

Chapter : 3

Pluralism

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The importance of culture in the management of a business firm can best be exemplified by contrasting one country to another. The customs, traditions, codes, and laws that make up a culture circumscribe the freedom of management. Most organizations have realized that diversity exists and that the culture of any organization must pay attention to the needs of a set of very diverse employees. In short, many managers are grappling with how to make their corporate culture more in tune with the issues of multiculturalism.

3.1 Cultural Diversity

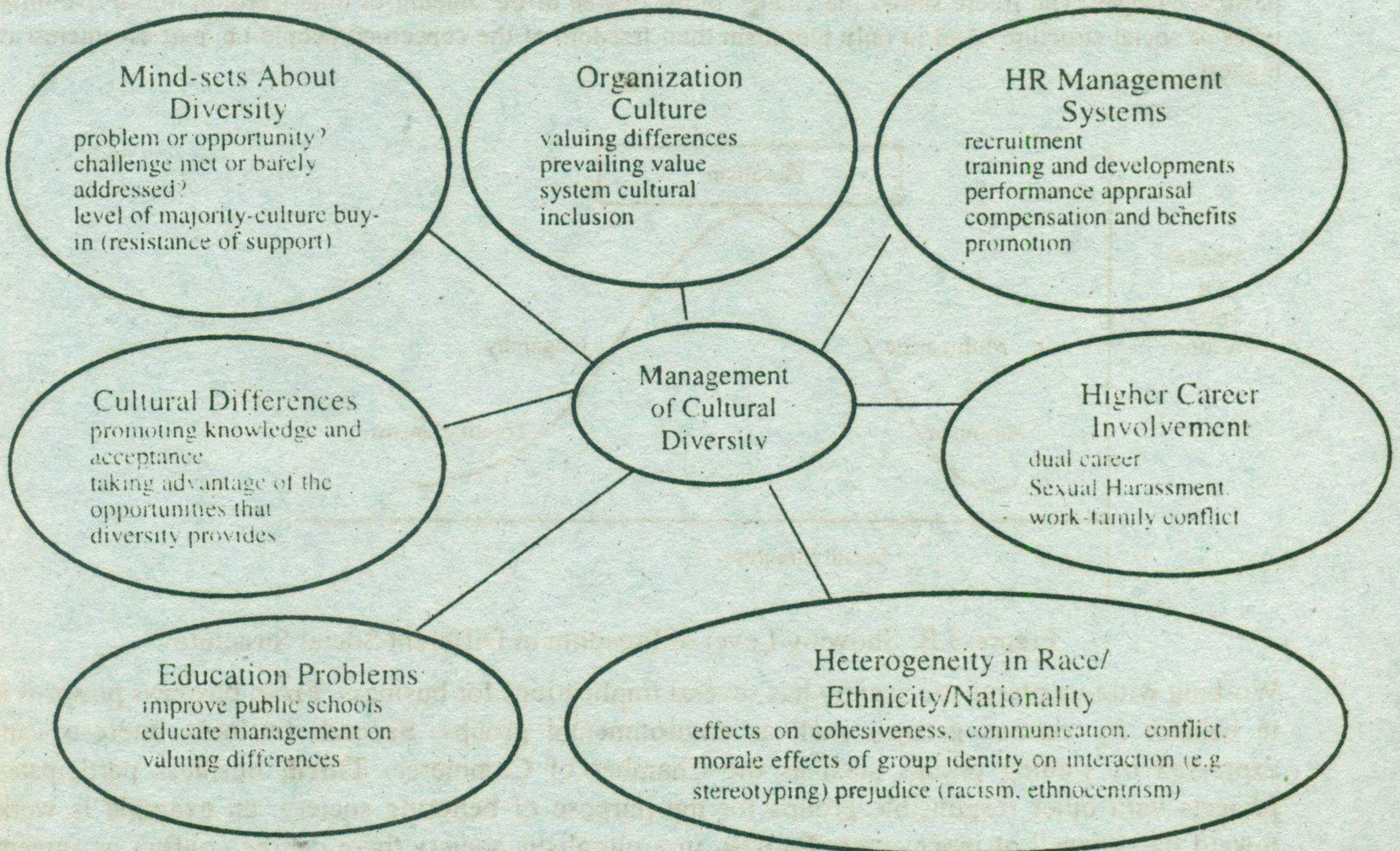


Figure-3.A: Showing the Management of Cultural Diversity

The *system flexibility* arguments says that the ability to manage diversity increases the adaptability and flexibility of an organization. External and internal issues can be responded to more quickly. In addition, to manage diversity successfully, an organization must question outdated policies and procedures that emerged in days with when multiculturalism was not a large concern for the organization. Diversity in culture often makes society more adaptive. This finally gives birth to pluralism in the society. Pluralism led emergence of various interest groups in business.

3.2 The Pluralistic Society

Pluralism is a social system in which diverse groups maintain autonomy, participation and influence. In the operation of pluralism many groups influence business and, in turn, business influences them. Pluralism is the basic social framework within which business operates, not to speak in a country but in the world, in general. The interaction of the different interest groups in business and modes of their operation in a pluralistic society need be taken care of in order to maximize comprehensive total objectives.

Managers in the western countries operate in a **pluralistic society**, in which many organized groups represent various interests. Each group has an impact on other groups, but no one group exerts an inordinate amount of power. Many groups exert some power over business. As explained elsewhere in the Book, there are many claimants on the organization, and they have divergent goals. It is the task of the manager to integrate their aims.

The relation of freedom to social structure

The figure below shows that with the change of the social structures the amount of freedom of the involved persons changes. The figure shows the change in the degree of the amount of total freedom in the five different types of social structure. And in only pluralism total freedom of the concerned people i.e. parties- interest is the highest.

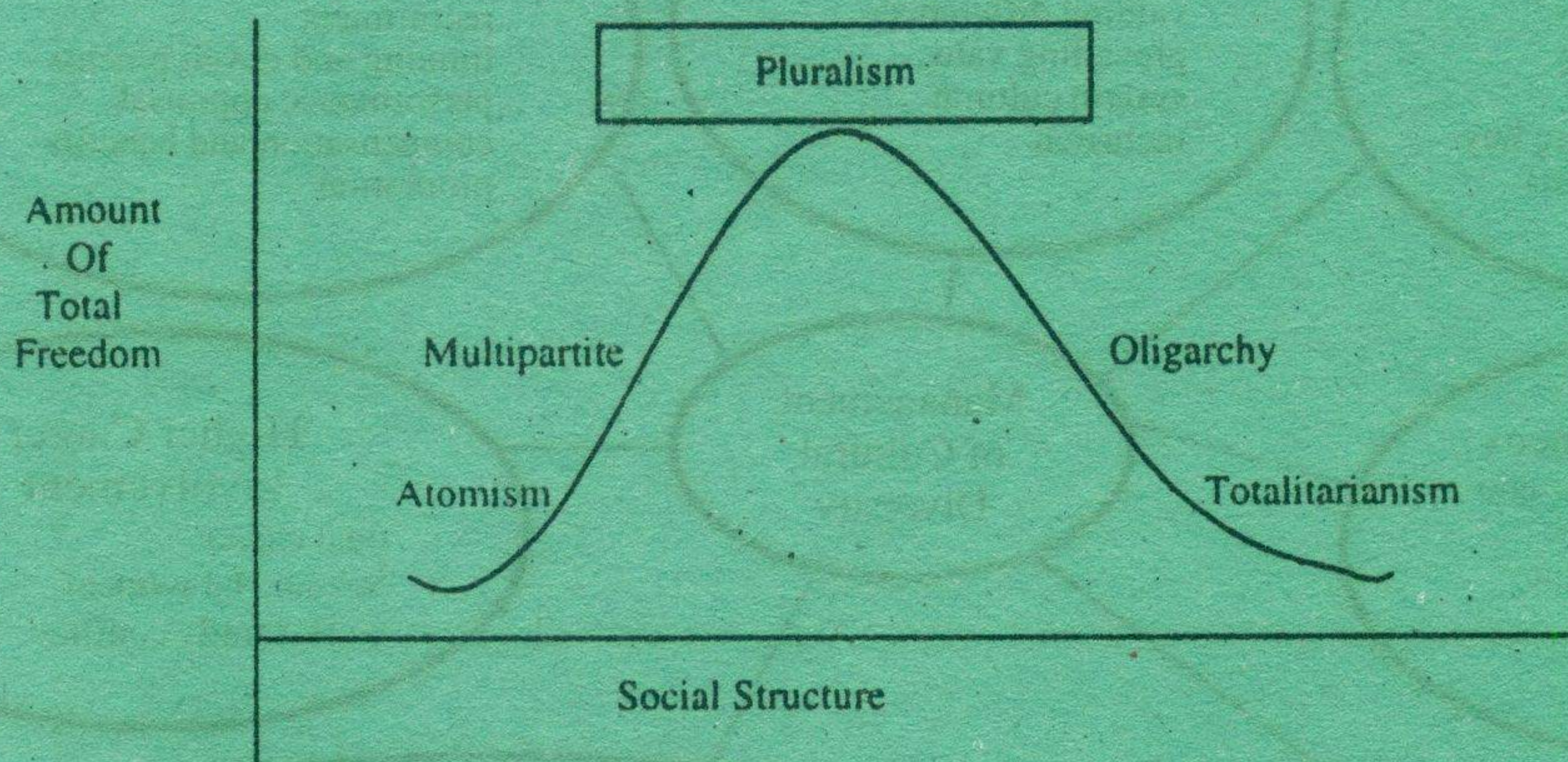


Figure-3.B: Showing Level of Freedom in Different Social Structure

Working within a pluralistic society has several implications for business. **First**, business power is kept in balance by various groups, such as environmental groups. **Second**, business interests can be expressed by joining groups such as the Chamber of Commerce. **Third**, business participates in projects with other responsible groups for the purpose of bettering society; an example is working toward the renewal of inner cities. **Fourth**, in a pluralistic society there can be conflict or agreement among groups. **Finally**, in such a society one group is quite aware of what other groups are doing.

3.3 Interest Groups before and after Pluralism

The figure as the triangle shows smaller number of interest groups before the emergence of pluralism. Then there were only three directly involved parties: investors, customers and employees.

