"BUSINESS NEEDS TO GROW!!!

- **Is it necessary to adhere to corporate social responsibility and organizational ethics???"**

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The most practical approach is to view ethics as a catalyst that causes managers to take socially responsible actions. The movement toward including ethics as a critical part of management education began in the 1970s, grew significantly in the 1980s, and is expected to continue growing. Hence, business ethics is a critical component of business leadership. Ethics can be defined as our concern for good behavior.

Golden Rule: Do unto others as you would have them do unto you. In business, ethics can be defined as the ability and willingness to reflect on values in the course of the organization's decision-making process, to determine how values and decisions affect the various stakeholder groups, and to establish how managers can use these precepts in day-to-day company operations. Ethical business leaders strive for fairness and justice within the confines of sound management practices.

The employment of ethical business practices can enhance overall corporate health in three important areas. *The first area is productivity*.

The employees of a corporation are stakeholders who are affected by management practices. When management considers ethics in its actions toward stakeholders, employees can be positively affected. For example, a corporation may decide that business ethics requires a special effort to ensure the health and welfare of employees. Many corporations have established employee advisory programs (EAPs), to help employees with family, work, financial, or legal problems, or with mental illness or chemical dependency. These programs can be a source of enhanced productivity for a corporation.

A second area in which ethical management practices can enhance corporate health is by positively affecting "outside" stakeholders, such as suppliers and customers. A positive public image can attract customers

The third area in which ethical management practices can enhance corporate health is in minimizing regulation from government agencies. Where companies are believed to be acting unethically, the public is more likely to put pressure on legislators and other government officials to regulate those businesses or to enforce existing regulations.

Business managers in most organizations commonly strive to encourage ethical practices not only to ensure moral conduct, but also to gain whatever business advantage there may be in having potential consumers and employees regard the company as ethical. Creating, distributing, and continually improving a company's code of ethics is one usual step managers can take to establish an ethical workplace.

Another step managers can take is to create a special office or department with the responsibility of ensuring ethical practices within the organization.

Another way to promote ethics in the workplace is to provide the work force with appropriate training. Several companies conduct training programs aimed at encouraging ethical practices within their organizations. Such programs do not attempt to teach what is moral or ethical but, rather, to give business managers criteria they can use to help determine how ethical a certain action might be. Managers then can feel confident that a potential action will be considered ethical by the general public if it is consistent with one or more of the following standards:

- *The Golden Rule:* Act in a way you would want others to act toward you.
- *The utilitarian principle:* Act in a way that results in the greatest good for the greatest number.

- *Kant's categorical imperative*: Act in such a way that the action taken under the circumstances could be a universal law, or rule, of behavior.
- *The professional ethic*: Take actions that would be viewed as proper by a disinterested panel of professional peers.
- *The TV test*: Always ask, "Would I feel comfortable explaining to a national TV audience why I took this action?"
- *The legal test*: Ask whether the proposed action or decision is legal. Established laws are generally considered minimum standards for ethics.
- *The four-way test*: Ask whether you can answer "yes" to the following questions as they relate to the decision: Is the decision truthful? Is it fair to all concerned? Will it build goodwill and better friendships? Will it be beneficial to all concerned?

Finally, managers can take responsibility for creating and sustaining conditions in which people are likely to behave ethically and for minimizing conditions in which people might be tempted to behave unethically.

SOCIAL RESPONSIBILITY

The term *social responsibility* means different things to different people. Generally, corporate social responsibility is the obligation to take action that protects and improves the welfare of society as a whole as well as organizational interests. According to the concept of corporate social responsibility, a manager must strive to achieve both organizational and societal goals.

Current perspectives regarding the fundamentals of social responsibility of businesses are listed and discussed through

> *(1) Davis model of corporate social responsibility,*

> *(2) Areas of corporate social responsibility, and*

> *(3) Varying opinions on social responsibility*.

A model of corporate social responsibility that was developed by Keith Davis provides five propositions that describe why and how businesses should adhere to the obligation to take action that protects and improves the welfare of society and the organization:

- **Proposition 1: Social responsibility arises from social power.**
- **Proposition 2: Business shall operate as an open system, with open receipt of inputs from society and open disclosure of its operation to the public.**
- **Proposition 3: The social costs and benefits of an activity, product, or service shall be thoroughly calculated and considered in deciding whether to proceed with it.**
- **Proposition 4: Social costs related to each activity, product, or service shall be passed on to the consumer.**
- **Proposition 5: Business institutions, as citizens, have the responsibility to become involved in certain social problems that are outside their normal areas of operation.**

Social Responsiveness. Social responsiveness is the degree of effectiveness and efficiency an organization displays in pursuing its social responsibilities. The greater the degree of effectiveness and efficiency, the more socially responsive the organization is said to be. The socially responsive organization that is both effective and efficient meets its social responsibilities without wasting organizational resources in the process.

Determining exactly which social responsibilities an organization should pursue and then deciding how to pursue them are perhaps the two most critical decision-making aspects of maintaining a high level of social responsiveness within an organization. That is, managers must decide whether their organization should undertake the activities on its own or acquire the help of outsiders with more expertise in the area.

A desirable and socially responsive approach to meeting social obligations involves the following:

- **Incorporating social goals into the annual planning process.**
- **Seeking comparative industry norms for social programs.**
- **Presenting reports to organization members, the board of directors, and stockholders on progress in social responsibility.**
- **Experimenting with different approaches for measuring social performance.**
- **Attempting to measure the cost of social programs as well as the return on social program investments.**

S. Prakash Sethi presents three management approaches to meeting social obligations:

(1) the social obligation approach

(2) the social responsibility approach, and

(3) the social responsiveness approach.

Each of Sethi's three approaches contains behavior that reflects a somewhat different attitude with regard to businesses performing social responsible activities. The social obligation approach, for example, considers business as having primarily economic purposes and confines social responsibility activity mainly to conformance to existing laws. The socially responsible approach sees business as having both economic and societal goals. The social responsiveness approach considers business as having both societal and economic goals as well as the obligation to anticipate upcoming social problems and to work actively to prevent their appearance.

Areas of Measurement. To be consistent, measurements to gauge organizational progress in reaching socially responsible objectives can be performed. The specific areas in which individual companies actually take such measurements vary, of course, depending on the specific objectives of the companies. All companies, however, probably should take such measurements in at least the following four major areas:

1. *Economic function:* This measurement gives some indication of the economic contribution the organization is making to society.

2. ***Quality-of-life****:* The measurement of quality of life should focus on whether the organization is improving or degrading the general quality of life in society.
3. ***Social investment****:* The measurement of social investment deals with the degree to which the organization is investing both money and human resources to solve community social problems.
4. ***Problem-solving****:* The measurement of problem solving should focus on the degree to which the organization deals with social problems.

The Social Audit: A Progress Report. A social audit is the process of taking measurements of social responsibility to assess organizational performance in this area. The basic steps in conducting a social audit are monitoring, measuring, and appraising all aspects of an organization's socially responsible performance. Probably no two organizations conduct and present the results of a social audit in exactly the same way. The social audit is the process of measuring the socially responsible activities of an organization. It monitors, measures, and appraises socially responsible performance.

Managers in today's business world increasingly need to be aware of two separate but interrelated concern business ethics and social responsibility.

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