Ethics in Corporate Social Responsibility

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Abstract: *Ethics and Corporate Social Responsibility are recognized 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 have the largest number of people in need of basic amenities call for more intensive efforts as part of such initiatives in the health care space of the nation. We all know that people engage in business to earn profit. However, making profit is not the sole function 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 practices in business dealings and the ethical implications of business. The paper delves into 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.*
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I. Introduction

In any organization, from the top management to employees at all levels, ethics is considered as everybody's business. It is not just only achieving high levels of economic performance, but also to conduct one of business's most important social challenges, ethically. Ethics in business is nothing but the do's and don'ts by the business users in business. It is based on a set of moral and ethical values. These values must be absolute - that is, you must take them seriously enough to have priority over any human rationalization, weakness, ego, or personal faults. When all else fails, you will always look back to these core values to guide you or take you through. Unfortunately, life is not that easy and there's always disagreement about what values should reign supreme. A moral or ethical statement may assert that some particular action of certain kind is right or wrong, which may offer a distinction between good and bad characters or dispositions; thereof, may propound some principle from which more detailed judgments of these sorts might be inferred – instance one ought to always aim at the general happiness or try to minimize the total suffering of all sentient beings, or ... That it is right and proper for everyone to look after himself. All such statements express first order ethical judgments of different degrees of generality (Mackie, 1977). If we examine the current literature on ethics, the focus is on lines given by philosophers, academics and social critics. However, leaders, managers and engineers require more practical information about managing ethics. Ethical management in the workplace holds tremendous benefit to all including engineers, managers, organizations and society. This is particularly true today when it is critical to understand and manage highly diverse groups, with different values at the workplace and operating in globalize economic conditions of Socrates and Plato guidelines for ethical behavior (Moore, 2004). Ethics involves learning what is right or wrong, and then doing the right thing -- but "the right thing" is not nearly as straightforward as conveyed. Most ethical dilemmas in the workplace are not simply a matter of yes or no, on situation? Business Ethics denotes not only how the business interacts with the world at large, but also their one-on-one dealings with a single customer, resulting in the business justification in terms of economic, ecological and social spheres. Today, we live in an age where businesses and society are more connected and interactive than ever before. The triple bottom line approach has been, and remains, a useful tool for integrating sustainability into the business agenda. It has now become imperative that sustainability forms an integral part of strategic planning of contemporary business organization. To be precise, ethics is considered to be the "Science of Conduct." Ethics includes the fundamental ground rules by which we live our lives. Philosophers such as Socrates and Plato have given guidelines for ethical behavior. Many ethicists consider emerging ethical beliefs to be legal principles, i.e., what becomes an ethical guideline today is made into to a law, regulation or rule. Therefore following law of the land is one of the basic virtues of ethics.Infact, Values, which guide us how to behave, are moral values, values such as respect, honesty, fairness, responsibility (Spence, 2003). Many of

these values are self-evident to the intuition of our higher nature. It is widely acknowledged today that Gandhian philosophy, particularly Ganghi's Doctrine of Trusteeship played a pivotal role in the shaping of the contours of modern corporate ethics.

The liberalization and globalization being sweep changes in the concept of doing business, but the major by-product like corruption, favoritism and nepotism, deterioration of human values, series of scam in business, government policies and society are also produced in the 21st century. There is a loss of faith in instruments of society. Business houses are becoming big with control of large resources, human, financial and technical but their surviving purposes to society are always having the doubtful values. Day by day innocent Indians are losing their faith in laws, courts and govt. At one side business enterprise are coping up with intense emerged competition and on the other side they are 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. They are excellent organizations, which have shown a spurt of activity towards evaluation of goals, concepts, values management and conduct. There is at present a growing recognition among corporate leaders that corporate social responsibility has to be based on an enduring ethical foundation. Ethics today is very wide segment. It is simple and 'counterintuitive' leading to truth, of course, not everything that is true, is obvious or simple. However, after this, brief, on ethical management and ethics in general, the paper delves to its main objectives of ethics in CSR.The study and examination of CSR is generally referred to the corporate world specially in taking decisions in the field of business. Thus, the purport of this paper explores the different objectives, method, ways and means which the Business organization must discharge their social responsibilities. To exist and operate within the social structure they must fulfill their social obligation along with economic obligations.

