BUSINESS ETHICS & ENVIRONMENT

Self Instructional Material

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BUSINESS ETHICS & ENVIRONMENT

Business Ethics: Introduction, Values, Morals, Levels of Business Ethics, Myths of Business Ethics, Relationship between values, morals and ethics, Ethical Decision Making.

Changing workforce, Employee's Employer rights and responsibilities, Discrimination, Equal Employment opportunity and Affirmative Action, organizational politics. Indianism and Indian Management.

Gandhian Philosophy and Trusteeship, Ethics in Human Resource, Marketing, Production, IT, Finance and Operations

Business: Meaning, Scope, Characteristics, Goals, Objectives, Mission and Vision. Environment: Meaning, objective and need. Indian Constitution: Fundamental Right, Directive and Principles of state policy.

Economic Factors affecting environment, Social-Cultural Environment. Business and society. Corporate social responsibility.

Unit-1 Business Ethics

CONTENTS

Objectives

After studying this chapter, you will be able to:

- Discuss the values, morals, levels of Business Ethics
- Explain the myths of Business Ethics
- Discuss the relationship between values, morals and ethics,
- Describe the ethical decision making

Introduction

The study of ethics has become an important ingredient of the syllabus of management schools in recent years. This is because of ethical issues that have come to the forefront as a result of many well-known failures of corporate. The fraudulent activities of these corporate have resulted in the defrauding of stock- holders, consumers, employees, creditors and governments to varying degrees. It has therefore become important that students of B-schools as future managers of business should imbibe ethical values. Ethics reflects a society's notions about the rightness or wrongness of an act. Ethics also involves the evaluation and application of certain moral values that a society or culture has come to accept as its norms. It is generally described as a set of principles or moral conduct. Business ethics, therefore, is a sum total of principles and code of conduct businessmen are expected to follow in their dealings with their fellowmen such as stockholders, employees, customers, creditors, and comply with to enact the laws of the land and to protect all these stakeholders.

The word "ethics" is derived from the Greek word *ethikos* meaning custom or character. The *Concise*

Oxford Dictionary defines ethics as the treating of moral questions. But this definition is imprecise and leaves a number of loose ends. Whose morals? Which moral questions? Business ethics covers diverse areas ranging from labour practices, free and fair trade, health concerns, euthanasia to animal welfare, environmental concerns, to genetic modification, to human cloning. Perhaps the definition provided by the *Chambers Dictionary* comes closest to providing a workable definition: 'Ethics is a code of behaviour considered correct'. What the society considers correct may have been arrived by the crystallization of consumer pressure on corporations and governments and regulatory forces. It is the science of morals describing a set of rules of behaviour. Business ethics itself is an offshoot of applied ethics. The study of business ethics essentially deals with understanding what is right and morally good in business.

Ethics is a branch of philosophy and is considered a normative science because it is concerned with the norms of human conduct, as distinguished from formal sciences such as mathematics and logic, physical sciences such as chemistry and physics, and empirical sciences such as economics and psychology. As a science, ethics must follow the same rigours of logical reasoning as other sciences. Ethics, as a science, involves systemizing, defending and recommending concepts of right and wrong behaviour.

The principles of ethical reasoning are useful tools for sorting out the good and bad components within complex human interactions. For this reason, the study of ethics has been at the heart of intellectual thought since the time of early Greek philosophers and its ongoing contribution to the advancement of knowledge and science makes ethics a relevant, if not vital, aspect of management theory.

1.1 Values

Business ethics are related to issues of 'what is right' and 'what is wrong' while doing business. The constituents of business ethics include adherence to truth, a commitment to justice and public integrity. What values are to individuals, ethics are to business?

Personal values as we have seen earlier, refer to a conception of what an individual or group regards as desirable. A value is a view of life and judgement of what is desirable that is very much part of a person's personality and a group's morale. Thus, a benign attitude to labour welfare is a value which may prompt an industrialist to do much more for workers than what the labour law stipulates. Service-mindedness is a value which when cherished in an organization would manifest in better customer satisfaction. Personal values are imbibed from parents, teachers and elders, and as an individual grows, values are adapted and refined in the light of new knowledge and experiences. Within an organization, values are impacted by the founder-entrepreneur or a dominant chief executive and they remain in some form, even long after that person's exit.

J.R.D. Tata once said this when asked to define the House of Tatas and what links that forge the Tata companies together: "I would call it a group of individually managed companies united by two factors: First, a feeling that they are part of a larger group which carries the name and prestige of Tatas, and public recognition of honesty and reliability—trustworthiness. The other reason is more metaphysical. There is an innate loyalty, a sharing of certain beliefs. We all feel a certain pride that we are somewhat different from others".

These several values that J.R.D. Tata refers to have been derived from the ideals of the founder of the group, Jamsedji Tata.

Business ethics operate as a system of values relating business goals and techniques to meet specific human ends. This would mean viewing the needs and aspirations of individuals as part of society. It also means realization of the personal dignity of human beings. A major task of leadership is to inculcate personal values and impart a sense of business ethics to the organizational members. At one end, values and ethics shape the corporate culture and dictate the way how politics and power will be used and, at the other end, clarify the social responsibility in the organization.

A typical dilemma faced by people in business is to decide whether to reconcile the pragmatic demands of work which often degenerate to distortion of values and unethical business practices, or to listen to the call of the 'inner voice' which somehow prevents them from using unethical means for achieving organizational goals. This dilemma stems from the fact that apparently the value system of the organization has already been contaminated beyond redemption. Some analysts attribute this to the acceptable behaviour in society at a particular point of time or justify it in terms of the rapid transition of a developing society where social mechanisms become obsolete. For instance, many multinational companies (MNCs) in India indulge in some undesirable practices such as resorting to payment of speed money, bribery, use of substandard inputs, evasion of excise duties and corporation taxes, etc., which they would be wary of doing in their home countries because of the stigma and penalty attached to such activities. Besides, the dire need to make a profit in a fiercely competitive environment also makes them indulge in such malpractices.

Corruption in industry, which is a major by-product of degradation of values and ethics, is also related to the inability of industry to stand up to the discretionary powers of a regulatory system designed and administered by an unholy alliance of bureaucrats and politicians. But repeated observations have shown that excellent organizations—besides other values—have explicit belief in, and recognition of the importance of economic growth and profits, and are driven by values rather than avarice. It has been possible for Indian companies such as Infosys, Tata Steel, Asian Paints, Bajaj Auto and Wipro to excel on the basis of super-ordinate goals—a set of values and aspirations and corporate culture. Managers, therefore, have to provide the right values and ethical sense to the organizations they manage.

Take for instance, such issues as consumers being taken for a ride on matters such as warranty, annual maintenance contracts, consumers being asked to pay very high prices for components, discriminating prices, management's collusion with union leadership, FEMA violations, insider trading, lack of transparency, lack of integrity and unfair presentation of financial statements, feeding top managements only with information they want to hear, window dressing of balance sheets, backdating of contracts, manipulation of profit and loss accounts, hedging and fudging of unexplainable and inordinate expenditures and resorting to *suppressio veri*, *suggestio falsi*, and continuous upward revaluation of assets to conceal poor performance, etc. These are only the tips of the iceberg.

Did You Know?

By the 4th century B. C., ethical issues related to business and trade had begun to receive academic treatment in the philosophies of Plato and Aristotle.

1.1.1 Values, Ethics and Business Strategy

Personal values and ethics are important for all human beings. They are especially important for business managers as they are custodians of the immense economic power vested in business organizations by society. However, can managers prevent their personal values from affecting business strategy formulation and implementation? This is a tricky question.

It is often observed from failed corporations that management executives while working out their business strategy are guided generally by what they personally want to do, rather than what they have been directed to do by the board, or the company policy in the absence of any direct supervision. As a result, somewhere down the line, the right connection between values, ethics and strategy is lost while their managing business. However, it is vitally necessary that business managers should be guided as much by values and ethics as by economic reasons. Guided by this, it can be added that 'purity of mind', can come only from having the right connection between values ethics and strategy. It is imperative that executives take business decisions not only on the basis of purely economic reasons but on ethical and moral values as well.

"Using ethical considerations in strategic decision making will result in the development of most effective long-term and short-term strategies. Specifically, ethical criteria must be included as part of the strategic process in before-profit decisions rather than after-profit decisions". This will enable the company to maximize profits and enhance the development of strategy and its implementation.

1.2 Morals

Morality is the standards that an individual or group has about what is right and wrong, or good and evil.