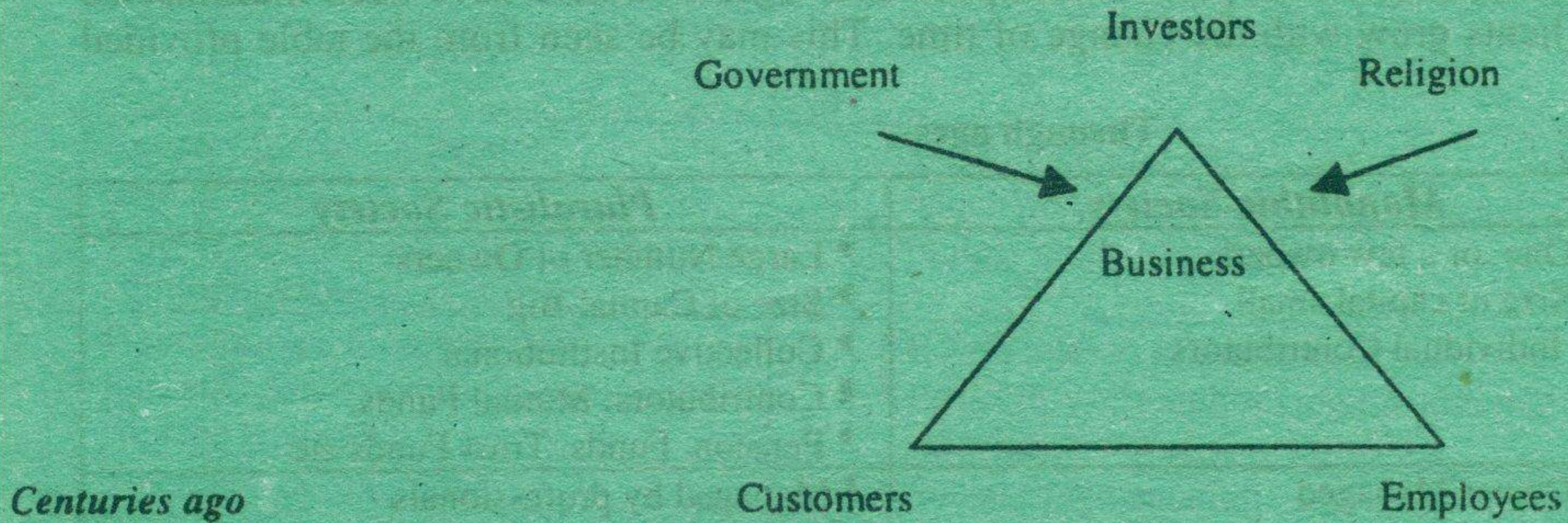


Figure-3.C: Showing Interest Groups Centuries Ago

Figure presented below shows the interplay of various interest groups in business. This involvement of multiple interest group is known as pluralism. During the last two centuries, revolutions in science, education, productivity, and culture development in a way that expanded institutions and interest groups until the social system became significantly more complicated. Each group in the system developed its own specialized activity, which then had to be integrated with other activities to make the system function effectively. Many of these groups are active participants in the business environment as shown in figure presented below, which is more complex than figure shown earlier.

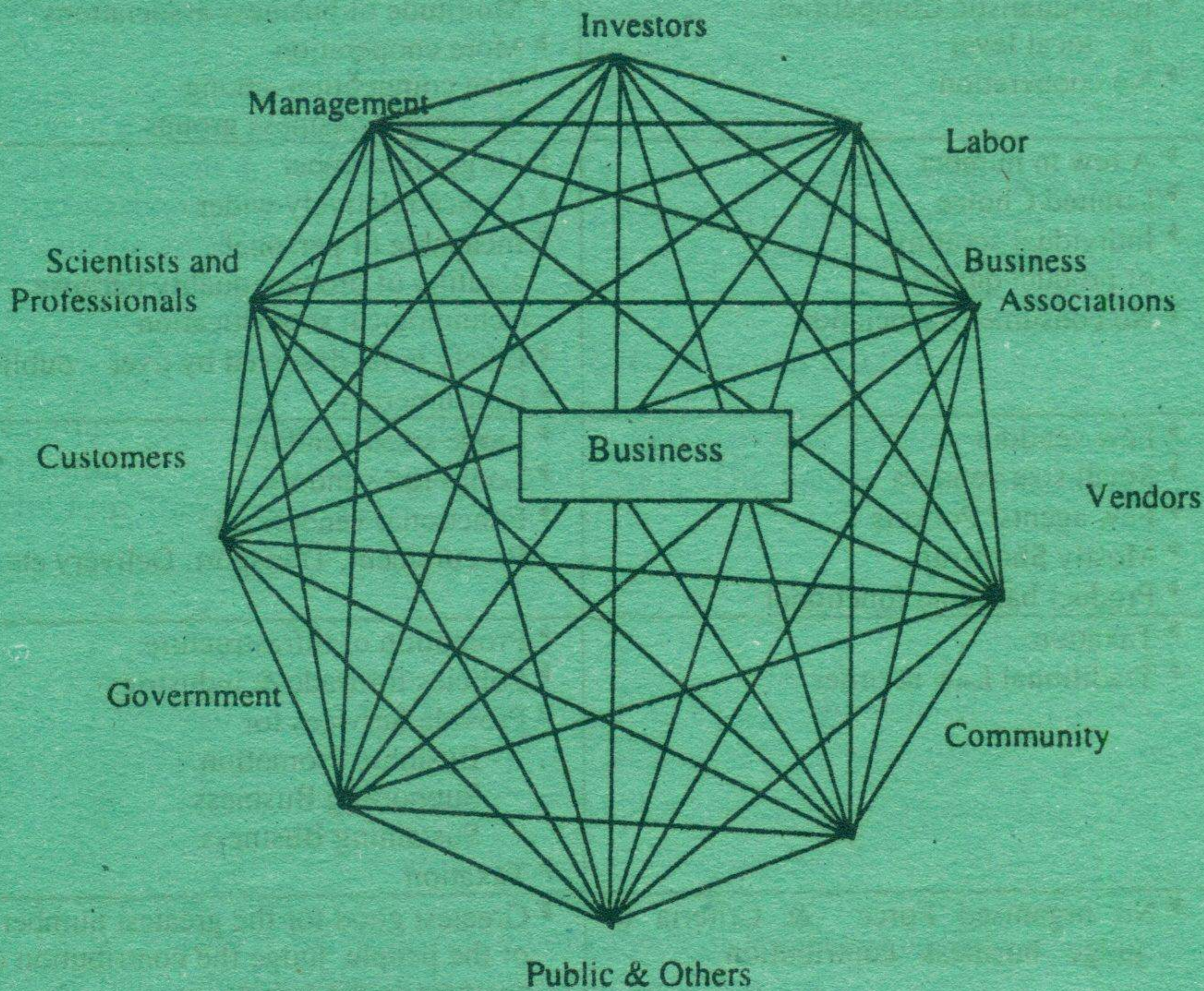


Figure-3.D: Showing Pluralism in Modern Age

3.4 The Changing Role of Business Clients

Before emergence of pluralism the society was monolithic in character and interest groups were smaller in number besides the needs and expectations of them were simple. But in pluralism not only the number of the clients and interest - parties multiplies over ages but there have been multifaceted expectations of these clients grew with the change of time. This may be seen from the table provided as under:

Through ages

<i>Clients</i>	<i>Monolithic Society</i>	<i>Pluralistic Society</i>
Owners	<ul style="list-style-type: none"> ▶ One or a few owners ▶ Size of capital small ▶ Individual Contributors 	<ul style="list-style-type: none"> ▶ Large Number of Owners ▶ Size of Capital Big ▶ Collective Institutional ▶ Contributors: Mutual Funds, ▶ Pension Funds, Trust Funds etc.
Management	<ul style="list-style-type: none"> ▶ Owner Managed 	<ul style="list-style-type: none"> ▶ Managed by professionals like managerial cadres, managing agents, Consultants, etc.
Labor Relations	<ul style="list-style-type: none"> ▶ Individualistic ▶ Owner- labor 	<ul style="list-style-type: none"> ▶ Owner Remote ▶ Unions ▶ Union- Management ▶ Personnel Management
Professionals	<ul style="list-style-type: none"> ▶ Skill & Common Sense 	<ul style="list-style-type: none"> ▶ Researchers, ▶ Innovators, Intellectual, output, ▶ Technologists , etc.
Business Associations	<ul style="list-style-type: none"> ▶ Individualistic Competition at local level ▶ No cooperation 	<ul style="list-style-type: none"> ▶ Multitude of business associations ▶ More cooperation than competition among the similar business groups
Customers	<ul style="list-style-type: none"> ▶ A few in number ▶ Limited Choice ▶ Individual scrutiny of product quality ▶ No consumer Association 	<ul style="list-style-type: none"> ▶ Larger in number ▶ Choice relatively wider ▶ Incapable of personal scrutiny of product quality because of technological sophistication ▶ Likely to be deceived by over publicity ▶ Consumerism
Vendors	<ul style="list-style-type: none"> ▶ Few vendors ▶ Small size vendors ▶ Few agents/ Pockets ▶ Mostly Short-run ▶ Product based no functional 	<ul style="list-style-type: none"> ▶ Large sized vendors ▶ Long- run vendors ▶ Functional vendors i.e.: Procurement, Transport, Delivery etc.
Government & Community	<ul style="list-style-type: none"> ▶ Taxation ▶ Traditional Law & order 	<ul style="list-style-type: none"> ▶ Promotion of infrastructure ▶ Policies for trade & industries ▶ Provide Services for <ul style="list-style-type: none"> - Business Promotion - Supporting Business - Sustaining Business ▶ Taxation
	<ul style="list-style-type: none"> ▶ No organised Force & Criteria to judge business contribution 	<ul style="list-style-type: none"> ▶ Greatest good for the greatest number of the people judge the contribution of the business in the society.

3.5 Strengths and Weaknesses of Pluralism

As stated earlier, pluralism is the need of the hour, came into existence to suit the multidimensional business directions. Pluralism has a number of strong points in favor of its popularity but it is not proved to be an unmixed blessing, it has some weaknesses as well. These may be seen :

Sl. No	Strengths	Sl. No	Weaknesses
1	<ul style="list-style-type: none"> ▶ Support for Social freedom ▶ Social control ▶ Allows freedom as well as pressure through claims 	1	<ul style="list-style-type: none"> ▶ Lack of Central Direction ▶ Much preoccupied & pet projects and short-rang goals [unless guided by the Govt.]
2	<ul style="list-style-type: none"> ▶ Opportunities for leadership ▶ Larger Business houses, wider scope to take leadership 	2	<ul style="list-style-type: none"> ▶ Power instead of Service ▶ Possibility of emphasizing institutional power instead of service.
3	<ul style="list-style-type: none"> ▶ Tolerance of other ideas ▶ More understanding among variety of interest group 	3	<ul style="list-style-type: none"> ▶ Social Fragmentation ▶ Overlapping of goals ▶ Too many organization would reduce progress ▶ Red tapism ▶ Too many complicate business environment. ▶ Competition among too many leads to unhealthy atmosphere.
4	<ul style="list-style-type: none"> ▶ Improved social decision ▶ Larger inputs for better decision ▶ Creative and innovative ideas generate ▶ Continuous social renewal 	4	<ul style="list-style-type: none"> ▶ Elitism ▶ More technological improvement focus more complexity ▶ Develop an elitist detachment from those who know less ▶ Reversal of democratic basis of organization ▶ No individual but unionism, minority groups association etc.
5	<ul style="list-style-type: none"> ▶ Satisfaction of different human needs ▶ Widely different needs are to be made by the organizations. ▶ Compromising to go ahead 	5	<ul style="list-style-type: none"> ▶ Focus of conflict ▶ Conflicts occur while struggling to realize the goals and expectation of individual groups. ▶ One group attempts to dominants other competing group.

