was forced to abolish the company after Sepoy Mutiny in the year 1857. We have fresh memories of such happenings. Satyam company of R.Raju made huge amounts of fraud in its business transaction. As a result fraud investigation cell took the preventive measure of shutting it down. In Kerala a multinational company set up a bottling plant. They didn't give priority on the improvement of the surrounding or the sustainable developmental activities. Instead they siphoned off underground water to the extent that all the village ponds got dried up and wells became muddy. Instead of addressing to the environmental and social concerns they spent huge amounts on publicity, advertisement. Agitation against Vedanta, Tata, Posco has been glaring instances of public anger against their business strategy. These are the unfortunate happenings of non compliance of business strategy. Corporate social responsibility should be geared towards environmental conservation as well as provision of employment opportunities for earning the livelihood of the people. It should focus towards infrastructural development, access to elementary education, health care facilities, provision of drinking water for the people.

II. Conclusion

As the tendency of healthy living is becoming more expressed when consumers start to treat environmental consideration as the consideration for oneself, coordination of environmental, economic, and social community goals with business goals becomes relevant for business enterprises. Current theoretical as well as practical scientific researches confirm the topicality of the development of the corporate social responsibility conception and the importance of its integration into various areas of business activities. From the point of view of marketing, such changes determine the need for the application and development of the theory of the new, so-called green marketing. In this article green marketing is considered to be such marketing activities of an enterprise, which seek to make the existence of the enterprise acceptable or even useful for the environment and the society. Today it is most urgently felt that different dimensions, namely, social responsibility, environmental accountability and good governance along with transparency must be brought under the comprehensive concept of business ethics.

The view of pursuing shareholder wealth alone, of course, is not the approach most ethicists or, now, most business people take. The realization has occurred that businesses must participate in society in an ethically symbiotic way. A fundamental truth is that business cannot exist without society and that society cannot go forward without business. Thus, business must acknowledge society's existence and society's growing demand for more ethically responsible business practice. Unless the CSR becomes a key business process of the company, operations of the corporate will not become sustainable.

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