Moral norms can usually be expressed as general rules or statements, such as "Always tell the truth". Moral values can usually be expressed as statements describing objects or features of objects that have worth, such as "Honesty is good" and "Injustice is bad".

Five characteristics can help pin down the nature of moral standards:

- Moral standards deal with matters that we think can seriously injure or seriously benefit human beings.
- Moral standards are not established or changed by the decisions of particular legislative bodies.
- We feel that moral standards should be preferred to other values including (especially?) self-interest.
- Moral standards are based on impartial considerations. – that is, a point of view that does not evaluate standards according to whether they advance the interests of a particular individual or group, but one

that goes beyond personal interests to a "universal" standpoint in which everyone's interests are impartially counted as equal.

- Moral standards are associated with special emotions and a special vocabulary.

Ethics is the discipline that examines one's moral standards or the moral standards of a society. Ethics is the study of moral standards – the process of examining the moral standards of a person or society to determine whether these standards are reasonable or unreasonable in order to apply them to concrete situations and issues. The ultimate aim of ethics is to develop a body of moral standards that we feel are reasonable to hold – standards that we have thought about carefully and have decided are justified standards for us to accept and apply to the choices that fill our lives.

Although ethics is a normative study of ethics, the social sciences engage in a descriptive study of ethics. A normative study aims to discover what should be. A descriptive study attempts to describe or explain the world without reaching any conclusions about whether the world is as it should be.

1.2.1 Moral Development and Moral Reasoning

As people mature, they change their values in very deep and profound ways. The ability to make reasoned moral judgments develops in identifiable stages

Preconvention Stages

At these first two stages, the child is able to respond to rules and social expectations and can apply the labels of good, bad, right and wrong. These rules, however, are seen as something externally imposed on the self.

1. *Punishment and Obedience Orientation* – At this stage, the physical consequences of an act wholly determine the goodness and badness of that act.
2. *Instrument and Relativity Orientation* – At this stage, right actions become those that can serve as instruments for satisfying the child's needs of the needs of those for whom the child cares.

Conventional Stages

Maintaining the expectations of one's own family, peer group, or nation is now seen as valuable in its own right, regardless of the consequences.

1. *Interpersonal Concordance Orientation* – Good behavior at this early conventional stage is living to the expectations of those for whom one feel loyalty, affection, and trust, such as family and friends.
2. *Law and Order Orientation* – Right and wrong at this more mature conventional stage now come to be determined by loyalty to one's own larger nation or surrounding society.

Post Conventional, Autonomous, or Principled Stages

At these stages, the person no longer simply accepts the values and norms of the groups to which he or she belongs. Instead the person now tries to see situations from a point of view that impartially takes everyone's interests into account.

1. *Social Contract Orientation* – At this first post-conventional stage the person becomes aware that people hold a variety of conflicting personal views and opinions and emphasizes fair ways of reaching consensus by agreement, contract, and due process.
2. *Universal Ethical Principles Orientation* – At this final stage, right action comes to be defined in terms of moral principles chosen because of their logical comprehensiveness, universality and consistency.

Although people generally progress through the stages in the same sequence, not everyone progresses through all the stages. Kohlberg has been criticized for claiming that the higher stages are morally preferable to the lower stages. It fails to adequately trace out the pattern of development of women. Females, Gilligan claimed, tend to see themselves as part of a "web" of relationships. For women, morality is primarily a matter of "caring" and "being responsible" for others with whom one is involved in personal relationships, and not a matter of adhering to impartial and impersonal rules. Moral development for women is marked by progress toward more adequate ways of caring and being responsible for oneself and for others. This is called the *care perspective*.

Moral reasoning refers to the reasoning process by which human behaviours, institutions, or policies are judged to be in accordance with or in violation of moral standards. Moral reasoning always involves two essential components:

1. An understanding of what reasonable moral standards require, prohibit, value, or condemn; and
2. Evidence or information that shows that a particular person, policy, institution, or behavior has the kinds of features that these moral standards require, prohibit, value, or condemn.

First and primarily, moral reasoning must be logical. All the unspoken moral and factual assumptions must be made explicit, and both assumptions and premises be displayed and subject to criticism. Second, the factual evidence cited in support of a person's judgment must be accurate, relevant, and complete. Third, the moral standards involved in a person's moral reasoning must be consistent. The consistency requirement is the basis of an important method of showing that a given moral standard must be modified or rejected: the use of counter examples or hypothetical's.

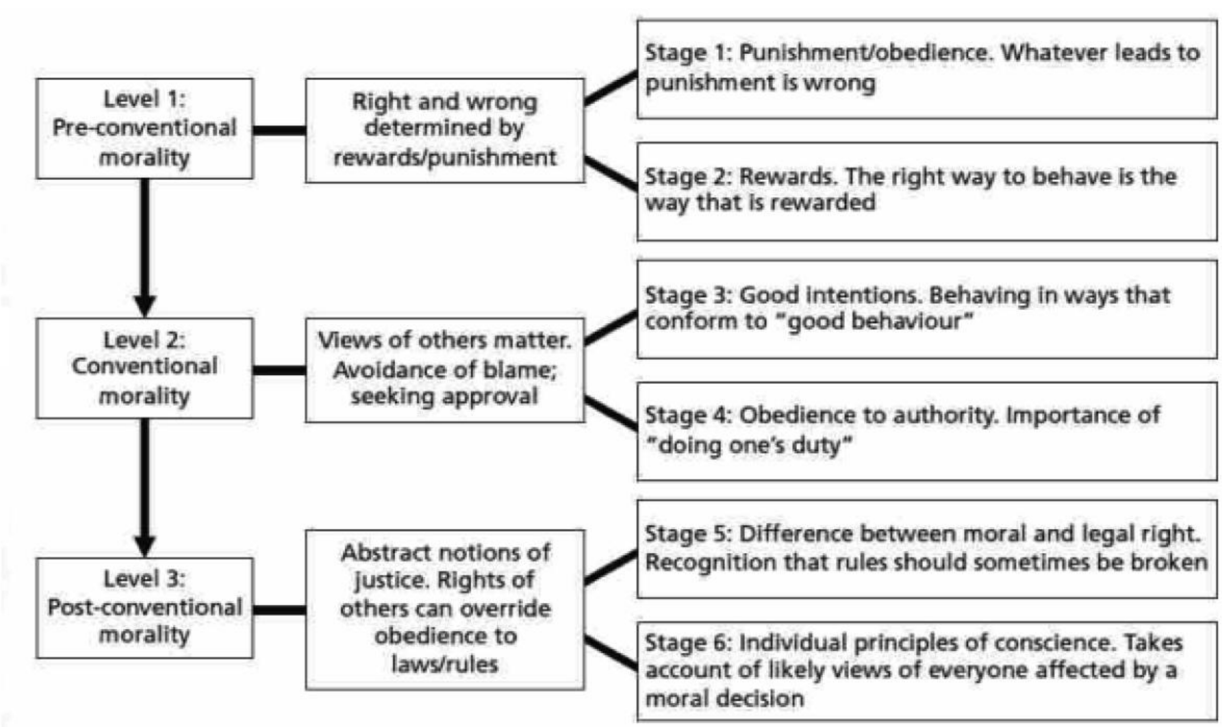


Figure 1.1 Schematic of morale development and reasoning

1.2.2 Moral Responsibility and Blame

Moral reasoning, however, is sometimes directed at a related but different kind of judgment: determining whether a person is morally responsible, or culpable, for having done something wrong or for having wrongfully injured someone. The term moral responsibility is sometimes used as an equivalent to moral duty or moral obligation.

A person is *morally responsible* only for those acts and their foreseen injurious effects:
(a) which the person knowingly and freely performed or brought about and which it was morally wrong for the person to perform or bring about, or
(b) which the person knowingly and freely failed to perform or prevent and which it was morally wrong for the person to fail to perform or prevent.
Two conditions completely *eliminate a person's moral responsibility* for causing a wrongful injury: (1) *ignorance* and (2) *inability*.

There are also several mitigating factors that can lessen a person's moral responsibility depending on the severity of the wrong. Mitigating factors include (a) circumstances that leave a person uncertain but not altogether unsure about what he or she is doing (these affect the person's knowledge);
(a) Circumstances that make it difficult but not impossible for the person to avoid doing it (these affect the person's freedom);
(b) Circumstances that minimize but not completely remove a person's involvement in an act (these affect the degree to which the person actually caused or helped to cause the wrongful injury).