3.6 Levels of Ethical Questions in Business

Level of ethical questions in business differ from one party to another. Ethical interactions in a business organization primarily take place in four levels. The nature of expectations are found to be different in each of the four levels. The four levels are:

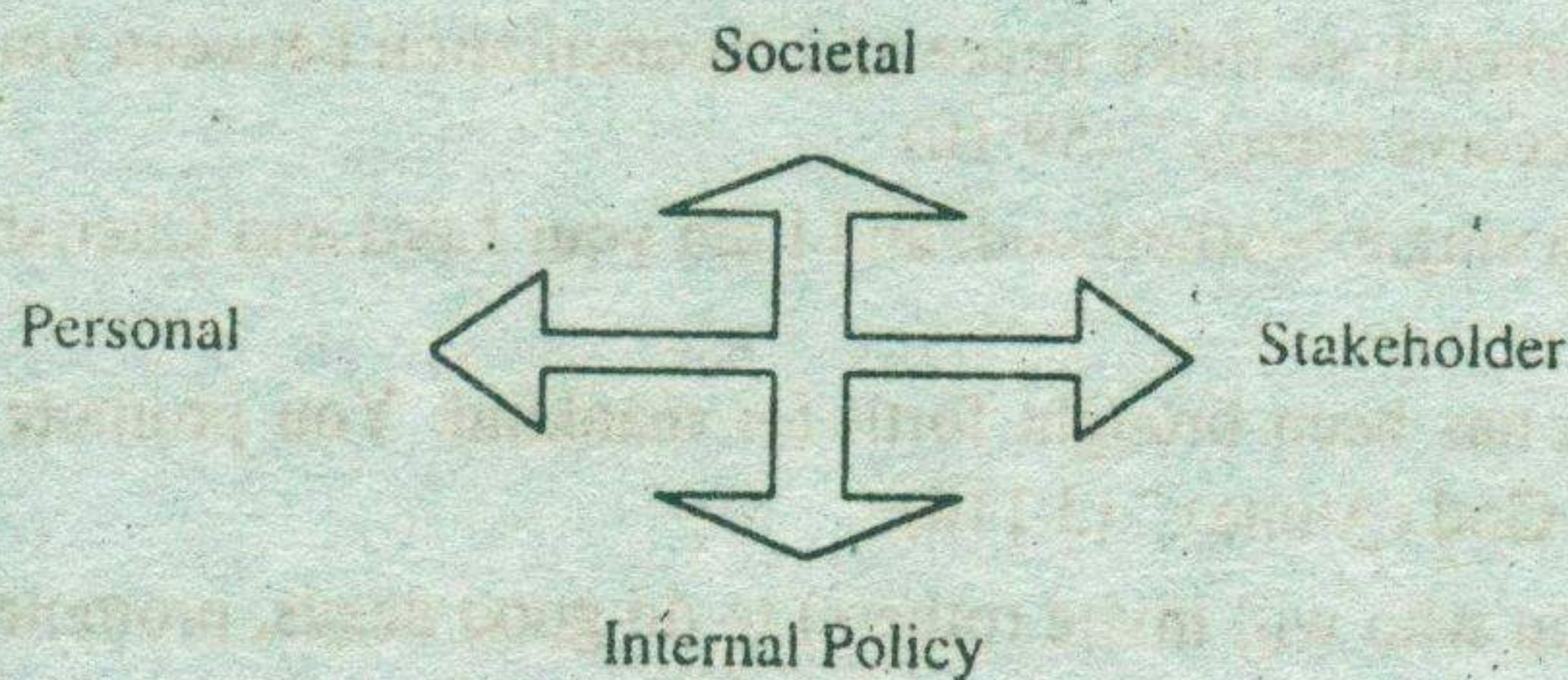


Figure – 3.E: Showing Four Levels of Ethical Questions

In each of the above mentioned level nature of ethical questions are :

- [I] **Societal Level:** At this level, the rights, justice & equity of the people who are not directly connected with the company are considered as members of a group. Such relationship changes over time facing a complex set of issues: political, economic & social dynamics. Acceptability of the rigors of different economic systems mechanisms and discriminatory treatments among social individuals as regards status & wealth should not exceed tolerable limit. Societal – level questions usually represent an ongoing debate among major competing institutions.
- [ii] **Stakeholder Level:** The second kind of ethical questions concerns stakeholders----- suppliers, customers, shareholders, and the rest. Here questions arise about how a company should deal with the external groups affected by its decisions, as well as how the stakeholders should deal with the company.
- [iii] **Internal Policy Level:** A third category of ethics might be called "internal policy". Relations of employees with the managers—their rights, duties & obligations work rules, motivation, and leadership, etc form the basis of such level of ethical concern.
- [iv] **Personal Level:** Inter personal treatment in the organization covers this level. The basis of such ethics entail the treatment of relationship among boss- subordinate, employees, and peers. The two important questions to be looked into are: Do we have the right to look at other people primarily as means to our ends? Can we avoid doing so?

3.7 Islam & Pluralism

Islam recognizes the needs and expectations of all the living beings, not to speak of man alone. It also doesn't confine religious and other permissible economic activities in an individuals [as in the case of hindus] in a group, in a family or even in a country. Physiological needs should be taken care of all the human beings irrespective of their country of origin. The recognition given to pluralism in Islam can be seen :

Quranic Guidelines

1. Thus have we made of you an ummah justly balanced that you might be *witnesses over the nations* and the Apostle a witness over yourself. *Al- baquarah 2 (143)*
2. Those who hearken to their Lord ; and establish regular prayer; who[conduct] their affairs by mutual consultation , who spend out of what we bestow on them for sustenance. *Ash- Shura 42 (38)*
3. "O Mankind! We created you from single (pair) of a male and a female, and made you into nations and tribes, that ye may know each other. (Not that ye may despise each other). Verily the most honored of you in the sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge and is well acquainted (with all things)." (49:13)
4. "The believers are but a single brotherhood, so make peace and reconciliation between you two (contending) brothers, and fear Allah that ye may receive mercy." (59:10)
5. "Verily, this brotherhood of yours is a single brotherhood, and I am your Lord and Cherisher; therefore serve me (and no other)." (21:92)
6. "You are the best community which has been brought forth for mankind. You promote what is good and forbid what is evil and you believe in God (Alone)." (3:110)
7. "Let there be a Community among you who will invite (others) to do good deeds, promote what is good, and forbid what is evil; those will be prosperous. Do not be like those who split up in disagreement after explanations had come to them; those will have awful torment! (3:104-105)

8. Verily we have honored the children of Adam. We carry them on the Land and the sea and have made provision of good things for them and preferred them above many of those who we created with a marked preferment. (42:38)
9. "But seek, with the (wealth) which Allah has bestowed on you, the home of the hereafter. Nor forget thy position in this world, but do good as God as been good to you and seek not occasions for mischief in the land, for God loves not those who do mischief. (28:7)

Guidelines from Hadith

1. You are not better than people with red or black skins unless you excel them in piety [Mishkat]
2. The excellent sadakah consists in your satisfying a hungry stomach [Miskhat]
3. Allah's Messenger (peace be upon him) forbade (the animals to be beaten) on the face or cauterization on the face. [Discourages cruelty and suggested mood of punishment], Jabir ibn Abd Allah, Muslim. 5281

Pluralism is for the welfare of mankind. Islamic Shariah hinted the same in both the Quran revealed by Allah and the hadiths provided by the messenger of Allah [PBUH]. Islamic Shariah hints:

- [i] Mankind is from one and the same source but Allah has spread us willfully in a planned way in different countries and in different races so that we can benefit from each other. Allah says, is not by on accident but He made the same by measure as a planned *hekmat*, a strategy for the benefit of making transactions among the regions and races.
- [ii] Diversity & variations speak of the tawhid – unity of Allah in diversity. He the Lord of the Universe planted this secret in two Ps, i.e. persons & places. Some persons and places are surplus while another group are in deficit. Surplus Ps would have been frustrated to see their excess produces & skills getting destroyed as they can not use those. On the otherhand deficit two Ps would suffer from non use and malnutrition – low standard for non-availability & shortage.
- [iii] Place variations are like land, sea, forest, desert etc. But this variations of places does not itself make transactions necessary but the people who stay or move or use these places are important. Here again we find that Allah has made the whole universe for the mankind, the best of the creatures.
- [iv] Variations caused by people is important. And He the Lord of mankind always witnesses the actions between and among them. And He commands that the actions, business or otherwise must be performed without any discrimination but must be fair & just – may be benevolent where applicable. These variations are usually seen :

[a] Buyer & sellers	[g] Olds & young's connected with business
[b] Employers & employees/ workers	[h] Actives & invalids connected with business
[c] Competitors & competitors	[i] Lenders & borrowers
[d] Males & females connected with business	[j] Suppliers of goods/ services & manufacturers/others
[e] Whites & blacks connected with business	[k] Labour unions / associations & employers
[f] Middlemen & retailers or consumers	[l] Between others
- [v] Allah wants transactions between the above must be performed for mutual benefits
- [vi] Decisions with regard to a transaction be done on consultation in order to maintain mutuality.
- [vii] The persons involved must ensure distributive justice -poor have a claim on those who have, the rich to look after the basic needs of the people in the society, may be voluntary. Human race is like a single body, one part if hurt other parts get the pains—thus the basic needs of the poors need be taken care of by those who have.

3.8 Summing Up

- i. Importance of diversified culture in the management of a business firm can best be exemplified by contrasting one country to another. Management of business organizations are now a days grappling with how to make their corporate culture more in tune with the issues of multiculturalism of the employees, customers and other related parties.
- ii. There are many claimants on the organization, and they have divergent goals. It is the task of the manager to integrate their aims in a balanced way.
- iii. The four levels of ethical questions to be looked into are: [i] Societal [ii] Stakeholder [iii] Internal Policy, and [iv] Personal matters
- iv. Islamic Shariah approves pluralism as a planned strategy of the creation of mankind by the Almighty Allah. Pluralism through which different interest groups come in contact with each other as one set requires the services of the other and vice versa in order to meet their objectives. As such, Shariah suggests fair, just and benevolent treatment to each that prove to be mutually beneficial to all of them as they are all interdependent.

Model Questions

Broad Questions

1. Supply the arguments for managing cultural diversity. How management of cultural diversity is related with organizational success?
2. How pluralism applies to business? What are its implications in business?
3. How economic, social, political and legal environment effects ethical issues?
4. Interest Groups are different centuries ago and men – do you agree with the statement. Explain.
5. Describe the changing role of business clients.
6. Explain strength and weakness of pluralism.
7. What are the four levels of ethical functions – Explain.
8. Why is our society characterized by “ethical pluralism” ? Describe the several components of our ethical system

Short Questions

1. State the idea of cost argument.
2. Sketch the relationship of freedom to social structure.
3. What technological environment do you have?
4. Why the environmental forces are so complex?
5. How does Islam support pluralism?

