

## Unit:7 : Social Responsibility of Business

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### **7.0 Introduction:**

A business should function to earn money in such a way that it fulfill the expectation of the society. Every person living in society has some obligation towards it. They have to followed social values and norms of behavior. A business is permitted by society in order to carry on commercial or industrial activities with help of that earn profit. But it is obligatory on the side of business that not to do anything, that is undesirable from point of view of society. The manufacture and sale of adulterated good, not paying due tax, doing deceptive, polluting environment works exploitation are some examples of undesirable practice in the point of view society. Which may increase the enterprise's profits but on other hand have adverse effect on society at large? Unlike to this, supplying good quality product, having healthy working condition paying taxes honestly, installing pollution controlling devices or prevention of pollution and sincerely solve customer complaints are some examples of social desirable activities which improve of business as well as make them profitable. Business can get durable success through social responsible ethically upright behavior.

### **7.1 Meaning of Social Responsibility**

According to concept of Social Responsibility of business the objective of managers for taking decision related to business is not only to maximize profit or shareholder value but also to serve and protect the interest of other members of its society like consumer, worker and community as a whole.

### **7.2 Business and Society**

Business and Society are correlated with each other. As business fulfill the needs of society and society gives business the resources required to it. The different businesses operating in society play our important role in functioning of society in different ways like business provide employment to various people of society.

The basic objective of business enterprise is to develop, produce and supply goods and service to customer. This need to be done in such a way which allowed companies to make profit, that in turn demands far more than just skills in companies on fields and processes. The social skills of owners of companies, together with maintain relationship with customers,

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suppliers and business people, are always important if companies want be run well and developed with view to future.

### **Benefits by companies to society**

1. Supply goods and service which customer can't or do not want to produce themselves.
2. Creating jobs for suppliers, co-workers, customer and distributor. This people make money to support themselves as well as their families, use their wages to purchase goods and service and pay taxes.
3. Continually developing new process. Goods and service.
4. Investment in new technologies as well as in the skills of employees.
5. Building up as well as spreading international standards, for example environmental practice.
6. Developing good practice in different areas such as environment and workplace safety.

The role of business in societal development can be measure in many ways. If company wants to progress and develop, it must nurture relation with its stakeholder, of which there may be plenty. Some have a strong influence and are of fundamental importance for the survival of the business; this includes customer, suppliers and employees. The authorities, media, local resident and trade union are others stakeholders with a vital influence. The role of business in society as well as accompanying responsibility that transpire from that role is highly contentious and debated topic.

The long term survival of companies is partly dependent on maintaining the relationship of trust. The economist Milton Friedman famously contended that the "business of business is business" and because of which it has only one responsibility and that is to generate profit for shareholder. In the contrary of that argument is thinking that recognizes business as a system in society which affected by and affects other system in society, for example government body, natural environment, surrounding community other types of organization etc. Thus, business required to work with this system to attain its economic goals. In a way that will also benefit the society as whole.



### 7.3 Concept of Social Responsibility

The evolution of the concept of social responsibility of business has passed through different stages of struggle. Business began merely as an institution for the purpose of making money. As long as a man made money and kept out of jail, he was considered successful. He felt no particular obligation and acknowledged no responsibility to the public. As an owner of his business, he thought that he had a perfect right to do with it what he pleased. Social norms and attitudes had very little influence on the practice of business.

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### **Economic Responsibility**

What is a business? The business itself is an economic activity. Its main function is to earn profits. To earn profits means to understand the needs and demands of consumers whether it is regarding the quality of the product or its price.

While understanding the perspective of the consumer and meeting their needs and demand to earn a profit is the economic responsibility of a business. When a business earns a profit, it also means that the employees earn the profit in terms of incentives. The economic growth of a business is not restricted to it but affects the society as a whole.

### **Legal Responsibility**

Legal responsibilities are not only liable to the individuals in the society but also to the businesses in the society. As business is an entity itself, it must also follow laws and rules. Every business has a responsibility to operate within the boundaries set by the various commissions and agencies at every level of the government. These rules and regulations are set for maintaining balance and the greater good of the society.

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A law-abiding enterprise is a socially responsible enterprise as well. The business is free to do business however it wants but only within the boundaries of regulations of various laws such as labour law, environmental law and criminal law. For example, it's a business's duty to pay taxes to the government and keep its account books clean as it helps the government to track the economic state of the company.

### **Ethical Responsibility**

Ethical responsibilities include the behaviour of the firm that is expected by the society but not codified in law. The factors of ethical responsibility include that the business must be environmentally friendly. The business should always be aware of its activities and how do they affect the environment. It is the moral and ethical responsibility of every human and every business.

### **Philanthropic Responsibility**

Business is one the most important pillar of the society. And therefore it should support and improve the society whenever it can. If a business is making significant profits it is the business responsibility that it should be philanthropic towards the society by donating funds or its goods and services.

It's the philanthropic responsibility of the business to help different groups of the society. It should also work towards providing free education by opening educational institutes and training institutes or helping the people affected by natural calamities such as floods and earthquakes. It is the responsibility of the company management to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures which give good returns on investment.

## **7.4 Importance of Social Responsibility**

A growing body of evidence has identified a company's role in its community as a factor in increasing profitability, promoting company image, reducing costs, and elevating employee morale and customer loyalty, among other benefits.

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Interesting aspect of social responsibility in the modern era is that, being socially responsible is not a matter of choice to a very large extent. It has become a business compulsion. Behaving in a socially responsible manner gives business benefits to organizations. It may involve costs in short run but has proved beneficial in the long run.