These can lessen a person's responsibility for wrongdoing depending on a fourth factor: the seriousness of the wrong.
Who is morally responsible for jointly produced acts? The traditional view is that those who knowingly and freely did what was necessary to produce the corporate act are each morally responsible.
Critics of the traditional view of the individual's responsibility for corporate acts have claimed that the corporate group and not the individuals who make up the group must be held responsible for the act. The law typically attributes the acts of a corporation's managers to the corporate (so long as the managers act within their authority) and not to the managers as individuals. Because individuals are morally responsible for the known and intended consequences of their free actions, any individual who knowingly and freely joins his actions together with those of others, intending thereby to bring about a certain corporate act, will be morally responsible for that act. The excusing factors of ignorance and inability, which are endemic to large-scale bureaucratic corporate organizations, will completely eliminate a person's moral responsibility. Moreover, depending on the seriousness of the act, the mitigating factors of uncertainty, difficulty, and minimal involvement can also diminish a person's moral responsibility for a corporate act.
It is clearly mistaken, however, to think that an employee who freely and knowingly does something wrong is absolved of all responsibility when he or she is "following orders".

Did You Know?
Sociologist Raymond Baumhart was among the first academics to explicitly teach and study the ethics of business and commerce in the 1960s, and by 1974 there was enough of a developing discipline in the field to give rise to a landmark conference at the University of Kansas.

1.3 Levels of Business Ethics

The ethical standards of a business are a key factor in how that business is defined. A business's reputation impacts its customers, employees, potential for growth and overall success. A business organization that exemplifies integrity in its products, services and actions holds itself up to high ethical standards on all three levels.

1.3.1 Law

These laws define the difference between right and wrong, and what is considered acceptable behaviour by the majority of people. A business organization must abide by these laws to uphold its ethical standards. Wage and hour laws that protect employees are one example, while guidelines overseeing environmental protection are another. Businesses must adhere to laws instituted by the federal government, the state and the local municipality. There are situations where the actions of a business organization are legal, yet they may not be particularly ethical. This is a fine line and the organization has a responsibility to self-police if it wants to be held to a high ethical standard.

1.3.2 Policies

The second level of ethical standards for a business organization concerns its internal policies and procedures. The business creates these as a guideline for its managers and employees to follow. A set of clearly stated, highly ethical policies takes the guesswork out of decisions made on a daily basis. These policies should include hiring practices, termination procedures, sexual harassment issues, vendor relationships and gift-giving limits. When staff members of an organization are trained in a company's policies, actions and reactions become second nature. Ensuring those policies are ethically sound removes the possibility for improper actions or decisions.

1.3.3 Individuals

Though a business organization may be bound by applicable laws and internal policies, adherence by individuals determines the true integrity of the company. When an employee joins a business organization, he comes equipped with his own moral values based on heritage and upbringing. It is the responsibility of the business organization to foster a corporate climate that supports ethical behaviour by all employees. This is achieved by continual training in the ethical policies and guidelines of the company, positive reinforcement of ethical actions and leadership leading by example.

1.3.4 Consequences

There are notable consequences for a business organization when it ignores or breaks the ethical standards at each level. If a business does not adhere to the law, ramifications may include fines, penalties or even jail sentences for business owners. Infractions might include polluting the environment, breaking labour laws or fraudulent financial reporting. Infractions at the company policy level can result in the need for internal audits, legal investigations and the institution of corrective actions. These consequences will most certainly have a financial impact due to time and costs involved, and may also negatively impact employee morale as business operations are strained under the pressure. Noncompliance with ethical standards at the individual level may be the most costly. If the actions damage the business's reputation, the consequences may include loss of customers, employee turnover and damage to staff loyalty.

1.4 Myths of Business

1.4.1 Business Ethics

Most people discuss business ethics but they really do not realize its importance. Every walk of life is being founded by ethics and is not changeable. The results may be differing but the main principle can never be. For example, to harm anyone is unethical. If this concept is followed by any individual in his personal and official life then he can be considered an ethical person.

1.4.2 Ethics is a Matter of Education

To be an ethical it is required to have clear sense of one's duties and responsibilities. It is considered that responsibilities a person is having can be cleared by education but the writer explains that just education is not enough for people who are really ethical in nature. For example by breaking any law, if an individual suffers the consequences, next time he will avoid the previous situation and will behave ethically.

1.4.3 Ethical Dilemmas are Possible

To be ethical or unethical is not continuous activity. It occurs occasionally. To solve difficult situations, occurring in one's life an individual or business life needs to have knowledge and facts. When the ethical satisfaction is not there in routine human interaction, the chances of recognition any ethical problem decreases and in the long run creates major problems.

1.4.4 Either an Ethical Person or Not

If a business wants itself to be called an ethical accepted business, must have to take actions which are ethically accepted.

Myth is something related to the norms and interests of the society. It is like the other side of culture which enables individuals and groups to give explanation of social experiences. This can be analyzed in two different contexts.

Socio Culture

Myth ponders norms related to society which provides guidelines for modified behaviour. Myth grows vigorously and gets prosperity or ebb due to cultural changes instead of learning the realities by individual. Both the empirical evidences and rational arguments can weak myth.

That the basic function of myth in the development of a person's beliefs and condition of actions. He further says that myth is external source of information with the help of which human life can be put on specific track and provide mechanism for perception and understanding.

Sociological

While considering myth as cultural phenomena it is required to study its symbolic nature. "A symbol or metaphor is defined by a stratification of meaning, in which an incongruity of sense on one level precedes significance on another" It is the ability of symbolic nature to present cultural and social reality and avoids the scientific language. Due to the complex interrelated meanings, it is having the ability to contain, to convey even more complicated meanings. "Business is a game" and "metaphor" is always wrong so it communicates a false assimilation in a suitable analogy and when it misses the desired results, it turns more costly. The analogy of meanings depends upon social connotations like business in considered as a family in Japan but in western countries where individualism is on top, it is not considered as family.

According to Roland Barthes myth is a strange system which is founded by semiological which was earlier a myth itself.

It can be cleared by considering two phenomenons's code-naming and stereotyping. The reality of anything is covered by another meaning for example giving any gift to anyone as bribery. In this context the bribery is left behind while in the stereotype concept it makes clear that the opposite is true. I will quote his words "myth does not hide or make pieces of reality disappear". Binding the myth to reality is like relationship of reconstruction. He further explains that in mythical point of view the profit maximization by any business is not just a statement but it makes clear that the structure of business must be in such a way which can help to increase our profit.

Barthes says in this context that myth is something which can be defined by the purpose it is having rather than its literal sense.

Degeorge elaborates that business myth and ethics are two different domains. They are different sphere of activities. Business ethics is something else from business myth. As their languages are differing so any manager taking any decision regarding anything related to the business which can maximize the profit, then he uses the language of business which is normally neutral.

Amoral business's myth is having two opposite shapes one is moral washing and the other is moral muteness. The former is related to normalization of wrong deed and the latter is about to cover the ethical manners. If there is any an unethical action or practice the manager tries to use different organizational language and different types of techniques to avoid the moral association of that unethical practice. Bureaucratic creativeness plays important role to glaze over the actions which are illegal. And this is done by the moral washing form which proper shape is given to elaborate its improper conduct.

Bird and Waters describe that moral muteness is the reluctance by manager to narrate their lega action in legal and moral limit and boundaries. This concept is further explained by Trevino and Nelson that some mangers like to avoid the usage of "ethics' in communication which is done there in organization because often it is loaded negatively with emotions.

Inconsistency between speech and actions can be demonstrated both in moral washing and moral muteness, and give birth to endless modification of meanings. In moral washing the unethical activities and in moral muteness the ethical activities are covered.