Chapter : 4

Social Responsibility of Business

4.1	Definitions of Social Responsibility	4.9	Arguments for and against Social Responsibility
4.2	The Recent Views	9.10	Government-Business Influences
4.3	Legal Measures for Social Responsibility	4.11	Managing Social Responsibility
4.4	Expectation to and from Business & Society	4.12	Evaluating Social Responsibility
4.5	The Community Expectations from and to the Business	4.13	Social Responsibility As An Investment
4.6	The Economic Model for Social Responsibility	4.14	Social responsibility of Business in Islam
4.7	Focus of Change of Dimensions	4.15	Check list of Wide Range of Social Responsibility in Business
4.8	Historical Process of the Development of Social Responsibility	4.16	Summing Up

Social Responsibility of Business refers to management decisions and actions taken for reasons at least partially beyond the organization's direct economic or technical interest. The concept of social responsibility is merely in growing stage towards social effectiveness of business. It is the philosophy which justifies business involvement in its social community. The simple fact is that business is a major social institution, and as such it is importantly involved in social values. In the operation of pluralism many groups influence business, and, in turn, business influences them.

Society's expectations of business are increasing dramatically – perhaps excessively. Society expects that business which enters a community will make it better. Business leaders, in order to perform their new role effectively need to develop value systems that recognize responsibilities to claimants other than stockholders.

4.1 Definitions of Social Responsibility

- 1. Bowen H R , “ Social Responsibility of Businessmen”, 1953**
It is the “obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of society”.
- 2. Davis Keith, “ Can Business afford to Ignore Social Responsibilities?” 1960**
Social Responsibility is defined as, “ Management decisions and actions taken for reasons at least partially beyond the organisation's direct economic or technical interest.”
- 3. Griffin RW, “Management”, 1997**
“Social Responsibility is the set of obligations an organisation has to protect and enhance the society in which it functions”.
- 4. Stoner JAF & Others, “Management”, 1996**
“Corporate social responsibility focuses on what an organisation does that affects the society in which it exists”

5. **Paluszek J L , " Business and Society: 1976—2000" ,1976**
"Corporate social responsibility is seriously considering the impact of the company's actions on society"
6. **Wehrich H & Koontz H , " Management: A global Perspective" , 1994**
Social responsibility is very similar to social responsiveness which means, " the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to society"
7. **Monsen R J , " Business and the Changing Environment" , 1973**
"The socially responsible firm is one that is responsive to [even anticipates] the demands of society, not only economic ones, but social and environmental ones as well"
8. **Skinner S J & Ivancevich J M, " Business: For The 21st Century" , 1992**
"Social responsibility is the awareness that business activities have an impact on society, and the consideration of that impact by firms in decision making. A socially responsible firm makes deliberate, regular efforts to increase its positive impact on society while reducing its negative impact"
9. **Scaletta P J & Cameron G D, " Foundations of Business Law" , 1990.**
"Corporate social responsibility means doing more than is legally required. It means that the social impact of a business decision must be considered as well as the more immediate financial results."
10. **British Institute of Management, 1976.**
".....Define the socially responsible company as one which anticipates public expectations and plans to meet them before public criticism is focused on it, by balancing the interests of other sectors of society with its own, in making decisions"
11. **Woodman J M & Kverndal. "Towards Social Responsibility" , 1976**
"Social responsibility implies the admission of acceptable behavior, in other words, of being answerable to the society."
12. **Hargreaves, B J A , "Policy for Responsibility" , 1975**
Stated as " the interaction between the business & other forces in society"
13. **Hargreaves, B J A, & Dauman J, "Business Survival and Social Change, a Practical Guide to Responsibility and Partnership" , 1975.**
"The definition of corporate responsibility has two parts:
[I] The responsibility to plan and manage an organisation's relationships with those involved in or affected by its activities, or who can affect the ability of that organisation to operate effectively.
[ii] The planned and managed response of an organisation to social and political change"
14. **Report of the Study Group on the, "Social Responsibilities of Business" [Chairman: Mukherjee], Delhi, 1969.**
"Social responsibilities emphasised , " in addition to making a fair and adequate return on capital, business must be just and human as well as efficient and dynamic"
15. **Davis K & Blomstrom R L , " Business And Society: Environment and Responsibility" , 1975.**
[I] Social responsibility is defined as, " the relationship of business with the social system outside its own formal organisation"
[ii] Social Responsibility is that "[Business] decision makers are obliged to take actions which protect and improve the welfare of society as a whole along with their own interests"

4.2 The Recent Views

For the recent a few decades, society has developed the attitude that corporations must react to problems created by or from the consequences of their own actions. This attitude has supported the idea that corporations should be proactive, that they should respond to a wide range of social problems because they have the expertise and power to do so.

The current debate on the "social responsibility of business" is not concerned with obligatory behavior; business must be law-abiding. The debate seldom is couched in terms of reactive behavior, that business should be responsible for its actions. Rather, the concern is with socially responsive behavior, and the debate turns on two points: (1) one's view of the role of corporations in society, and (2) one's view of managerial ethics.

Two views of the role of corporations in society described here are irreconcilable. Both reflect extreme viewpoints.

The *traditional corporation* is an instrument of a single group – the shareholders – and has one clear-cut purpose: to conduct business for profit. The prior claim of the stockholders on earnings after taxes is unquestioned, and management does not have to balance interests in distributing the earnings. This traditional view recognizes only legal social responsibilities and leaves public interests to the care of the state. This view of the corporation emphasizes social obligations. A position somewhere between the extremes of the traditional corporation and the metrocorporation will take into account public expectations, yet will not infringe on management's responsibilities to the stockholder. This viewpoint upholds a concept called *the well-tempered corporation*. Proponents of this view maintain that stockholders' claims are more likely to be met if a firm develops a position as a socially responsible organization. But the definition of a socially responsible firm changes as rapidly as the values of our society do.

The interest-groups i.e. investors, stock/shareholders, employees, customers, competitors, creditors, bankers, local community, trade associations, governments, tax authorities, educational institutions, charitable organizations, social bodies like clubs, worship places, international organisations [financial or otherwise] courts and the like are often directly or indirectly benefited or affected by the corporations.

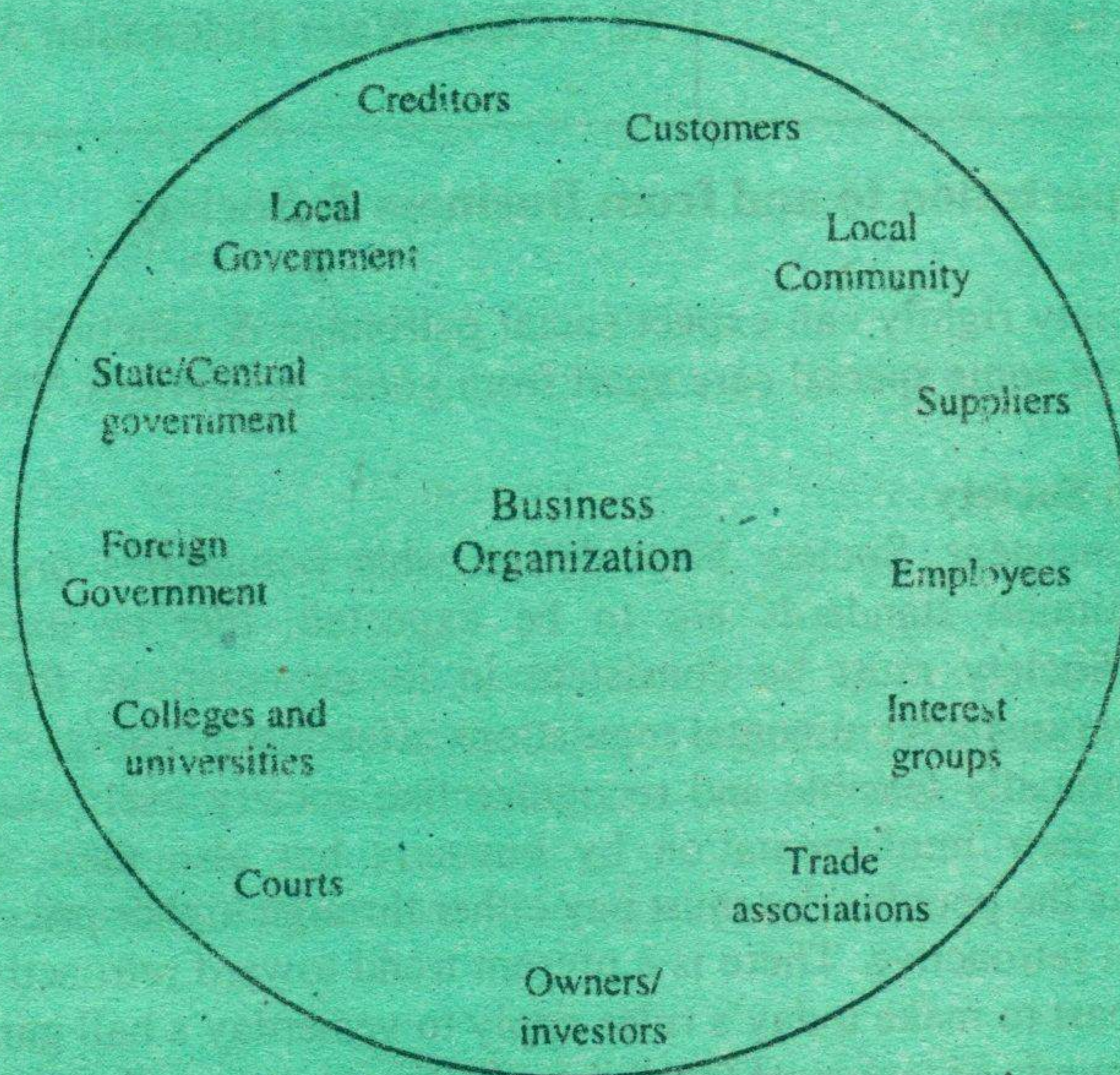


Figure-4.A: Showing Interest Groups in a Business Organization

The following statement is a realistic response to the question, "What is a socially responsible firm?" The answer to this question will change and eventually must be answered by society itself. It may be best to define the socially responsible firm as one that anticipates what the public will expect from it and attempts meet these demands before the public focuses its criticism upon it. In a nutshell, the socially responsible firm is one that is responsive to (even anticipates) the demands of society, not only economic ones, but social and environmental one as well.

The emerging view of the corporation in society emphasizes anticipation and responsiveness rather than obligation and reaction. Society expects corporations to take an active role in solving a range of problems seemingly unrelated to their primary missions.

4.3 Legal Measures for Social Responsibility

Identifying the overemphasis of business for profit ignoring reasonable claims of the stakeholder, government from time to time enacting a number of Acts, Ordinances etc formulated legal framework in order to ensure reasonable amount of social responsibility of business [SRB]. Some of the examples of such legal enactments are the following:

1. Laws which place a floor under wages and a ceiling over the hours worked per week.	10. Automobile Information Disclosure Act.
2. The Social Security Act and Medicare.	11. Food and Cosmetic Act.
3. Laws that require management to bargain with its employees on wages and hours.	12. Fair Credit Reporting Act.
4. The Civil Rights Act.	13. Flammable Fabrics Act.
5. The Manpower Development and Training Act.	14. Trade Commission Act.
6. Workmen's Compensation	15. Environmental Protection Acts. and
7. Safety Device Requirement.	16. Energy and Power Generatory Act.
8. Product Leveling and Packaging	17. Rivers and Harbors Act.
9. Child Protection Act	18. Oil Pollution Act.
	19. Water Pollution and Quality Act.
	20. Clean Water Restoration Act.

