North Asian International Research Journal of Social Science & Humanities

ISSN: 2454-9827 Vol. 4, Issue-3 March-2018

IRJIF: 3.015

Index Copernicus Value: 57.07 UGC Journal No: 48727

AN ANALYSIS OF ROLE OF ETHICS IN CORPORATE SOCIAL RESPONSIBILITY

MEGHA THAKUR[1] & CHETNA SHARMA[2]

[1](Assistant Professor, Department of Commerce and Management, Government Mohindra College, Patiala, Punjab, INDIA)

[2](Assistant Professor, Department of Commerce and Management, Government Mohindra College, Patiala, Punjab, INDIA)

ABSTRACT:

Ethics and Corporate Social Responsibility are regarded as important concerns in making decision in all aspects of our life and it's contributing to accelerate the process of overall development of a nation. India being the second most populous country in the world and that the largest number of population in need of which is in need of basic amenities call for more intensive efforts as part of such initiatives in the health care space of the nation. We know that people do business to earn profit. However, making profit is not the sole aim of the business. It performs number of social function as it is a part of society. It takes care of those who are instrumental in securing its existence and survival. Business ethics are nothing but the application of ethics in business. It proves that business can be and have been ethical and still make profits. Today more and more interest is being given to the application of ethical principles in business dealings and the ethical implications of business. The paper aims at having a comprehensive understanding of how Business Ethics and Corporate Social Responsibility involves as concept and the reason that encourage company in India to be socially responsible.

***Keywords* - Corporate Social Responsibility, Ethics, Economic growth, Profitability.**

I. INTRODUCTION

According to the International Encyclopedia of Ethics, 'Ethics is the name given to that most general study of the rightness and wrongness of human actions, including not only the determination of whether particular acts are morally permissible but also the derivation of those theories by which such a determination may be made, as well as an analysis of the meaning of the language that is peculiar to such determination and derivation. This paper defines ethics as a person's situation dependent application of moral standards, which stem from the traditions, values or beliefs that have grown in societies where he lives and are broadly concerned with right and wrong conduct. The liberalisation and globalisation has brought fast changes in the concept of doing business but the major loss of the same is corruption, favouritism and nepotism, deterioration of human values, series of scams in businesses and faulty government policies. Business houses are becoming huge enough to control the large resources in terms of finances, humans and technology but their basic purpose is to serve the society. At one side business enterprises are coping with the immense pressure of internal as well as external competition and on the other side they are facing the dual problem of violating the principles of proper public conduct. In the wake of mounting scandals; corporations; all around the world are adopting ethical conduct, code of ethics. Ethical management and ethics in journal are related with corporate social responsibility.

II. REVIEW OF RELATED LITERATURE

Garret (1989) has used the due care theory' for increasing the responsibilities of business towards the stakeholders. The theory is based on classical factionalism of Plato and Aristotle according to which it is the responsibility of the management to take care of others' needs and serves them. Thus the author has shown through 'due care' theory that corporation can be socially responsible.

Charkaborty (1991) highlighted the beautiful and deep roots of Indian ethos from which the managers and business leaders can develop a system of values. From this systematic knowledge of values and ethos, the responsible stakeholders' policies can be developed.

Anand (2002) studied social responsibility initiatives as building blocks of corporate reputation in the Indian context. He has analysed the reputation from the point of view of a stakeholder. According to him, the reputation of a firm contributes a lot in position a firm's identity in a proper and more attractive manner.

Biggs and Ward (2004) has analysed the linkage between the corporate social responsibility, good governance and corporate accountability to an institutional framework. They found that it is necessary to integrated public governance and corporate social responsibility for a better result. Further they advocated that corporates must create a more enthusiastic agenda through a value oriented framework.

III. ETHICS

The term 'ethics' origins from the Greek word 'Ethos' meaning human character and it refers to the philosophical science that deals with the right and wrong of human actions. From the very beginning of human inception, ethics in its most general term has concerned it self with the human 'mechanism' of moral being or morality; the faculties of the human soul and the needs, passions and desires of the human mind and body.

Ethics and integral part of Management

John F. Akers, former board chair of IBM, recently advocated that it makes good business sense for managers to be ethical. Unless they are ethical, companies cannot be competitive in either national or international markets. According to him Ethics and competitiveness are inseparable. We compete as society. No society anywhere can compete very long and can be successful with people who are cheating each other; with people trying to steal from one another; with everything requiring confirmation because you cannot trust the other person; with every little squabble ending in litigation; and with government writing reams of regulatory legislation.

Ethics in Business

In business, ethics can be defined as the capacity to reflect on values in the corporate decision-making process, to determine how these values and decision affect various stakeholder groups and to establish how managers can use these observations in day-to-day management. Ethical manage hence strive for success within the confines of the sound management practices that are characterised by fairness and justice. Business ethics are the principles and standards that draft acceptable conduct in business organization. The acceptability of behaviour in business is determined by customers, competitors, government regulators, interest groups and the public, as well as each individual's personal moral principles and values.