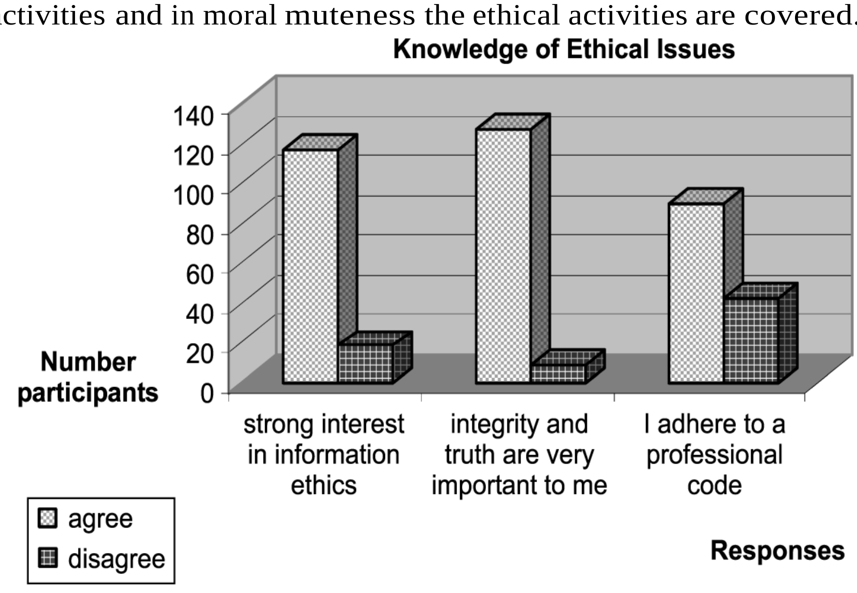


Figure 1.2: Representation of Ethical issues knowledge

1.4.5 Down Word Thinking

According to Geva Business is something which goes just for profit and tries to maximize its profit but it has been observed just in myths. As profit is not the first priority but is exalted in all other interests.

Nash makes clear that myth provokes the manager to make choice between morality and profitability.

Solomon add to this concept that determination of quality is of the factor of carrying on the maximization of profit but in bottom line approach it is nothing but to gain on investment which is pure an economic term and has nothing to do with hard work. The profit is the fundamental nature of any business.

According to Geva by considering the profit as the sole goal of any business all other goals such as benefits for the society, economic development and goodwill go beyond the screen.

Solomon furthers explains in this area that the most dangerous thing in market is the motive of profit as it shows itself something else than reality. It means that it gives birth to some uncertain practices. Business having pursuing profit is having very narrow vision and deduce discarded conclusion. But he provides some ideal remedy to the model and says that rise to the highest point of profit is not the sole goal of business life.

Drucker adds his contribution to this concept that the managers who are having profit their first motive, very often complains the public hostility to profit.

Profitability is important for any business but it must not be the sole end of business activity and must be in a way to encourage productivity, giving some benefits to the society in form of development, providing employment and performing its role in improving of the life style of individuals.

Geva add to this context that the relation which ties the myth to reality is like alibi, as profit is presented the crucial purpose of business but at the same time it takes the consideration of free market which makes this relation rational and irrational at the same time.

1.4.6 Business is Game

According to myth business must be taken as a game having defined rules and regulations like all other games. If one wins, he would have followed some strategies, and adopting the advancement in this field.

John Ladd contributes that the language of game that there must be some rules regulation which will determine the activities within game like prescription, justification and evaluation. While playing any game

it is taken wrong and unfair to challenge the rules of that game as sanctity is attached to it which in return is not liable to criticize the rule.

Geva add that anyone who wants to be in this game is having the knowledge about risk and uncertainty and the success as well that if it turned into failure, it will bear huge cost and on the succession it will burn more fruits.

Ladd gives his explanations that considering the business as a game it entails dual responsibility i.e. when an individual works in the office, having one type of responsibility rather than the responsibility of home, friend etc by the same individual.

This myth may be focus on its false premises as there may be third party which can be affected by this game, they pay for this game and are really not involved in it and may even ignore it existence.

Long and Snoeyenbos, Solomon suggest that all the participants may not be able to fully understand the complicated rules and regulation. In this some participants are not even known to their partners, which feeble the chance of honest play and creates problems by the strong party for the weaker party.

1.4.7 Business is Jungle

Business world is competitive due to the reason of its survival but this competition is not fair all the time.

Solomon demonstrates his views in this regard that in tough competition for the reason of survival and enhancement of market share, unethical practices can be observed. Considering the business life as a cruel fight and the survival for existence provides the moral justification for acquiring the jungle's law in real market activities like "die or survive".

Cramton and Dees; Frank, Maitland, Nash; Solomon describe that while following the concept of die or survive the competitor decides to bluff in the game but he must keep in mind the short comings of his decision. He must consider that with this the image and goodwill of the company also be affected and problems may occur in future. In spite of strong competition among competitors there are some accepted rules and mutual trust. When the reputation is damaged then the business has to bear it in long run.

Barthes, says in Giva that the comparison between the myth and ethical approach of business refuses the avoiding confrontation of myth.

- According to the business myth as a jungle deduces its persuasive power from beliefs, each presents some conditions.
- Free competition normally gives birth to jungle struggle. This belief gives morality to the jungle business by stating that one is dependent on other, while promoting free competition there must be the acceptance inescapable consequences.
- By considering the business as jungle struggle and warfare, it has arrogant nature. It prevents its extreme as the norms of the business. Due to this struggle for survival is turned to law of nature which then turns into the norms of business life. In the life for existence the survival blocks all moral duties.
- The struggle for survival control business activities. This concept reveals another mechanism which is related to one dimension i.e. one rule world. The one rule world reduces all other rules and questions and the need for explanation is useless.
- All the three above mentioned concepts encompass the ideas of business and jungle, prosperity and survival, unrestrained and free competition.

1.4.8 The Owner

Business leaders are like kings. Like all other kings the business leaders struggle for their survival and try to maximize their profit. They design the rules having the concept in mind that are not liable to those rules. They think that due to more responsibilities they are not bound to these rules but these rules are just for common people.

Druckers, elaborates that ethics for these people means the business leaders is just numerical of cost and its benefits.

According to Boatright, One thing which is clear and noticeable regarding the myth related to business leaders is the high competition they get, neglecting their company's performance. There are some myths of emperors which are having dual system, like individual interest and company's interest. This concept can be strengthened with the followings.

- According to Kalman and Hamilton, some people have the disease to have more and more power. They handle and exercise their power in such a way which sometime goes against the moral principles which affects the human relationship in long run. So the lawbreaking or any act which is unethical, is precisely ordered, encouraged and at the end allow by legitimate authorities. This exercise, by allowing all genuine and lawful authorities people show their willingness to forgive.

- Robert Jackal, explains in Geva that in business worlds authority is divided into two sections, one is centralized and the other one is decentralized. More and more powers are concentrated at the top level and is cascaded gradually. If the organization gains any success orextra profit the credit is considered for the top management and if there is failure in any area of the business the low level management is considered to be responsible. This gives moral exemption to managers, and if any conflict and criticism arises the responsibilities go on the other's shoulders instead of top management.
- According to Geva the leader is a visionary person so if he plans any strategy or set long term policies the expectation increases in the sense of profit. This keeps the manager responsible to get to the desired goals. By doing so the manager is considered comfort from other moral duties.
- The last concept in this regard by Geva is the explanation of utilitarianism. Any action which gives more benefits people is good and moral act. The manager due to more responsibilities and at top position can understand the consequences and shads of the organization in a better way and to balance them. Most people are lacking the ability to have pretty enough information to make judgment, which is the most beneficial. But the managers who are having tacit knowledge, more responsibilities and authorities must consider the pros and consequences of all other parties.

At last when the ethics is exposed to criticism, for example the profit maximization is not supposed to be the sole objective of any business, it seems reality (the existence of business is for profit) and when it is related to observational test like many business managers take the utilitarianism concept, then the myth emerges with value (the obligation of any business is the enhancement of profit). This spherical relationship of facts establishes values and values settle facts and it leads no separation for moral consequences.

Caution

The ethical rules must be followed by every organization. Opposing rules may be cause of punishable offence.

1.5 Relationship between Values, Morals and Ethics

1.5.1 Values are Our Fundamental Beliefs

Values are the rules by which we make decisions about right and wrong, should and should not, good and bad. They also tell us which are more or less important, which is useful when we have to trade off meeting one value over another.

They are the principles we use to define that which is right, good and just. Values provide guidance as we determine the right versus the wrong, the good versus the bad. They are our standards.

Consider the word "evaluate". When we evaluate something we compare it to a standard. We determine whether it meets that standard or falls short, comes close or far exceeds. To evaluate is to determine the merit of a thing or an action as compared to a standard.

Typical values include honesty, integrity, compassion, courage, honour, responsibility, patriotism, respect and fairness.

1.5.2 Morals are Values Which We Attribute To a System Of Beliefs

Typically a religious system, but it could be a political system of some other set of beliefs. These values get their authority from something outside the individual a higher being or higher authority (e.g. society). In the business world we often find ourselves avoiding framing our ethical choices in moral terms for fear that doing so might prove offensive (lacking in respect or compassion) to some. Many of us find our values are strongly influenced by our sense of morality right as defined by a higher authority. Yet we refrain from citing that authority because doing so may seem less rational and more emotional to others who do not share our belief system. The lack of public reference to morals does not diminish the power of moral authority. Avoiding a morality-based rationale is a social convention and one that is not universally practiced.