4.4 Expectation to and from Business & Society

Business as a citizen of the society rightly can expect social patronage & sanction in return to which the society can also claim to have some special care apart from goods & services. This may be gauged as under:

A. Expectations of Business to Society

1. Set rules are clear and consistent. Society must define what boundaries organizations should operate within; what minimum standards are to be expected, met or exceeded; what the performance criteria are. Society must be consistent in its expectations for corporate social responsibility through the various governmental regulations affecting this area.
2. Make sure rules are economically feasible and recognize that society itself must be prepared to pay the cost—not only of their implementation by business but also their administration by government. Ultimately, it is the people who must pay either through higher prices or taxes.
3. Make rules prescriptive, not retroactive. There is a present trend toward retroactivity in an attempt to force retribution for the past to make today's rules apply to yesterday's ball game.
4. Keep the rules within the bounds of technical feasibility. Business cannot do the impossible. However, many of today's regulations are unworkable in practice. Overzealous environmental restrictions have, on occasions, decreed standards surpassing those of Mother Nature.
5. Make rules goal seeking, not procedure prescribing. Tell organizations what to do, not how to do it. Level it to American industrial ingenuity to devise the best, most economical, and efficient way to get there.

B. Expectations of Society to Business

1. Society deserves that goods and services thus provided by the business should make available to the people at declared quality and standard.
2. Goods and services thus provided by the business should be made available to the people at reasonable price.

3. Society desires that business as their inputs will buy raw materials from the society at reasonable price.
4. Society desires that natural resources will be rationally used over times not exploit them hurriedly to deprive the future generation.
5. Society desires that business employ their unemployed persons in exchange of fair wages and healthy working conditions.
6. Society wants business should make available goods and services either through production or through transfer from outside.
7. Society desires that business as an organization and the employee of the business must not be involved in antisocial activities which may pollute the social climate.
8. Society desires that resources available in the society will be used by the business in such a way that will raise the income and living standard of the society.
9. Society desires that business should conducts their operations and keep the environmental pollution to the minimum.
10. Society desires that business should participate and bear a part of the cost of controlling environmental pollutions and minimizing ill effects caused by environmental pollution.
11. Society desires that business should develop social audit for organizational appraisal and provide feedback to them.
12. Society desires that business will make available newer technologies either through innovation or through imports from outside.
13. Society desires that business should behave like a good citizen and should recognized in its decision-making the interest of the society in general.
14. Society desires that business should be responsive to the opinions of the informed section of the society.
15. Society desires that business should pay proper regard to the environmental and social consequences of business activity i.e. pollution, product obsolescence, harmful packaging, dumping wastage over exhaustion.
16. Society desires that business should upheld the interest of the society as regards health, hygiene, safety and efficiency over short term objective of enhancing profitability.
17. Society desires that business should maintains non-discriminatory employment policies.
18. Society desires that business should recognize the importance of esthetic values in the design and appearance of its factories, offices and in its use of land including avoidance of dirt, ugliness and dereliction.

4.5 The Community Expectations from and to the Business

Community is relatively of narrower coverage compared to society. As such, their are some interaction of expectations between the community & the business. These may be gauged as under:

Community Expectations from Business	Business Expectations from the Community
1. Support of air and water pollution control Service responsibility for products sold to local consumers	1. Adequate public services such as police and fire protection, and sewage, water, and electric services
2. Support of artistic and cultural activities	2. A fair and open public press
3. Employment and advancement for minorities and women	3. A cultural and educational environment which supports a balanced quality of life for employees

Community Expectations from Business	Business Expectations from the Community
4. Assistance in urban planning and development	4. Taxes which are equitable and do not discriminate for or against business
5. Assistance for handicapped and other disadvantaged persons.	5. Open acceptance of business participation in community affairs
6. Support of local health care program	6. An adequate transportation system to business areas (for example, streets and public transportation)
7. Donation of equipment to local school system	7. Public officials, customers, and citizens who are fair and honest in their involvement with the organization.
8. Support of local bond issues for public improvements	
9. Aid to community hospital drive	
10. Support of local program for recycling to conserve scarce resources and prevent pollution	
11. Executive aid for local United Fund	
12. Company participation in "get out the vote" campaign.	

4.6 The Economic Model for Social Responsibility

The concept of corporate social responsibility grew out of the change from the predominantly economic model of business towards a broader socioeconomic model [Keith Davis and Others, 1980]. It placed primary emphasis on

- Production
- Exploitation of Resources
- Individual Interests
- A minor role for the government.

A General View of the Business in a Closed System

The Socio- Economic Model: It emphasizes on-

- ❖ The Overall Quality of Life
- ❖ Conservation of Resources
- ❖ Community Interests
- ❖ Active Government Involvement, and

An Open- Systems View of Business

Carroll A B [1979] notes the Four Types of expectations that the society has of business:

1. **Economic:** Must be effective in producing goods and services.
2. **Legal:** Business should fulfill its economic mission within the framework of legal requirements
3. **Ethical:** Fairness to customers and employees and honesty in its dealings are ethical responsibilities

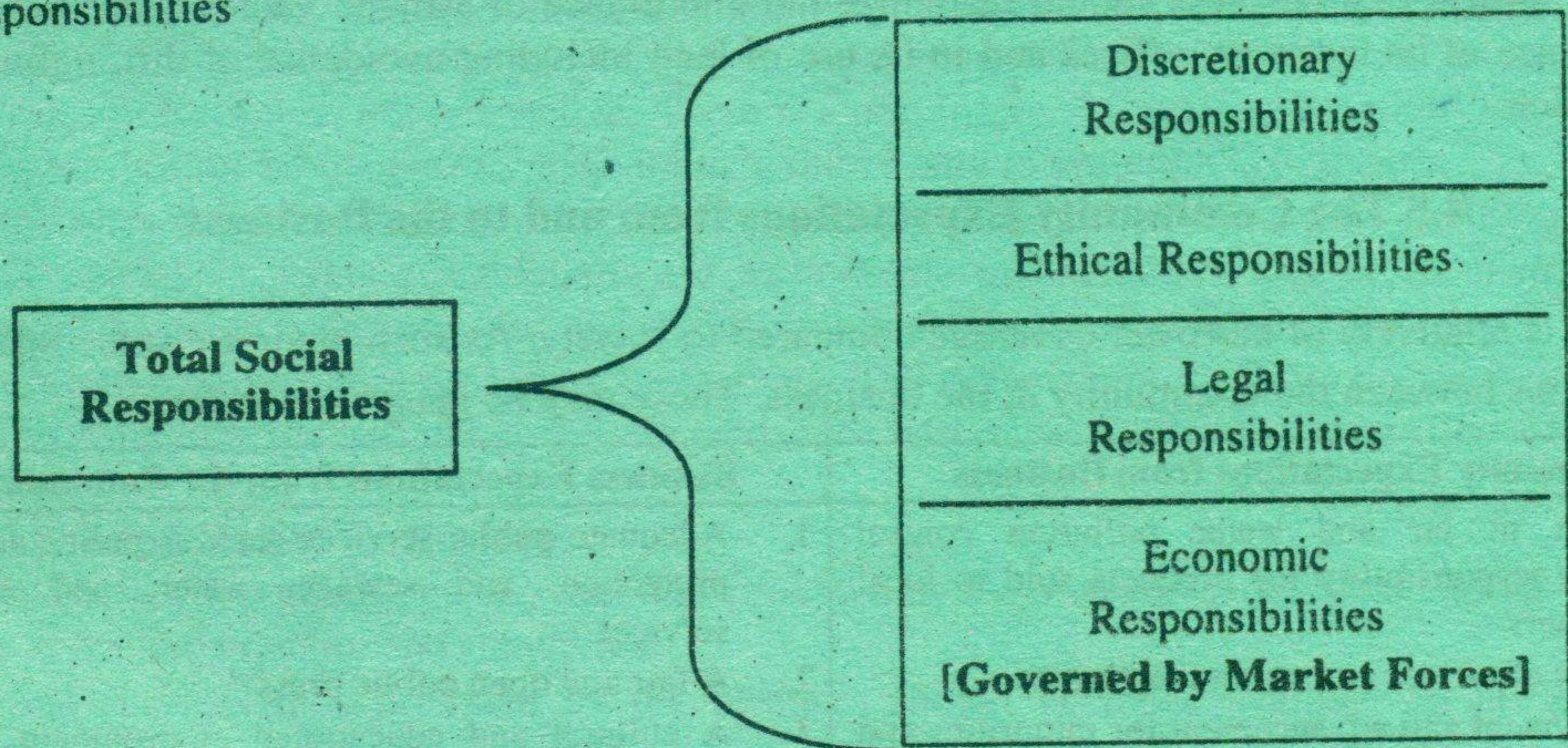


Figure-4.B: Showing Total Social Responsibility

4. **Discretionary:** Areas in which society desires business to assume some social responsibility.
- ❖ Providing training programs for the hardcore unemployed
 - ❖ Supporting community philanthropic programs
 - ❖ Helping to prevent and correct environmental degradations
 - ❖ Supporting urban renewal

4.7 Focus of Change of Dimensions

Dimension of Behavior	Stage One: Social Obligation	Stage Two: Social Responsibility	Stage Three: Social Responsiveness
Response to social pressures	Maintains low public profile, but if attacked, uses PR methods to upgrade its public image; denies any deficiencies; blames public dissatisfaction on ignorance or failure to understand corporate functions; discloses information only where legally required	Accepts responsibility for solving current problems; will admit deficiencies in former practices and attempt to persuade public that its current practices meet social norms; attitude toward critics conciliatory; freer information disclosures than stage one	Willingly discusses activities with outside groups; makes information freely available to public; accepts formal and informal inputs from outside groups in decision making; is willing to be publicly evaluated for its various activities
Philanthropy	Contributes only when direct benefit to it clearly shown; otherwise, views contributions as responsibility of individual employees	Contributes to noncontroversial and established causes; matches employee contributions	Activates of stage two. <i>plus</i> support and contributions to new, controversial groups whose needs it sees as unfulfilled and increasingly important

Source: Excerpted from S. Prakash Sethi, "A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response Patterns," *Academy of Management Journal* (January 1979): 68.

4.8 Historical Process of the Development of Social Responsibility

Social responsibility of business got changed over time. Management of the business about one hundred years ago was directed to profit maximization and paid very little attention to social responsibility. At the end of the first quarter of the nineteenth century the emergence of company style form of business brought separation of management from the ownership. Thus the management on behalf of the owners of corporate business worked as trustees of the share holders. At this stage in the process of earning profits for the owners management started paying attention to the expectation of the society. In the third quarter of the nineteenth century the rise of consumerism, recognition of trade unions and awareness for human rights made the parties-in-interests in business expressing greater concern for quality of life. Thus the process of social responsibility of business past on three stages that can be seen as under:

Phase I <i>Profit maximizing</i> Management [1800-1920s]	Phase II <i>Trusteeship</i> Management [late 1920s-early 1960s]	Phase III <i>Quality of life</i> Management [late 1960s-present]
1. Raw self-interest	1. Self-interest 2. Contributors' interest	1. Enlightened self-interest 2. Contributors' interest 3. Society's interests.