II. Literature review

Davis and Blomstrom(1975) in their paper examined the corporate social responsibility as social responsibility is the obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests. Its suggests two *active* aspects of social responsibility—protecting and improving. To *protect* the welfare of society implies the avoidance of negative impacts on society. To *improve* the welfare of society implies the creation of positive benefits for society. In the modern systematic study, Davis (1975) anticipated the following five propositions regarding social responsibility of business houses: The first proposition states that social responsibility of business arises from business social power. He emphasizes the concern about the consequence of business actions that affects interests of others. Because of these consequences, the businesses responsibility towards the community arises. The second proposition states that business has to operate as a two-way open system with the open receipt of inputs from the society and open disclosure of its operations to the public. The third proposition says that the social cost as well as benefits of an activity, product or service after thoroughly consideration and calculation should decide whether to continue a product or stop its production. The fourth proposition states that the social costs of each activity, product or service should be priced into it so that the user has to pay for the effects of his consumption on society. The fifth and final proposition is that beyond social costs international business institutions as citizens have responsibilities for social involvement in areas of their competence where major social needs exist. Hereby Davis outlines the basic principles for developing socially responsible policies. Robin and Reidenbach (1987) have shown stakeholders policies can be integrated into the making of organizational strategy. The authors have applied the social responsibility perspective in the planning process by using the image of an average family for developing values within an organization. Based on this logical background the authors have shown the imbibing of values like empathy, care and concern in functioning of the organization. McGuire (1963).explained the social responsibilities in context vis-à-vis economic and legal objectives. He asserts that the idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations. Although this statement is not fully operational either, its attractiveness is that it acknowledges the primacy of economic objectives side by side with legal obligations while also encompassing a broader conception of the firm's responsibilities. Chakraborty (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. 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 lake care of others' needs and serves them. Thus the author has shown through 'due care' theory that corporation can be socially responsible. Sharpin (1989) has used the concept of public firm in which the management is an agent to all factor suppliers and not the shareholders alone. As each stakeholder group has interest in a public firm and can monitor the agent, the public firm tries to carefully administer its contracts with all stakeholders. Here author's states that this can be achieved through the development of socially responsible stakeholder policies. Wokutch (1990) presented the

Japanese style of corporate social responsibility especially in terms of occupational safety and health practices of the Japanese firms. Because of the personnel philosophy, Japanese corporations, which give importance to the human resource, the occupational health and safety procedures are integrated to the core of the production system. This integration includes high meetings, emphasis on training activities, pursuits of zero accident standards and effective dual emphasis on behavioral and engineering orientations to promote safety and health among workers and managers.Anand (2002) studied social responsibility initiatives as building block of corporate reputation in the Indian contact. He analyzed the reputation from a stakeholder perspective. Reputation of a firm contributes in positioning a firm's identity in a proper and more attractive way. This has been proved in the case of socially responsible Indian firms are also considered to have good reputation. Biggs and Ward (2004) tried to link Corporate Social Responsibility, good governance and corporate accountability through an institutional framework. They found that it is necessary to integrate public governance and CSR activities for better results. Further they left that corporate must create a more inclusive agenda through a value framework and showing and caring. Ultimately, firms must have a multi-stakeholder outlook to frame their CSR policies. Lockwood (2004) explained the critical role of the HR function in organizations playing the leading part and educating these firms regarding the importance of CSR, while at the same time strategically implementing sound HR management practices that support the company's business and CSR goals. According to him, firms must shift from first and second generation social responsibility practices of out risking a firm's business success in the name of CSR and move over to third generation CSR practices where a firm addresses significant societal issues, such as poverty and cleansing the environment and the HR function must lead this shift.