Morals have a greater social element to values and tend to have a very broad acceptance. Morals are far more about good and bad than other values. We thus judge others more strongly on morals than values. A person can be described as immoral, yet there is no word for them not following values.

By that definition one could categorize the values listed above (honesty, integrity, compassion …) as "moral values" - values derived from a higher authority. That is a convenient way to differentiate them from what are often called utilitarian or business values, such as excellence, quality, safety, service, which define some elements of right and good in a business context.

1.5.3 Ethics is About Our Actions and Decisions

When one acts in ways which are consistent with our beliefs (whether secular or derived from a moral authority) we will characterize that as acting ethically. When one's actions are not congruent with our values - our sense of right, good and just - we will view that as acting unethically.

Defining what is ethical is not an individual exercise however. If it were then one could have argued that what Hitler did was ethical since his actions conformed to his definition of right, fair and good. The ethics of our decisions and actions is defined societal, not individually.

If society is dominated by a single religious or cultural belief system, as is the case in some countries, then what is ethical and what is moral may be defined as the same thing. In societies where there is not a monolithic belief system there can be very wide differences in opinion in society as to whether a given action is ethical (or moral).

Consider several of the long-standing national debates that are going on in the United States. Often the controversy is the result of people coming to a question from different moral positions or from different values. Take the very difficult question of abortion. If your religious belief system defines abortion as taking a life then you cannot be ethical (acting in ways that are consistent with your values) and support the position that abortion is a woman's individual choice. If your personal value system holds that control of one's body is an inviolable personal right then the idea that others - individually or collectively - can impose their will on you is antithetical to that right.

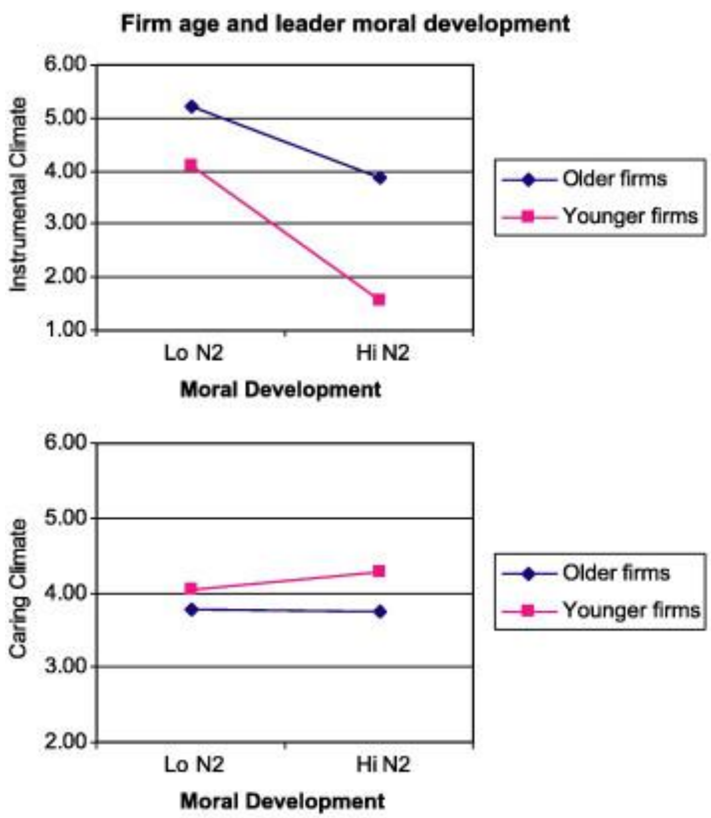
Culturally we also see differences as to how values are defined. In US society we stand against nepotism. We believe that a concern for fairness to all employees demands that large businesses protect their employees from the unfairness inherent in the situation where an individual supervisors a member of his or her immediate family. The concern is for the inevitability of preferential treatment and/or the inappropriate sharing of personal/confidential information about others in the workplace. Fairness demands that nepotism not be tolerated. In the Arab world, nepotism is often viewed as an illogical concern. The cultural obligation to look after one's family outweighs other concerns. Of course one would favour family. That is what family does. That is the right thing to do.

While I am not arguing that ethics is "situational" I am arguing that while we may agree on values, we may disagree as to which values apply or which actions best satisfy those values. Is it fair to treat each employee identically (equality) or is it fair to treat each employee according to his or her needs (equity)? In our society we argue both.

And of course we have ethical dilemmas, where the choice is not between what we believe to be right and what we believe to be wrong, but between competing rights. The classic case: "Is it ethical to steal a loaf of bread to feed a starving child."

You can have professional ethics, but you seldom hear about professional morals. Ethics tend to be codified into a formal system or set of rules which are explicitly adopted by a group of people. Thus you have medical ethics. Ethics are thus internally defined and adopted, whilst morals tend to be externally imposed on other people.

If you accuse someone of being unethical, it is equivalent of calling them unprofessional and may well be taken as a significant insult and perceived more personally than if you called them immoral (which of course they may also not like).



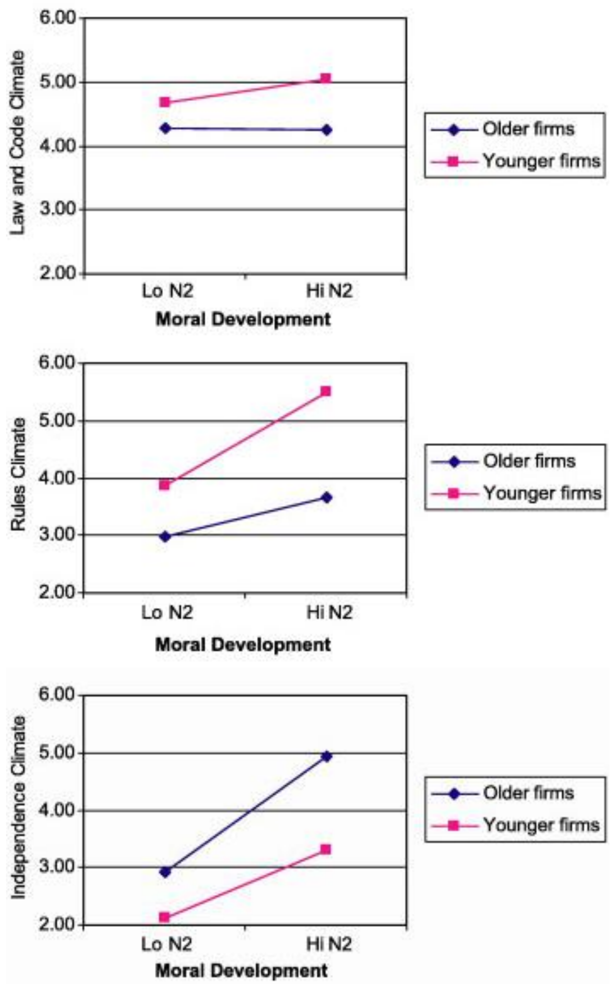


Figure 1.3: Schematic relation between moral development

Caution

If a person is not good in handling minutes matters or cannot solve minor problem will not be able to be trusted in long run.

1.6 Ethical Decision Making

Ethical decision making is a very tough prospect in this dog-eat-dog world. However, in the long run all will have to fall in and play fair. The clock is already ticking for the unscrupulous corporations. In this age of liberalization and globalization, the old dirty games and unethical conduct will no longer be accepted and tolerated.

Norman Vincent Peale and Kenneth Blanchard have prescribed some suggestions to conduct ethical business:

- Is the decision you are taking legal? If it is not legal, it is not ethical.
- Is the decision you are taking fair? In other words, it should be a win-win-equitable risk and reward.
- The Eleventh Commandment—'Thou shall not be ashamed when found', meaning when you are hauled up over some seemingly unethical behaviour, if one's conscience is clear, then there is nothing to be ashamed of.