Social Values

<p>I am a rugged individualist, and I will manage my business as I please.</p> <p>Minority groups are inferior to whites. They must be treated accordingly.</p> <p>Employee personal problems must be left at home.</p>	<p>I am an individualist, but I recognize the values of group participation.</p> <p>We recognized that employees have needs beyond their economic needs.</p> <p>Minority groups have their place in society, and their place is inferior to mine.</p>	<p>Group participation is fundamental to our success.</p> <p>We hire the whole man</p> <p>Minority groups members are people as you and I are.</p>
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Economic values

<ul style="list-style-type: none"> ➤ What is good for me is good for my country. ➤ Profit maximizer. ➤ Let the buyer beware. [<i>caveat emptor</i>] ➤ Labor is a commodity to be bought and sold. ➤ Money and wealth are most important ➤ Accountability of management is to the owners. 	<ul style="list-style-type: none"> ➤ What's good for GM is good for our country ➤ Profit satisfiser ➤ Money is important, but so are people ➤ Let us not cheat the customers. ➤ Labor has certain rights which must be recognized ➤ Accountability of management is to the owners, customers, employees, suppliers and other contributors. 	<ul style="list-style-type: none"> ➤ What is good for society is good for our company. ➤ Profit is necessary, but..... ➤ People are more important than money. ➤ Let the seller beware [<i>caveat venditor</i>] ➤ Accountability of management is to the owners, contributors, and society. ➤ Employee dignity has to be satisfied.
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Technology Values

<ul style="list-style-type: none"> • Technology is very important 	<ul style="list-style-type: none"> • Technology is important but so are people. 	<ul style="list-style-type: none"> • People are more important than technology.
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Political Values

<ul style="list-style-type: none"> ↘ That government is best which govern the least. 	<ul style="list-style-type: none"> ↘ Government is a necessary evil. 	<ul style="list-style-type: none"> ↘ Business and government must co-operate to solve society's problems.
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Aesthetic Values

<ul style="list-style-type: none"> § Acsthetic values ? what are they? 	<ul style="list-style-type: none"> § Aesthetic values are okay, but not for us. 	<ul style="list-style-type: none"> § We must preserve of aesthetic values, and we will do our part.
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Environmental Values

<ul style="list-style-type: none"> ☛ The natural environment controls the destiny of man. 	<ul style="list-style-type: none"> ☛ Man can control and manipulate the environment. 	<ul style="list-style-type: none"> ☛ We must preserve the environment in order to lead a quality life.
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4.9 Arguments for and against Social Responsibility

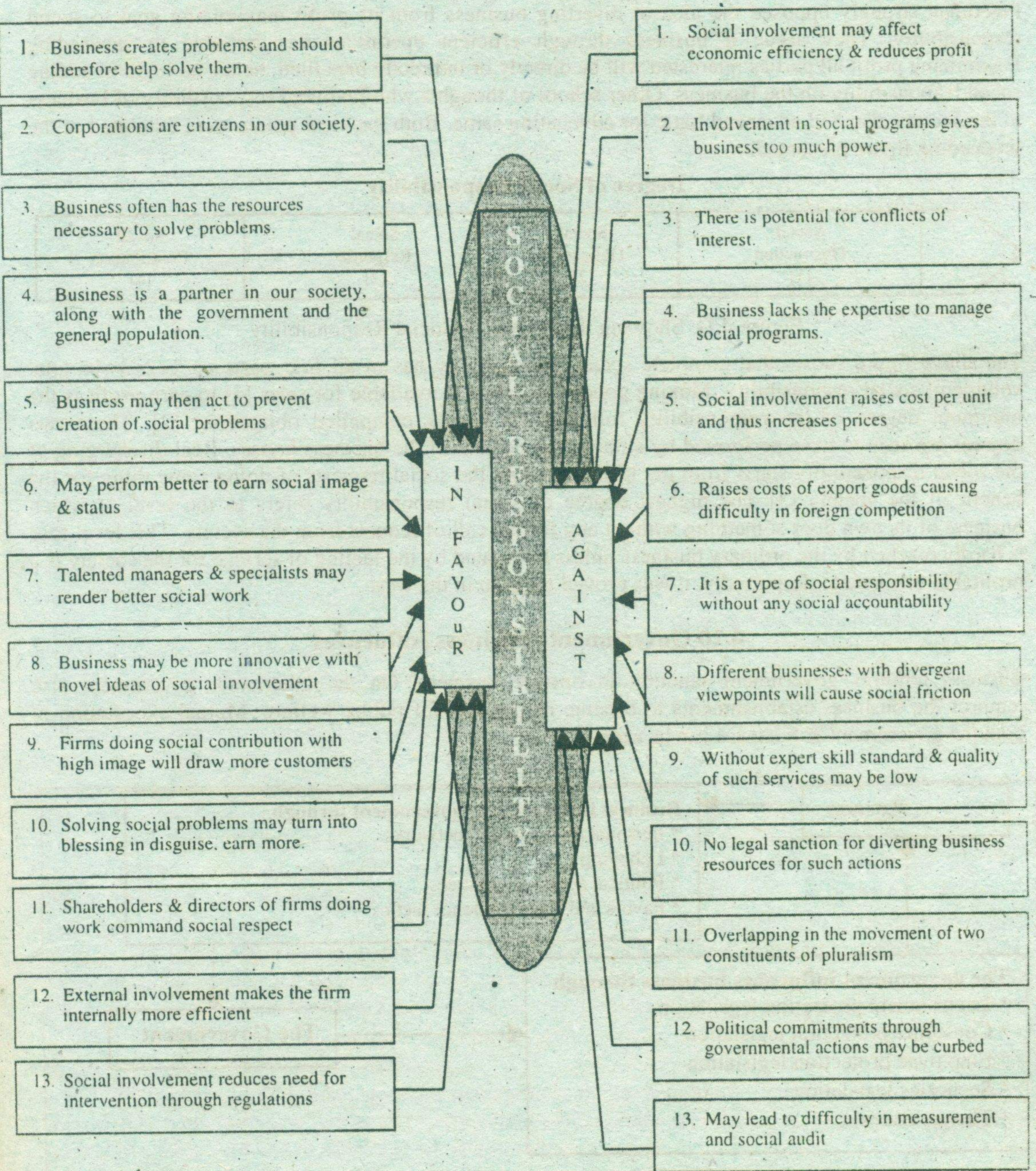


Figure-4.C : Showing Arguments for and against Social Responsibility

The aforesaid table contained points in favour and against discharging social responsibilities of business. It can be noted that quite a good number of economist and social scientists including Milton Freedman strongly opposed the idea of diverting business from its profit maximizing goal to social responsibility. They argue if business through efficient operations can be able to succeeding maximizing profit all parties interested will be directly or indirectly benefited, hence no logic of adding social responsibility on the business. Other school of thoughts who favoured responsibility of business to the society also had advanced logic for advocating same. Both the view points were exhibited in the proceeding figure presented.

Degree of Social Responsibility

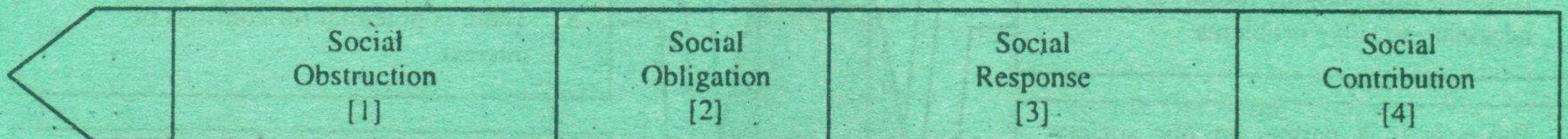


Figure-4.D: Showing the Degree of Social Responsibility

The above figure shows that complete social responsibility has in all four parts i.e $1+2+3+4=$ total volume of social responsibility. Making goods and services available for sales [1] to earn profit is the minimum degree of the responsibility followed by legally compelled obligations [2]. These two degrees are seen to have performed by almost cent percent of the business houses. Real discharging of the social responsibility starts from the level attending the social requests of doing some thing for the benefit of the society [3] The highest degree of social responsibility refers to the level at which business of its own does something without any formal call of request from the society. This level four is hardly reached by the ordinary business unless motivated by the feeling of service for the society is a profitable investment. Reportedly, it was proved to be so in the west.

4.10 Government- Business Influences

Business requires government sanction to operate business. On the otherhand, government also requires the business establishments to execute its policies for public welfare. Mutual expectation of both the government & business can be seen:

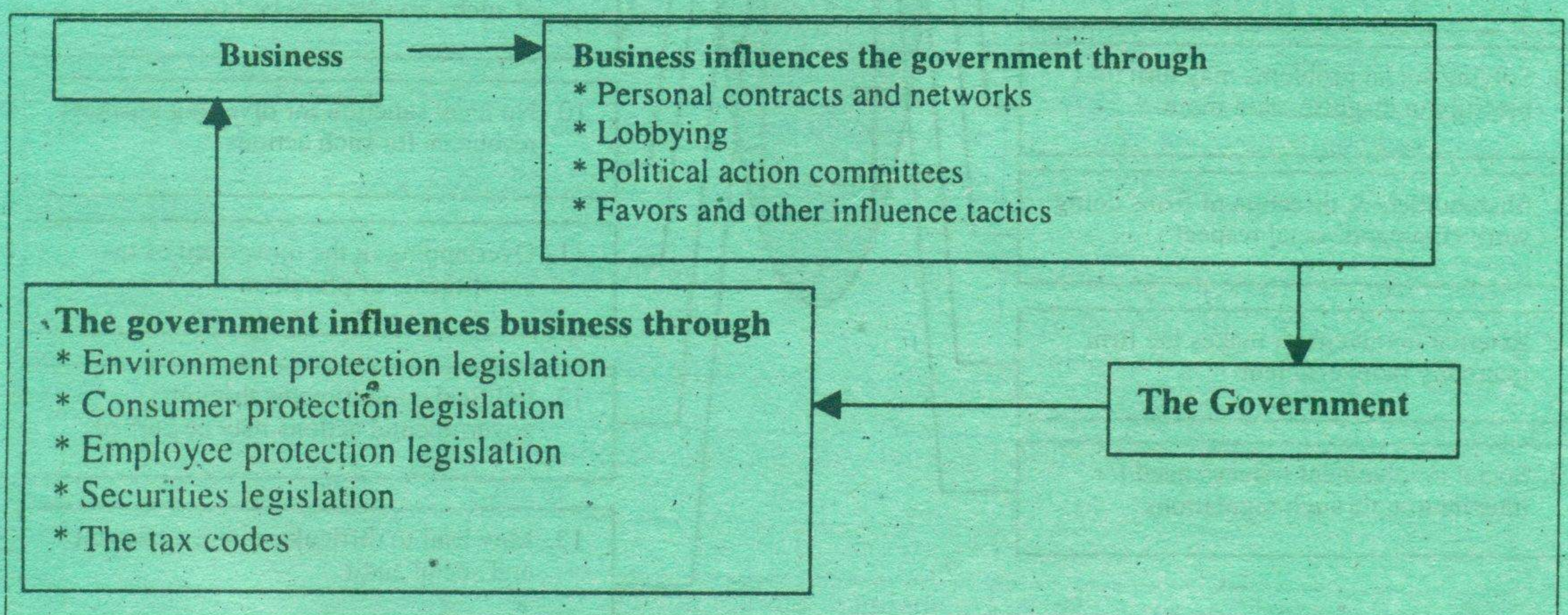


Figure-4. E: Showing Government- Business Influences

4.11 Managing Social Responsibility

The demands for social responsibility placed on contemporary organizations by an increasingly sophisticated and educated public are probably stronger than ever. As we have seen, there are pitfalls for managers who fail to adhere to high ethical standards and for companies that try to circumvent their legal obligations. Organizations therefore need to fashion an approach to social responsibility the same way that they develop any other business strategy. That is, they should view social responsibility as a major challenge that requires careful planning, decision making, consideration, and evaluation. They may accomplish this through both formal and informal dimensions of managing social responsibility.