III.   Corporate Social Responsibility

Explicitly, the CSR Voluntary Guidelines (2009) have very rightly provided that, "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". Corporate Social Responsibility (CSR) is also known by a number of other names. These include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and "triple bottom line," to name just a few.CSR is a concept, whereby, companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders (employees, customers, shareholders, investors, local communities, government), on a voluntary basis. CSR is closely linked with the principles of 'Sustainability' which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities. CSR has become prominent in the language and strategy of business and by the growth of dedicated CSR organisations globally. Governments and international governmental organizations are increasingly encouraging CSR, and, forming CSR partnerships. CSR is rapidly becoming a major part of all business management courses as it is an important global issue to-day .As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as "responsible competitiveness" or "corporate sustainability." Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society. As issues of sustainable development become more important, the question of how the business sector addresses them is also becoming an element of CSR. The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Fortuitously, business all by itself cannot stand without society and its responsibility-Social Responsibility, which are interwoven. They must understand their responsiveness towards society. In fact, CSR is an evolving concept which does not have a universally accepted definition.

Building on a base of compliance with legislation and regulations, CSR typically includes "beyond law" commitments and activities pertaining to:- corporate governance and ethics; health and safety; environmental stewardship; human rights (including core labour rights); sustainable development; conditions of work including safety and health, hours of work, industrial relations; community involvement, development and investment; involvement of and respect for diverse cultures and disadvantaged peoples; customer satisfaction and adherence to principles of fair competition; anti-bribery and anti-corruption measures; accountability, transparency and performance reporting; and supplier relations, for both domestic and international supply chains corporate philanthropy and employee volunteering. Corporate Social Responsibility is thus only about two aspects- a) Reducing the negative effects-; step taken by a company to neutralize, minimize or offset the harmful effects caused by its processes and products- usage. b) Increasing the positive contributions; further steps taken using its resources, core competence, skills, location and fund for the benefit of people and environment.

3.1 Origins of the corporate Social Responsibility:

There are varied the concepts of CSR. It originated in the 1950s when American corporations rapidly increase in size and power, and continued during 1960s and 1970s when the nation was confronted with social problems of poverty, unemployment, race, relations, urban blight and pollution. And in 1980, Corporate Social Responsibility involved the beyond code of conduct reporting and started taking initiative in NGO's multi stakeholders ethical trading. To be clear, Archie Carroll's four part analysis will focuses on the types of social responsibilities to specify argued what business has. Business depends upon society for the inputs like manpower; resources, money etc. The very existence, survival and growth of any firm depend upon its acceptance by society and its environment. Apart from the four-part definition attempts to place economic and legal expectations of business in perspective by relating them to more socially oriented concerns. These social concerns include ethical responsibilities and voluntary/discretionary (philanthropic) responsibilities.

He analyses, to begin with is **Economic Responsibilities**. It may seem odd to call it an economic responsibility a social responsibility, but, in effect, that is what it is. First and foremost, the American social system calls for business to be an economic institution. That is, it should be an institution whose orientation is to produce goods and services that society wants and to sell them at fair prices—prices which society thinks that, the true values of goods and the services delivered must provide business with profits adequate to ensure its perpetuation and growth, of course, with a reward to its investors.

This is followed by **Legal Responsibilities**. Just as society has sanctioned our economic system by permitting business to assume the productive role mentioned above, as a partial fulfillment of the social contract, it has also laid down the ground rules—the laws—under which business is expected to operate. Legal responsibilities reflect a view of "codified ethics" in the sense which embody basic notions of fairness as established by our lawmakers. Business is bound by Law for the benefit of society. If business does not agree with laws that have been passed or are about to be passed, our society which has been provided with a mechanism, by which dissenters can be heard through Court of Laws, specifically Consumer Act, 1985 and many other such laws.

With this, comes **Ethical Responsibilities**. This embraces those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, to protection moral rights. In one sense, changes in ethics or values precede the establishment of laws because they become the driving forces behind the very creation of laws and regulations. For example, the civil rights, environmental, and consumer movements reflect basic alterations in societal values and thus may be seen as ethical bellwethers foreshadowing and leading to later legislation. In another sense, ethical responsibilities reflect newly emerging values and norms that society expects business to meet, even though they may exhibit a higher standard of performance than that currently required by law.