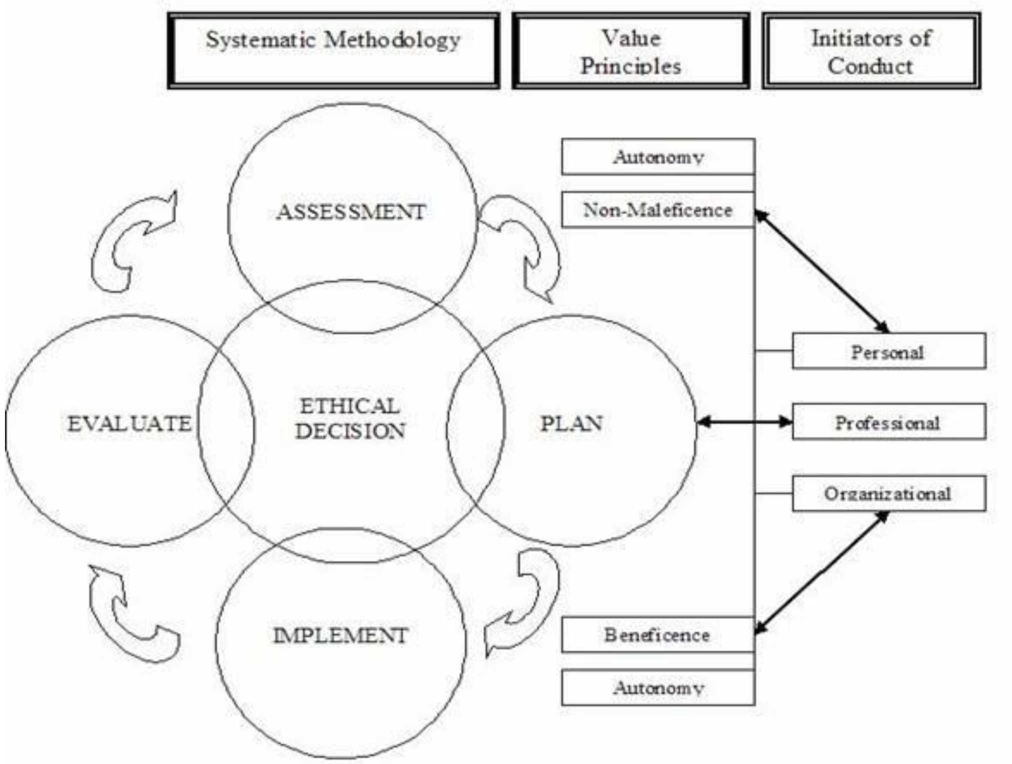


Figure 1.4: Schematic of ethical decision making

1.6.1 Ethical Decision Making Model

Core Principles

A foundation to good ethical decision making is acceptance of two core principles:

- We all have the **power** to decide what we do and what we say
- We are morally **responsible** for the consequences of our choices.

Seven Steps to Ethical Decision Making

One tool to help guide our decision making is the Seven Steps to Ethical Decision Making. This is a product of the Josephson Institute of Ethics. The seven steps are:

Step	Principle
1	Stop and Think
2	Clarify Goals
3	Determine the Facts
4	Develop Options
5	Consider Consequences
6	Choose
7	Monitor and Modify

Step 1. Stop and Think

One of the most important steps to better decisions is the oldest advice in the world: think ahead. To do so it is necessary to first stop the momentum of events long enough to permit calm analysis. This is often difficult to do in the day-today life of a contracting professional and may require considerable discipline to slow the daily process down long enough, but it is a powerful tonic against poor choices.

The well-worn formula to count to 10 when angry and to 100 when very angry is a simple technique designed to prevent foolish and impulsive behaviour. We are just as apt to make foolish decisions when we are under the strain of powerful desires or fatigue, when we are in a hurry or under pressure, and when we are ignorant of important facts.

Just as parents teach their children to look both ways before they cross the street, we can and should in still the habit of looking ahead before we make any important decision. Stopping to think provides several benefits. It prevents rash decisions. It prepares us for more thoughtful discernment. Also, it can allow us to mobilize our discipline or, simply put. it may allow us to utilize the ethical decision making process more effectively.

Step 2. Clarify Goals

Before you choose, clarify your short- and long-term desired outcomes. Determine which of your many wants and do not-wants affected by the decision are the most important. The big danger is that decisions that fulfil immediate wants and needs can prevent the achievement of our more important ultimate goals.

Step 3. Determine the Facts

Be sure you have adequate information to support an intelligent choice. You cannot make good decisions if you do not know the facts. To determine the facts, first resolve what you know, then what you need to know. Be prepared to get additional information and to verify assumptions and other uncertain information. Once we begin to be more careful about facts, we often find that there are different versions of them and disagreements about their meaning. In these situations part of making sound decisions involves making good judgments as to who and what to believe.

Here are some guidelines:

- Consider the reliability and credibility of the people providing the facts
- Consider the basis of the supposed facts. If the person giving you the information says he or she personally heard or saw something, evaluate that person in terms of honesty, accuracy and memory. Remember that assumptions, gossip and hearsay are not the same as facts.
- Consider all perspectives, but be careful to consider whether the source of the information has values different from yours or has a personal interest that could affect perception of the facts. Where possible seek out the opinions of people whose judgment and character you respect, but be careful to distinguish the well-grounded opinions of well-informed people from casual speculation, conjecture and guesswork.
- Finally, evaluate the information you have in terms of completeness and reliability so you have a sense of the certainty and fallibility of your decisions.

Step 4. Develop Options

Now that you know what you want to achieve and have made your best judgment as to the relevant facts, make a list of options, a set of actions you can take to accomplish your goals. If it is an especially important decision, talk to someone you trust so you can broaden your perspective and think of new choices. Work hard to come up with all the reasonable options. If you try hard enough you should be able to think of more than one or two choices.

Step 5. Consider Consequences

Two techniques help reveal the potential consequences:

- Filter your choices through each of the Six Pillars of Character: **trustworthiness, respect, responsibility, fairness, caring and citizenship**. Will the action violate any of the core ethical principles? For instance, does it involve lying or breaking a promise; is it disrespectful to anyone; is it irresponsible, unfair or uncaring; does it involve breaking laws or rules? Eliminate unethical options. Click on this link if you want to know more about the Six Pillars of Character:
- Identify the stakeholders and how the decision is likely to affect them. Consider your choices from the point of view of the major stakeholders. Identify whom the decision will help and hurt.

Step 6. Choose

It is time to make your decision. If the choice is not immediately clear, see if any of the following strategies help:

- **Talk to people whose judgment you respect**. Seek out friends and mentors, but remember, once you have gathered opinions and advice, the ultimate responsibility is still yours.
- **What would the most ethical person you know do?** Think of the person you know or know of (in real life or fiction) who has the strongest character and best ethical judgment. Then ask yourself: what would that person do in your situation? Think of that person as your decision making role model and try to behave the way he or she would.
- **What would you do if you were sure everyone would know?** If everyone found out about your decision, would you be proud and comfortable? Choices that only look good if no one knows are always bad choices. Good choices make us worthy of admiration and build good reputations. It is been said that character is revealed by how we behave when we think no one is looking and strengthened when we act as if everyone is looking.

The Golden Rule: *do unto others as you would have them do unto you.* The Golden Rule is one of the oldest and best guides to ethical decision making. If we treat people the way we want to be treated we are likely to live up to the Six Pillars of Character. We do not want to be lied to or have promises broken, so we should be honest and keep our promises to others. We want others to treat us with respect, so we should treat others respectfully.

Step 7. Monitor and Modify

Since most hard decisions use imperfect information and "best effort" predictions, some of them will inevitably be wrong. Ethical decision-makers monitor the effects of their choices. If these decisions are not producing the intended results or are causing unintended or undesirable results, then reassess the situation and make new decisions.

Case Study-Success Story of KFC

The case highlights the ethical issues involved in Kentucky Fried Chicken's (KFC) business operations in India. KFC entered India in 1995 and has been in midst of controversies since then. The regulatory authorities found that KFC's chickens did not adhere to the Prevention of Food Adulteration Act, 1954. Chickens contained nearly three times more monosodium glutamate (popularly known as MSG, a flavor enhancing ingredient) as allowed by the Act. Since the late 1990s, KFC faced severe protests by People for Ethical Treatment of Animals (PETA), an animal rights protection organization. PETA accused KFC of cruelty towards chickens and released a video tape showing the ill-treatment of birds in KFC's poultry farms.

However, undeterred by the protests by PETA and other animal rights organizations, KFC planned a massive expansion program in India.

On August 20, 2003, a five-foot tall chicken complete with an ensemble of feathers and beak hobbled on a pair of crutches outside Kentucky Fried Chicken's (KFC) Indian outlet in Bangalore.