[a] Formal Organizational Dimensions

Some dimensions of managing social responsibility are a formal and planned activity on the part of the organization. Formal organizational dimensions that can help manage social responsibility are legal compliance, ethical compliance, and philanthropic giving.

Legal Compliance is the extent to which the organization conforms to local, state, Central, and international laws. The task of managing legal compliance is generally assigned to the appropriate functional managers. For example, the organization's top human resource executive is generally responsible for ensuring compliance with regulations concerning recruiting, selection, pay, and so forth. Likewise, the top finance executive generally oversees compliance with securities and banking regulations. The organization's legal department is also likely to contribute to this effort by providing general oversight and answering queries managers might have concerning the appropriate interpretation of laws and regulations.

Ethical Compliance is the extent to which the members of the organization follow basic ethical (and legal) standards of behavior. We note earlier that organizations have increased their activities in this area – providing training in ethics and developing guidelines and codes of conduct, for example. These activities serve as vehicles for enhancing ethical compliance. Many organizations also establish formal ethics committees, which may be asked to review proposals for new projects, help evaluate new hiring strategies, or assess a new environmental protection plan. They might also serve as a peer review panel to evaluate alleged ethical misconduct by an employee.

Finally, **philanthropic giving** is the awarding of funds or gifts to charities or other social programs. Dayton-Hudson Corp. routinely gives 5 percent of its taxable income to charity and social programs. Giving across national boundaries is also becoming more common. For example, Alcoa recently gave Tk. 112,000 to a small town in Brazil to build a sewage treatment plant. And Japanese firms like Sony and Mitsubishi have started making contributions to a number of social programs in the United States. Unfortunately, in this age of cutbacks, many corporations have also had to limit their charitable gifts over the past several years as they continue to trim their own budgets. For example, Atlantic Richfield Co.'s corporate giving has decreased by 25 percent over the last ten years. Firms that do engage in philanthropic giving usually have a committee of top executives who review requests for grants and decide how much and to whom money will be allocated.

[b] Informal Organizational Dimensions

In addition to these formal dimensions for managing social responsibility, there are also informal ones. Two of the more effective ways to clarify the organization's approach are to provide appropriate leadership and culture and to allow for whistle blowing.

Organization Leadership and Culture: Leadership practices and organization culture can go a long way toward defining the social responsibility stance an organization and its members will adopt. For example, Johnson & Johnson executives for years provided a consistent message to employees that

customers, employees, communities where the company did business, and shareholders were all important – and primarily in that order. Thus when packages of poisoned Tylenol showed up on store shelves in the 1980s, Johnson & Johnson employees didn't need to wait for orders from headquarters to know what to do: they immediately pulled all the packages from shelves before any other customers could buy them. By contrast, the message sent to Beech-Nut employees by the actions of their top managers communicates much less regard for social responsibility.

Whistle Blowing : Whistle blowing is the disclosure by an employee of illegal or unethical conduct on the part of others within the organization. How an organization responds to this practice often indicates its stance toward social responsibility. Whistle blowers may have to proceed through a number of channels to be heard, and they may even get fired for their efforts. Many organizations, however, welcome their contributions. A person who observes questionable behavior typically first reports the incident to his or her boss. If nothing is done, the whistle blower may then inform higher-level managers or an ethics committee, if one exists. Eventually, the person may have to go to a regulatory agency or even the media to be heard. For example, the apple juice scandal at Beech-Nut started with a whistle blower. A manager in the firm's R&D department began to suspect that its apple juice was not "100% pure." His boss, however, was unsympathetic, and when the manager went to the president of the company, he too turned a deaf ear. Eventually, the manager took his message to the media, which publicized the incident. This eventually led to a criminal investigation.

4.12 Evaluating Social Responsibility

Any organization that is serious about social responsibility must ensure that its efforts are producing the desired benefits. Essentially this requires applying the concept of control to social responsibility.

The Social Audit

Social Audit: A systematic review of an organization's performance of social responsibility activities. Some firms conduct a systematic review of their performance of social responsibility activities through a **social audit**. A social audit looks at the firm's short-and long-run contributions to society. Activities reviewed might include community involvement, product safety, and the impact of business practices on the environment.

With information from a social audit, managers can evaluate how effective the current programs are and decide whether they should initiate new courses of action. Some firms spend millions of dollars each year on social responsibility activities; they need to determine whether they are spending their money wisely. Although a social audit is more informal than an accounting audit, it can be a useful tool in assessing social responsibility.

Many organizations now require current and new employees to read their guidelines or code of ethics and then sign a statement agreeing to abide by it. An organization should also evaluate how it responds to instances of questionable legal or ethical conduct. Does it follow up immediately? Does it punish those involved? Or does it use delay and cover-up tactics? Answers to these questions can help an organization form a picture of its approach to social responsibility.

Additionally, some organizations occasionally conduct corporate social audits. A **corporate social audit** is a formal and thorough analysis of the effectiveness of the firm's social performance. The audit is usually conducted by a task force of high-level managers from within the firm. It requires that the organization clearly define all its social goals, analyze the various goals, and make recommendations about which areas need additional attention. Unfortunately, such audits are not conducted often because they are expensive and time consuming. Indeed, most organizations probably could do much more to evaluate the extent of their social responsibility than they do.

4.13 Social Responsibility as an Investment

Some businesspersons or their appointed management consider social responsibility as a botheration pushing them to incur avoidable costs. But researchers found that carefully planned reasonable amount of costs for social responsibility, if not directly, brings more benefits to the business as a profitable investment.

A. Relative Benefits From Accepting Social Responsibility

Business by providing various social benefits to different interest groups incur substantial amount of costs. But the corresponding benefits both qualitative & financial that are likely to be obtainable in return from these interest groups of people will more than offset the costs incurred. This can be seen from the table provided as under:

Table A
Social Benefits and Corresponding Financial Benefits and Costs

	Social Benefits	Corresponding Financial	
		Benefits	Costs
To General Public	Central and state taxes paid	Central and state services (e.g. law enforcement, public health, education) not required to be bought by company	Cost of taxes paid
	Knowledge created	Increased technical efficiency & competitiveness, thus reduced sales and production costs	Cost of predicting knowledge not paid by clients
	Tax worth of net jobs created		
To Local Community	Taxes paid	Community services not required to be bought by company	Cost of taxes paid
	Environmental improvements	Decreased recruiting and selling costs	Costs of improvements
	Local tax worth of net jobs created	Increased labor capacity, reducing selling and sometimes production costs	Increased contingent liability of unemployment insurance and employee termination costs if over staffed
To Employees	Employee fringe benefits	Increased morale and productivity, reduced turnover and training costs	Overhead costs
	Career advancement (more pay for more responsibility and productivity)	Increased productivity per payroll unit	Increased direct labor costs per capita
	Increased value of property beyond cost (in some cases)		
To Consumers	Added value of services and products supplied to clients beyond their market price (consumer surplus)	Reduced sales costs and increased future revenues (customer good will), reputation and associated reduced cost of recruitment	Opportunity costs of providing consumer surplus

It can be observed from the above table that increased costs incurred from rendering social benefits to the employees, consumers, community and general public resulted in high employee moral coupled with higher productivity, reduced cost of sales & product popularity with increased good will and future revenues from the consumers, free community services possible and increased technical efficiency with reduced cost for both production and sales etc. As such, it can be said that the amount spent for rendering social services are not costs rather investments bringing lucrative dividends to the business.

B. Relative Loss From Avoiding Social Responsibility

Business by not providing various social benefits requested to different interest groups may not incur any costs. But the corresponding loss of benefits both qualitative & financial that are likely to occur consequent upon denial of asked for social benefits to these interest groups of people will make more loss of productivity and goodwill than the amount thus saved. This may be seen from the table provided as under:

Table B
Social Costs and Corresponding Financial Benefits and Costs

	Social Costs	Corresponding Financial	
		Benefits	Costs
To General Public	Central/State services consumed	Saving of costs of services that would otherwise have to be supplied by company	Costs of taxes paid
	Public (environmental) resources consumed		
To Local Community	Local taxes consumed in services	Saving of costs of services that would otherwise have to be supplied by company	Costs of taxes paid
	Environmental pollution	Saving of costs of pollution-reducing devices and processes	Hostile community reaction, possibly resulting in legal costs, higher recruiting costs, and fines
To Employees	Layoffs and involuntary terminations	Reduction of surplus or inefficient labor, reducing overhead costs of production	Decreased perceived employment security results in decreased morale, labor productivity
			Loss of training investment
	Overtime worked but not paid	Decreased short-term labor costs resulting in increased profits	Increased long-term labor costs from increased turnover and replacement cost
	Inequality of opportunity	Decreased short-term labor costs (from what they would be in an "equal pay market for equal work")	Increased labor costs from employee dissatisfaction and turnover, legal costs, possible loss of government contracts and associated increased selling costs

	Social Costs	Corresponding Financial	
		Benefits	Costs
To Consumer	Opportunity costs to consumers of unsatisfactory services and / or products	Revenues and associated profits	Loss of client good will, resulting in increased sales costs and reduced future revenues, increased recruiting costs from loss of reputation, increased cost of capital

It can be observed from the above table that saving costs by denying social benefits to the employees, consumers, community and general public resulted in low employee morale coupled with low productivity, increased cost of sales with decreased good will and loss of future revenues from the consumers, higher price to be paid for community services to be availed and decreased technical efficiency with increased cost for both production and sales etc. As such, it can be said that the amount saved by denying genuine social services are not costs-savings rather instrumental to loss of sure benefits obtainable from co-operative and motivated treatments of the interest groups indicated.

4.14 Social responsibility of Business in Islam

In Islam there are ample indications of social responsibility to each other living in the society. Some of these hints are provided:

Quranic Guidelines

1. [...] help you one another in righteousness and piety, but help you not one another in sin and rancor: [...] [Qur'an 5:2]
2. You believe! When you deal with each other in transactions involving future obligations in a fixed period of time, reduce them to writing. [...] Let him who incurs the liability dictate, but let him fear His Lord Allah, and not diminish ought of what he owes. [Qur'an 2:282.]
3. O you who believe! Give of the good things which you have (honorably) earned. And of the fruits of the earth which We have produced for you, and do not even aim at getting anything which is bad, in order that out of it you may give away something, when you yourselves would not receive it except with closed eyes. [Qur'an 2:267.]