Finally the four-part analysis is the **Discretionary Responsibility.** Discretionary responsibility is those that impose expectations for responses that exceed ethical responsibilities and are truly proactive kinds of actions on the part of an enterprise. The best example of this is Ronald McDonald House –these houses are located near hospitals and permit the families of ill children to stay near them without paying the prohibitive costs of long stays in a hostel. This program is a discretionary and proactive responsibility that benefits society at large.Thus, the analysis of Archie Carroll, elaborates four kinds of responsibilities, where in the concept of CSR is construed.

The evolution of CSR in India has followed a chronological evolution of 4 thinking approaches given in the table 1:

TABLE- 1: CSR MODELS

Sl.No	Model	Time period	Area of Focus	Pioneer
2	Ethical	1930s-1950	Businesses to volunteer to manage their business entity as a trust held in the interest of the community i.e. the promotion of "trusteeship	Gandhiji
3	Statist	1950s-1970	State ownership and legal requirements to decide the corporate responsibilities	Jawahar Lal Nehru
4	liberal	1970s-1990	Corporate responsibility is confined to its economic bottom line i.e. limited to private owners. This implies that it is sufficient for business to obey the law and generate wealth,	Milton Friedman and Theodore

5	Stakeholder	1990s present	Expects companies to perform according to "triple bottom line" approach which essentially measures an enterprise's performance against economic, social and environmental indicators	Edward Freeman, Robert Ackerman and Archie B Carroll

Source: Altered Images: The 2001 State of Corporate Social Responsibility in India Poll, a survey conducted by Tata Energy Research Institute.

On this basics, Corporate Social Responsibility Benefits society and business. A corporation that work along with the non government organisations or government organisations to solve societal problems such as substance abuse, education of economically backward sections, human right issues, unemployment, child labour and Environmental concerns, such as recycling of materials, proper handling of industrial waste, effective pollution, abatement, effective addressing health hazards and, would not only help society at large but also it help to build its reputations and long brand equity. It develops confidence and trust in the market place. It increases the visibility of the organisation. Corporate social responsibility performances, creates benefits for a corporation in the areas of marketing, share holder value, human resources, innovation and many more. In the context of Indian, it is essential that the Indian corporations be seen as more responsible by integrating social issues with business practices. Global customers are demanding increasing social responsibility and community involvement from corporations they deal with. They prefer to grow a relationship with corporations that are committed to important societal and environmental causes. Indian corporations deal with not only conduct tier business ethically, but, also ensure that the business effectively with environmental concerns and social responsibility issues. Ignoring Corporate Social Responsibility would mean endangering business success in the global world and its market. Corporate Social Responsibility and responsibility to environment are themselves large and important matters for any company today.

For this purpose, the sum up of argument for social involvement related to the potential benefits for society and for business. They is —
a) Changing Public needs and expectations;
b) Moral obligation;
c) Limited resources;
d) Better social environment;
e) long-run profit;
f) Discouragement of further government regulation;
g) Balance of responsibility with power;
h) System interdependence requires social involvement;
i) Business contributed to social problems;
j) Public image;
k) Business has useful resources;
l) Prevention is better than wring;
The paper would be incomplete if the other side of the coin- the arguments against social involvement for business to point out are:
a) Need for profit maximization;
b) Divided purposes and contused expectations;
c) Cost of social involvement;
d) Weakened international balance of payments;
e) Business has enough power;
f) Lack of social skills;
g) Lack of accountability;
h) Corporate inability to make moral choices;

3.2 How to make CSR work (By institutionalization of ethics)
A company should have a sound ethics policy which requires to be implemented successfully. To do this, it is essential. They are:
a) The code of ethics is clearly communicated to employees.
b) Employees are formally trained in it.
c) That they are told how to deal with ethical challenges.
d) The code is implemented strongly.

e) The code is contemporary, and
f) The company leadership adheres to the highest ethical standards.

IV. Conclusion

To conclude, the purport, explores the exact ends. In this world, the economic, social and environmental depression is seen today in different segments in the global world. One of the main causes is the impairment of ethical values both morally and socially, which basically the paper shows that ethics cannot be a matter of choice to be exercised by a company as per its convenience, nor can ethics be something that has to be preached by to top management and to be followed by the officers and staff of the company .So also, ethical conduct cannot be an object of display to be shown to the world at large that the company is meeting its social obligation.

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