The chicken was brought by PETA (People for Ethical Treatment of Animals) activists, who carried placards reading, "Quit India" and "Stop Playing Fowl" (a pun on "Foul"). The chicken was placed at the centre and a peaceful protest was held against the alleged ill treatment of birds in KFC's poultry farms. Media persons were called to give the demonstration a wide coverage (Refer Exhibit I for a visual on the protest by PETA activists).

Explaining the rationale behind the protest, Bijal Vachcharajani, special projects coordinator of PETA, said, "Ours is the land of Gandhi. Just as 61 years back our leaders gave a call for colonizers to quit India, we too are saying we will not tolerate cruel multinationals."

On the 61st anniversary of the 'Quit India' movement, PETA India wrote a letter to the Managing Director of Tricon Restaurant International, the parent company of KFC, asking them to close their sole KFC outlet in India.

They got no reply. PETA activists decided to protest against KFC by carrying crippled chicken, which represented the birds suffering in the KFC's farms. PETA claimed that after two years of intensive campaigning to increase animal welfare standards in poultry farms, other foreign fast food restaurants operating in India like McDonald's and Burger King had improved the treatment of animals specially raised and slaughtered for food.

Only KFC had not acted. Though PETA had organized other protests earlier, the crippled chicken campaign became the precursor for more intensive protests. PETA's was one of the many shows of protest against KFC's Indian outlet.

KFC was founded by Harland Sanders (Sanders) in the early 1930s, when he started cooking and serving food for hungry travellers who stopped by his service station in Corbin, Kentucky, US.

He did not own a restaurant then, but served people on his own dining table in the living quarters of his service station. His chicken delicacies became popular and people started coming just for food.

Kentucky Fried Chicken was born. Soon, Sanders moved across the street to a motel-cum-restaurant, later named 'Sanders Court and Cafe that seated around 142 people.

Over the next nine years, he perfected his secret blend of 11 herbs and spices and the basic cooking technique of chicken. Sanders' fame grew and he was given the title Kentucky Colonel by the state Governor in 1935 for his contribution to the state's cuisine.

Sanders' restaurant business witnessed an unexpected halt in the early 1950s, when a new interstate highway was planned bypassing the town of Corbin. His restaurant flourished mainly due to the patronage of highway travellers.

The new development meant the end of this. Sanders sold his restaurant operations. After settling all his bills, he was reduced to living on a meagre $105 social security cheque. But Sanders did not lose hope. Banking on the popularity of his product and confident of his unique recipe for fried chicken, Sanders started franchising his chicken business in 1952. He called it Kentucky Fried Chicken. He travelled the length and breadth of the country by car, visiting as many restaurants as possible and cooking batches of chicken. If the restaurant owners liked his chicken, he entered into a handshake agreement that stipulated payment of a nickel for each plate of chicken sold by the restaurant. By 1964, Sanders franchised more than 600 chicken outlets in the US and Canada...

Foreign fast food companies were allowed to enter India during the early 1990s due to the economic liberalization policy of the Indian Government. KFC was among the first fast food multinationals to enter India.

On receiving permission to open 30 new outlets across the country, KFC opened its first fast-food outlet in Bangalore in June 1995. Bangalore was chosen as the launch pad because it had a substantial upper middle class population, with a trend of families eating out. It was considered India's fastest growing metropolis in the 1990s. Apart from Bangalore, PepsiCo planned to open 60 KFC and Pizza Hut outlets in the country in the next seven years. However, KFC got embroiled in various controversies even before it started full- fledged business in India. When the issue of granting permission to multinational food giants to set up business in the country came up for discussion in the Indian parliament, some members from the opposition parties were vocal in their displeasure...

Problems for KFC

From the very first day of opening its restaurant, KFC faced problems in the form of protests by angry farmers led by the Karnataka Rajya Ryota Sangha (KRRS).

The farmers leader, Nanjundaswamy, who led these protests, vehemently condemned KFC's entry into India, saying that it was unethical to promote highly processed 'junk food' in a poor country like India with severe malnutrition problems. Nanjundaswamy expressed concern that the growing number of foreign fast food chains would deplete India's livestock, which would adversely affect its agriculture and the environment. He argued that non-vegetarian fast-food restaurants like KFC would encourage Indian farmers to shift from production of basic crops to more lucrative varieties like animal feed and meat, leaving poorer sections of society with no affordable food. KRRS held a convention on November 01, 1995 to protest the entry of fast food multinationals and the Westernization of local agriculture...

The Aftermath

- By late 2003, PETA further intensified its campaign against the cruel treatment meted out to chickens by KFC through protests at regular intervals. Celebrities like Anoushka Shankar, daughter of the legendary sitar maestro Ravi Shankar, directly supported the cause of PETA.
- Anoushka, a sitarist herself, wrote a letter to the top management of PepsiCo condemning the continued cruelty of KFC in spite of repeated requests of PETA. The organization also had the support of other celebrities like the famous cricket player Anil Kumble (based in Bangalore), popular Indian models like Aditi Govitrikar, the late Nafisa Joseph and John Abraham, who promoted vegetarianism. Film actresses like Raveena Tandon and Ameesha Patel also took up the cause of animal abuse. Undeterred by the continued protests, KFC added three more outlets to its existing one at Bangalore. KFC also announced a major expansion programme for 2005. Sharanita Keswani (Keswani), KFC's Marketing Director, said that as the retail business was poised for a boom in India, they considered it the right time for expansion.

Feeling positive about the flourishing malls in all big cities, Keswani revealed that this time KFC planned to have a presence in prime locations or in a mall where turnout would be assured. The company aimed at targeting cosmopolitan cities like Chandigarh, Pune, Kolkata, Chennai and Hyderabad, where mall culture was fast developing. PepsiCo also decided to concentrate on the expansion of KFC since its other brand, "Pizza Hut", had successfully established a strong foothold in India. Vegetarianism was predominant and was a way of life in India. Many people ate non-vegetarian food only occasionally and avoided it during festivals or religious occasions...

Questions

1. Discuss the significance of cultural, economic, regulatory and ecological issues while establishing business in a foreign country
2. Examine the reasons for protests of PETA also identify the solutions for KFC's problems in India

1.7 Summary

- Business ethics is a sum total of principles and code of conduct businessmen are expected to follow in their dealings with their fellowmen such as stockholders, employees, customers, creditors, and comply with to enact the laws of the land and to protect all these stakeholders.
- Business ethics operate as a system of values relating business goals and techniques to meet specific human ends.

- Morality is the standards that an individual or group has about what is right and wrong, or good and evil.
- Ethics is the discipline that examines one's moral standards or the moral standards of a society.
- The ethics of our decisions and actions is defined societally, not individually.

1.8 Keywords

- Business Ethics: It (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment.
- Values: The rules by which we make decisions about right and wrong, should and should not, good and bad.
- Morals: The values which we attribute to a system of beliefs
- Myths: It is defined as a sacred narrative explaining how the world and humankind came to be in their present form.
- Moral norms: It is expressed as a general rules or statements, such as "Always tell the truth".

1.9 Self Assessment Questions

1. Ethics is a branch of philosophy and is considered a normative science

(a) True (b) False

2. ....and........................ are especially important for business managers

(a) Business Strategy
(b) Business Environment
(c) Personal values, ethics
(d) Morals

3. ....are the standards that an individual or group has about what is right and wrong, or good and evil.

(a) Values
(b) Morals
(c) Ethics
(d) None of the above

4. ....and....................completely eliminate a person's moral responsibility for causing a wrongful injury

(a) ignorance
(b) inability
(c) Both (a) and (b)
(d) None of the above

5. A business's reputation impacts its customers, employees, potential for growth and overall success.

(a) True (b) False

6. ....is something related to the norms and interests of the society

(a) Value
(b) Myth
(c) Moral

(d) None of the above

7. Values provokes the manager to make choice between morality and profitability
(a) True (b) False

8. Ethics the principles we use to define that which is right, good and just
(a) True (b) False

9. Ethics are internally defined and adopted, whilst morals tend to be externally imposed on other people.
(a) True (b) False

10. ....include honesty, integrity, compassion, courage, honour, responsibility, patriotism, respect and fairness.
(a) Morals
(b) Ethics
(c) Values
(d) Business Strategy

1.10 Review Questions

1. What is business ethics?
2. What are the major ethical issues that business faces today? Discuss them with suitable examples.
3. Explain the role of values in the making of business ethics
4. Describe the myths of business ethics
5. Define values, morals and ethics
6. Explain the relationship between values, morals and ethics.
7. What do you mean by ethical decision making?
8. Explain how the values can be incorporated in working out business strategy?
9. Explain the different levels of business ethics
10. Describe the term Moral Development and Moral Reasoning

Answers for Self Assessment Questions

1 (a)	2 (c)	3 (b)	4 (c)	5 (a)
6 (b)	7 (b)	8 (b)	9 (a)	10 (c)

Unit-2 Changing Workforce

CONTENTS

Objectives

After studying this chapter you will be able to:

- Understand the employee's employer rights and responsibilities
- Explain the employment discrimination
- Discuss about equal employment opportunity and affirmative action
- Understand organizational politics
- Explain the Indianism and Indian management

Introduction

Changing workforce demographics may pose challenges for small businesses. Some experts believe that businesses face increased rates of younger and older workers, as workers in the middle age range decline. Managers may experience increased training and compensation costs for younger and older workers, respectively, which affects solvency and profitability. A growing international labour force is another factor that may affect companies. Changing demographics have a direct impact on business models and strategies.