Guidelines Provided by Hadiths

1. The Messenger of Allah (peace be upon him) having said, "Allah, Most High, says, 'I make a third with two partners as long as one of them does not cheat the other, but when he cheats him, I depart from them.'" [Abu Hurayrah, Abu Dawud, hadith no. 3377.]
2. Allah's Messenger (peace be upon him) said: "The townsman should not sell for a man from the desert: leave the people alone: Allah will give them provision from one another." [Jabir ibn 'Abd Allah, Sahih Muslim, hadith no. 3630.]
3. "Marwah! Do you make usury halal?" He said, "I seek refuge with Allah! What is that?" He said, "These receipts which people buy and sell before they take delivery of the goods." Marwan therefore sent a guard to follow them and to take them from people's hands and return them to their owners. [Zayd ibn Thabit, al Muwatta', hadith no. 31.19.44.]
4. Allah's Messenger (SM) said, "There is none amongst the Muslims who plants a tree or sows seeds, and then a bird, or a person or an animal eats from it, but is regarded as a charitable gift for him. Sahih al Bukhari

Guidelines Provided by Hadiths

5. Allah's Messenger (SM) said, "A prostitute was forgiven by Allah, because, passing by a panting dog near a well and seeing that the dog was about to die of thirst, she took off her shoe, and tying it with her head-cover she drew out some water for it. So, Allah forgave her because of that. Sahih al Bukhari
6. "----- if any person constructs a sewer near to a water channel, and the dirty water from such sewer flows into the channel and causes great injury thereto, and no other way can be found to remove such injury than by closing it, the sewer shall be closed." Al Majallah
7. Any person may water his lands from rivers which are not owned in absolute ownership by any particular person, and, in order to irrigate them and to construct mills, may open a canal or water channels, provided that he does not thereby inflict injury on any other person. Consequently, if the water over flows and causes injury to the public, or the water of the river is entirely cut off, or boats cannot be navigated, such injury must be stopped. Al Majallah
8. The Prophet (SM) said, "The one who looks after and works for a widow and for a poor person, is like a warrior fighting for Allah's cause or like a person who fasts during the day and prays all the night. Sahih al Bukhari
9. "So we to the worshippers who are neglectful of their prayer those who (want but) to be seen but refuse (to supply) even neighborly needs." (107:4-7)

Some of the indications are :

- [i] Muslim businesses should give to the poor from what is wholesome and earned in a *halal* manner.
- [ii] All partners to be fair and to avoid cheating one another.
- [iii] Hoarding and monopolies are discouraged in Islam to save society from ills of scarcity & undue high prices.
- [iv] *Businessman while giving sadaqah should do so from the best lot not from the leftovers or spoiled goods that he would never consider using himself.*
- [v] To avoid any future misunderstanding, Allah has enjoined us to put contractual obligation in writing.
- [vi] A business man should negotiate a fair price, and not take advantage of one's bigger size or clout.
- [vii] Merchants are prohibited from interfering with the free market system through a specific type of brokering because it may lead to price inflation.
- [viii] No profits can be distributed until all losses have been written off and the equity of the venture capitalist has been fully restored.
- [ix] Customers or businessmen experiencing hard times or incurring unexpected disbursements may be allowed. Qard Hasan a "benevolent loan."
- [x] A person should help another only in good actions and not in bad action prohibited by Shariah.
- [xi] All transactions should be performed in good intentions, not to harm others.
- [xii] While making business transaction guard against usury, interest causes many social ills hence prohibited and must be avoided.

4.15 Check list of Wide Range of Social Responsibility in Business

Business organizations work in the society in order to earn profit and hence they should discharge some responsibilities to the societies in return. Expected actions may reasonably include the following Social involvement of the business enterprises expected to be developed over time may be listed as under:

Ecology and Environmental Quality	Minorities and Disadvantaged Persons
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Ethics-5-B

<ol style="list-style-type: none"> 1. Cleanup of existing pollution 2. Design of processes to prevent pollution 3. Aesthetic improvements 4. Noise control 5. Dispersion of industry 6. Control of land use 7. Required recycling <p>Consumerism</p> <ol style="list-style-type: none"> 1. Truth in lending, in advertising, and in all business activities 2. Product warranty and service 3. Control of harmful products <p>Community Needs</p> <ol style="list-style-type: none"> 1. Use of business expertise and community problems 2. Reduction of business's role in community power structure 3. Aid with health care facilities 4. Aid with urban renewal <p>Governmental Relations</p> <ol style="list-style-type: none"> 1. Restrictions on lobbying 2. Control of business political action 3. Extensive new regulation of business 4. Restrictions on international operations <p>Business Giving</p> <ol style="list-style-type: none"> 1. Financial support for artistic activities 2. Gifts to education 3. Financial support for assorted charities 	<ol style="list-style-type: none"> 1. Training of hard-core unemployed 2. Equal employment opportunity and quotas for minority employment 3. Operation of programs for alcoholics and drug addicts 4. Employment of persons with prison records 5. Building of plants and offices in minority areas 6. Purchasing from minority businessmen 7. Retraining of workers displaced by technology. <p>Labor Relations</p> <ol style="list-style-type: none"> 1. Improvement of occupational health and safety 2. Prohibition of "export of jobs" through operation in nations with low labor costs. 3. Provision of day-care centers for children of working mothers 4. Expansion of employee rights 5. Control of pensions, especially vesting of pension rights. 6. Impatience with authoritarian structure: demand for participation <p>Stock holder Relations</p> <ol style="list-style-type: none"> 1. Opening for boards of directors to public members representing various interest groups 2. Prohibition of operations in nation with "racist" or "colonial" governments. 3. Improvement of financial disclosure 4. Disclosure of activities affecting the environment and social issues.
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4.16 Summing Up

I. The Meanings of Social Responsibility

Definitions of social responsibility are numerous and can be classified into three categories:

- [i] Social responsibility as **Social obligation** -- according to this view, a company is socially responsible only when it pursues a profit within the constraints of law as imposed by society.
- [ii] Social responsibility as **social reaction** -- defines social responsibility as an organization's reaction to society's expectations for business behavior which extend beyond providing goods and services.
- [iii] Social responsibility as **social responsiveness** -- views social responsibility as anticipatory and preventive rather than reactive and restorative behavior; that is, actions that go beyond social obligation and social reaction.

II. Beneficiaries of each action:

a. Internal beneficiaries

➔ **Customers**— social responsibilities can relate to product characteristics (quality, safety, packaging, performance).

- (1) Relative importance of characteristics varies over time (for example, automobile safety was a major issue in the '70s; now quality is a major public concern).
- (2) Laws and regulations can establish bases of responsibility but social and competitive forces also play a role (the public's demand for Japan's high-quality cars, not regulations, spurred U.S. automakers to improve their quality).

➔ **Employees**— responsibilities can be minimally met by obeying laws relating to employee-employer relationships (for example, safety and working conditions, wage and hour provisions).

- (1) Others include training, career development, maternity leave, day care centers, often established in response to interest groups.

➔ **Stockholders**— includes responsibilities to disclose use of corporate resources and results of those uses. Stockholders have a fundamental right to information about the organization on which the stockholder can make a prudent investment decision. Many argue that management's top responsibility is to stockholders.

However, some evidence indicates that firms that aggressively pursue socially responsible practices are more profitable than those that don't. However, such evidence is controversial because many disagree on how social responsibility should be measured and how it relates to performance measures.

b. External beneficiaries

➔ **Specific**— clearly defined groups (for example, minorities and ethnics, women, the handicapped seeking to redress historical grievances. Some groups have obtained laws that require organizations to *support their efforts* (for example, *Affirmative Action*).

➔ **General**— elicits organizational efforts to solve or prevent general social problems (for example, solving or preventing environmental problems, upgrading education and the arts through gifts and donations of executives' time).

- (1) Companies have much freedom in determining level of involvement in this area of social responsibility.
- (2) The decision concerning degree of involvement can be controversial.

Model Questions

Broad Questions

1. "Two views of the role of corporations in society are irreconcilable" – Explain.
2. Explain the actions to be taken to discharge social responsibilities by a business firm.
3. Explain the development of social involvement over time.
4. Briefly describe the community expectation from and to the business.
5. Give some example of legal inactive to ensure positive action of business.
6. Describe historical phases of social responsibility focuses.
7. Give arguments in favour and against social responsibility of business.

8. What are the mechanisms available for managing social responsibility? Explain.
9. Many observers who believe that business ethics have declined over the last decade also assert that ethics in society overall have declined at the same time.
10. In what way have the religions of the world played a part in the development of ethical concepts? Review the history of business ethics and social responsibility. What is meant by "truth in advertising"?
11. Many firms are faced with the necessity of deciding whether or not to relocate their plants. Present a comprehensive discussion of this question, giving reasons for and against such a decision from the standpoint of the social responsibility of the company to its employees and to the inner city when they move from the city to the suburbs.
12. "Social responsibility is the job of every manager." Explain this statement as it relates to the social audit. Examine the arguments for and against social responsibility of business.
13. Distinguish among the three phases of social responsibility. For each phase write one sentence that describes management's operating philosophy on social responsibility.
14. "Social responsibility is the job of every manager." Explain this statement as it relates to the social audit. Examine the arguments for and against social responsibility of business.
15. What are the major social responsibilities of business managers as well as of those of the government managers? Have these responsibilities changed over the years? How?
16. Do you see any evidence of business people accepting greater social responsibilities? Support your answer with specific examples.
17. Browse through several corporate annual reports to find examples of corporate social reporting. Do these organizations appear to have an effective process to ensure socially responsible decisions?
18. Trace the development of the concept of social responsibility and specify to whom or to what an organization might be considered responsible.
19. Identify and describe the four types of organizational approaches to social responsibility.
20. Compare and contrast Carnegie's views with those of Friedman about social responsibility.
21. Describe the nature of the pluralistic society. How is social responsibilities of business got complicated in pluralistic society.
22. Describe several ways in which business firms can advance social responsibility. Find three examples of firms demonstrating social responsibility in your community.
23. What two main factors must be balanced when businesses are deciding how much positive action to take toward improving general social conditions?
24. Why do each of the following present a problem for business and for society?
 - a. environmental pollution,
 - b. land use,
 - c. economic growth,
 - d. multinational operations
 - e. opportunities for minorities and women
25. Review the history of business ethics and social responsibility.
26. If a firm adopts a philosophy of social responsibility, would this have a favorable effect on its sales? Why or why not?
27. What has contributed to the declining public confidence in business and other institutions in our society? Do you agree that we have increasing expectations of these organizations for social performance?
28. Write a short essay giving your personal assessment of the pros and cons of corporate social responsibility.

Short Questions

1. What does social responsibility of business refers to?
2. How recent view of social responsibility is different from modern view?
3. What is a socially responsible firm?
4. Define social responsibility with some references.
5. What are the responsibility of society to business?
6. Elucidate the economic model for social responsibility.
7. Mention the dimension of social behavior of business.
8. Develop a social responsibility scale.
9. How business and government influences each other?
10. Who are the beneficiaries of social responsibilities?
11. Explain in your own words what is meant by social responsibility. Do you agree? Explain.
12. What is social responsibility? Why is it important for business to act in a socially responsible manner?
13. Do you think social responsibility is worth the cost?