Principles of Business Ethics

The principles of business ethics are related to social groups that comprise of consumers, employees, investors and the local community. The important rules or principles of business ethics hence includes;

Avoid Exploitation of Consumers: by avoiding practices such as artificial price rise and adulteration.

Avoid Profiteering: Unethical business activities such as hoarding, black-marketing, selling harmful goods to earn exorbitant profits must be avoided.

Encourage Healthy Competition: A healthy competitive atmosphere that involves certain benefits for consumers must be encouraged.

Ensure Accuracy: Accuracy in weighing, packaging and quality of supplying goods to the consumers has to be ensured.

Taxes should be paid Regularly: Taxes and other duties to the government must be honestly and regularly paid.

Getting the Accounts Audited: Proper business records and accounts must be kept. All authorized persons and authorities should have access to these details.

Fair Treatment to Employees: Fair wages or salaries, facilities and incentives must be provided to the employees.

Keep the Investors Informed: The shareholders and investors must know about the financial and other important decisions of the company.

Avoid Injustice and Discrimination: Avoid all types of injustice and partiality to employees. Discrimination based on gender, race, religion, language, nationality, etc. should be avoided.

Why it is necessary to follow Business Ethics?

Ethical behaviour and corporate social responsibility can bring significant benefits to a business and some of these are:

- Attract customers to the firm's products, thereby boosting sales and profits.
- Reduce labour turnover and therefore increase productivity of business.

Attract more employees for the business, reduce recruitment costs and enable the company to get the most talented employees.

Attract investors and keep the company's share price high, thereby protecting the business from takeovers and mergers.

IV. CORPORATE SOCIAL RESPONSIBILITY

Explicitly, the Corporate Social Responsibility Voluntary Guidelines (2009) defined it as "Government systems of a company should be underpinned by ethics, transparency and accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive". The definition hence includes corporate social responsibility, corporate accountability, corporate ethics, corporate citizenship and responsible entrepreneurship. Corporate social responsibility is a concept whereby companies integrated social and environmental concerns into their business operations and their interactions with their stakeholders namely employees, customers, shareholders, investors, local communities and government on a voluntary basis. It is closely linked with the principles of 'sustainability' which argues that business enterprises should make decisions not only on the basis of financial factors but also consider social and environmental consequences of their activities. Generally, it is understood to be the way firms integrated social environmental and economic concerns into their values, culture, decision making, strategy and operations in a more transparent and accountable manner and thereby establishing such kind of practices within the firm which can create more wealth but also improve the society.

Origins of Corporate Social Responsibility

According to Archie Carroll's four part analysis, there are four pillars of the origin of the corporate social responsibility. Business depends upon society for the inputs like man power, money and material resources and other natural resources. The very existence survival and growth of any firm depends on its acceptance by the society and its environment. Hence, broadly this four part definition includes the following four responsibilities:

1. **Economic responsibility:** This is the first and the foremost important responsibility of a business organisation. Business should be an institution whose orientation is to produce goods and services which are appropriate for the society and are available on fair prices.
2. **Legal responsibility:** The business should ensure to follow the laws of the land. Legal responsibilities represents "Codified ethics" in the sense that basic notion of fairness as established by law-makers should be followed.
3. **Ethical responsibility:** This embraces those activities and practices that are expected or prohibited by the society though they are not codified in the law. It includes large range of norms, standard and expectations that reflect a basic concern for consumers, employees, shareholders and the community at large.
4. **Discretionary responsibility:** It imposes expectations for responses that exceeds ethical responsibility and are truly proactive kinds of actions on the part of an enterprise.

V. CONCLUSION

To conclude, the purpose is to explore the relation between ethics and corporate social responsibility. Corporate social responsibility should benefit both society and business. A corporation that works to maintain the balance between the two can be economically more viable in comparison to those who does not. In this global competitive era, the economic social and environmental depression is a frequent phenomena to occur. One of the main causes can be violation of ethical values both morally and socially. Ignoring ethical corporate social responsibility would mean endangering the success of business in the market as well as global world at large.

REFERENCES

Journal Papers:

[1] Anand, Vaani. (2002), Building Blocks of Corporate reputation – Social Responsibility Initiatives, *Corporate Reputation Review, Vol. 5(1), 71-74.*

[2] Biggs, Tom and Halina, Ward (2004), Linking Social Responsibility, Good Governance and Corporate Accountability through Dialogue, *Discussion Paper of International Institute for Environment and Development, www.iied.org. Cambridge, Harvard Business School Press.*

[3] Carroll, Archie B. (1979), The Pyramid of Corporate Social Responsibility : Towards the Moral Management of Organisation Stakeholders, *Business Horizon, Vol.4, 1-5.*

[4] Chakraborty, S.K. (1991), Management by values, *Business Horizon, New Delhi, Oxford University Press, Vol.6, 6-12.*

[5] Khan, A.F., & Alkinson, A. (1987), Managerial Attitudes to Social Responsibility : A comparative study in India and Britain, *Journal of Business Ethics, Vol.10, 419-432.*