For companies operating on a multinational basis, community involvement can be helpful in supporting efforts to enter new markets, attract potential employees, and establish or strengthen the reputation of the company, its brand and products.

Social responsibility of business is important from the following point of view.

1. **From employees' point of view:** with the help of companies employment and healthy working condition, social responsibility of business is important for employees.
2. **From Customer point of view:** under social responsibility, business follows ethical practice and manufacture the product which is as per expected quality and reasonable price.
3. **From investor point of view:** business who understand value of social responsibility is provide protection to the investor fund with help of development and growth of its business as well as expected return to investors with profit earn by it.
4. **From Suppliers point of view:** the importance of social responsibility is also require to perform in case of suppliers as they are one to provide raw material to business as well as other required material. When they are paid on time as well as reasonable demands of them are satisfied company, suppliers are loyal to business.
5. **From government point of view :** when business pay regular taxes, follow the norms of government then it is consider as social responsibility of business which is duly fulfill by it.
6. **From Society point of view:** business need to work in society, some importance of social responsibility is also define from society point of view. The business provide good product, try to maintain clean environment, provide opportunity to participate to business as well as work for the overall development of society, these are the some example of it.

### 7.5 Corporate Social Responsibility

Corporate social responsibility (CSR) is how companies manage their business processes to produce an overall positive impact on society. It covers sustainability, social impact and ethics, and done correctly should be about core business - how companies make their money - not just add-on extras such as philanthropy.



According to European Union commission, “CSR is a concept whereby companies integrate social and environment concerns in their business operations and in their interaction with their stakeholder on a voluntary basis.”

According to Forbes (2010), corporate social responsibility works in two ways. The company gives back to the society, in turn, people get to know about the company who helped them most and cater to their products and services.

According to Infosys founder, Narayan Murthy, “Social responsibility is to create maximum shareholders value, working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment.”

#### **Potential business benefits of CSR:**

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of enterprise, and are difficult to quantify, though there is large body of literature exhorting business to adopt measures beyond financial ones. The business case for CSR within a company will likely rest on one or more of these arguments.

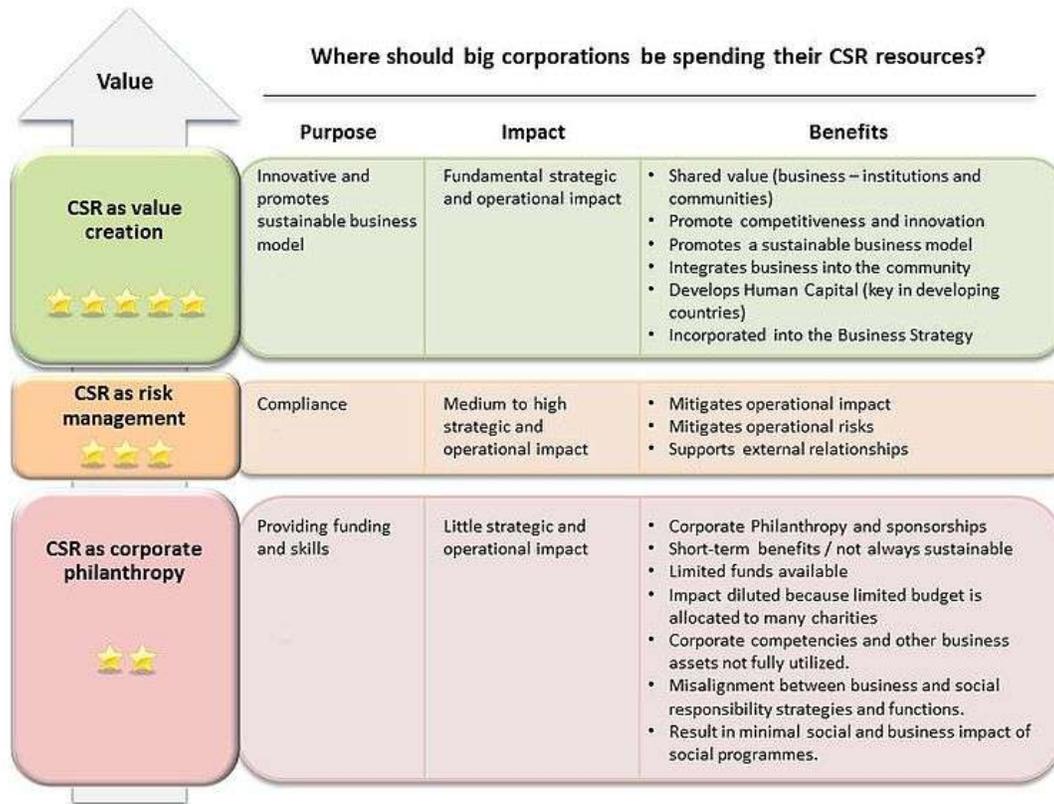
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- **Human resources:** A CSR programmed can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage.
- **Risk management** managing risk is a central part of many corporate strategies. Reputation as take decades to build up can be ruined in hours through incident such as corruption scandals or environmental accident. These can also draw unwanted attention from regulators, courts, governments & media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risk.
- **Brand differentiation** in crowded market places, company's striving for a unique selling proposition. That can separate them from the competition in the minds of consumers. CSR can play role in building customer loyalty based on distinctive ethical values.
- **License to operate corporation** are keen to avoid interference in there business through taxation. By taking substantive voluntary steps, they can pursuit governments that they are taking issues such as health & safety, diversity, or the environment seriously as good corporate citizen with respect to labor standards and impacts on the environment.

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## Various Approaches to CSR



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