Employers understand that the success of their businesses often reflect the adaptations they make to new trends and changes occurring both inside and outside of their organizations. The "right" adaptations made "just-in-time" may produce competitive advantages; adaptations that are "not enough" or that occur "too late" could result in unanticipated vulnerabilities.

Demographers have presented a compelling case: the 21st century workforce is – and increasingly will be – different from the workforce of the last century. One important change is the aging of the workforce, a trend expected to continue for several decades. As noted in Figure 2.1, labour force economists expect significant increases in the percentages of workers 55 and older who will be in the labour force by 2012.

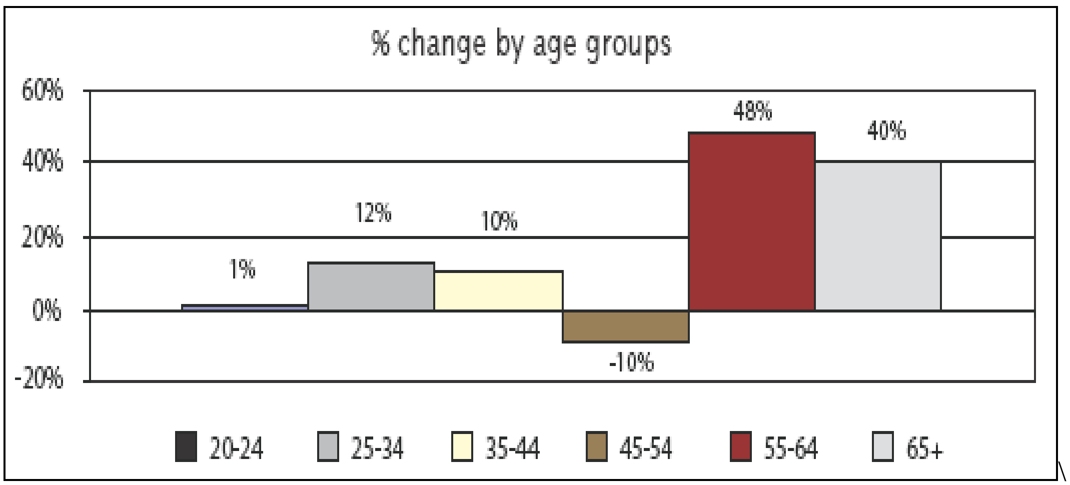


Figure 2.1: Projected changes in labour force (2002-2012).

2.1 Employee's Employer Rights and Responsibilities

As an employer, it is your responsibility to ensure all your employees receive certain basic employment rights. Although some industries require employers to meet different requirements, the list below is the minimum entitlement all employees must receive.

The full contract does not have to be in writing, certain terms and conditions of employment must be stated in writing within two months of the employee starting employment. These would typically include the method of calculating pay and whether or not there is a sick pay scheme in operation. (For fixed term employees it would also include in what circumstances their employment will come to an end.)

An employee wants a job to give them the means to provide for the everyday needs of life. These may be obvious things like food, clothing and shelter but might also include friendship, support, a feeling of belonging and personal satisfaction.

Employers take on employees to do a job. That job may be providing some form of service or it could be a contribution to the actual production of a good. Employers, therefore, expect the employee to do the job they are employed for to the best of their ability and in return pay them a wage or salary for the work they do.

Because we are dealing with human beings, there can be many complications to this seemingly simple relationship. Complications can come in the form of discrimination, relationships, prejudices, stereotypes, poor communication, misunderstandings, misinformation, differing aims and objectives and plain ignorance.

As a result of these human problems, there is a wealth of legislation designed to protect employees from such problems but which also impress on employees that they too have responsibilities, which cannot be ignored.

An added problem comes with the fact that the legislation covers all industries and workplace environments but situations vary in different industries. What may be appropriate arrangements in retail, for example, may not be practical in other types of industry, for example, in oil exploration or construction.

2.1.1 Workers' Participation in Management

Workers' participation in management is an important responsibility because it offers an enormous potential for higher productivity, improved satisfaction and creative thinking. The rationale of labour participation in management lies not merely in raising productivity and promoting industrial peace but more importantly in creating a sense of involvement of workers in the enterprise.

Scope of participation

Worker's participation in management is used here in a restricted sense. It is confined to-

(i). Sharing information with the employees;

(ii). Consulting them in all matters which directly or immediately affect them; and

(iii). Sharing administrative and executive powers and authority with the employees' representatives in certain non-critical areas, like (i) welfare; (ii) safety, training, etc.

It does not extend to matters which are subject to collective bargaining, such as wages, hours of work, etc.

Advantages of participation

Some of the advantages of participation are –

(i). It encourages better decisions

(ii). Uses the creativity of all employees

(iii). Restores measures of human dignity, motivation, and mutual interest

(iv). Improves morale and teamwork

(v). Encourages acceptance of change

Different plans of workers' participation

A number of plans of workers' participation have been tried in recent years for getting teamwork in organisations. Some of these plans are:

(1). Suggestion scheme

(2). Joint consultation

(3). Consultative supervision

(4). Group decision making

(5). Co-partnership, workers, becoming shareholders

(6). Employee representatives on the Board of directors.

In India, too, workers' participation schemes have been tried with varying success, with joint councils as the main method. It is a pity that inspite of various efforts and schemes, the experiment of participation has not succeeded in our country. Lack of faith on the part of both the management and the workers has been the main reason for the failure of all the exercises.

Did You Know?

In 1975, the Constitution was amended and Article 43(A) was inserted in the Directive Principles of State Policy to encourage and secure the participation of workers in management.

2.1.2 Employee Welfare

Welfare work in its accepted parlance means voluntary effort of employers to improve the conditions of their employees. It is this activity that puts the human factor in its true light. The most valuable possessions of a workman are his health, strength and intelligence. The prolongation of working life and prevention of diseases are problems which affect every employee. It is both in the interest of the employer himself and the workers that welfare activities are carried out by the employers. Because some employers do not follow the example of their enlightened brethren, the State provides for minimum requirements with respect to health and safety as well as welfare, makes special provisions for specific welfare activities, particularly inside the factories, such as washing facilities, first aid appliances, canteens, restrooms, etc.

The State has also introduced measures for social security of the workers in the Employees' State Insurance Act, 1948, Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972. These measures provide financial assistance to employees inside and outside the work establishment, especially in organised sector. For unorganised sector, Government through constitution of welfare funds extends a measure of social assistance. The Government has constituted certain funds to provide sing, medical care, educational and recreational facilities to workers employed in *beedi* industry, cine workers and coal-mine workers.

However, State alone cannot be expected to provide measures to overcome the difficulties of the workers. The employers in their own interest and that of the worker must provide services for the welfare of the workers and their family. It should be remembered that welfare work is not an act of philanthropy, but it is a programme to help in three areas of the workers' life - on the job, off the job but in the company, and outside the company in the community at large. It includes advice for promoting health and safety, provisions for conveniences, education and information, greater measures of economic security, e.g. retirement pension, insurance, gratuity and bonus. In addition to these, recreation facilities and counselling in connection with personal and family problems should be provided.

2.1.3 A Written Statement of Pay or 'Payslip'

The payslip should set out gross pay and list all deductions made from it.

A minimum wage

Most experienced adult workers in Ireland are entitled to be paid €8.65 per hour. There are however, some exceptions to the minimum wage, including those employed by close relatives, those aged under 18 and trainees or apprentices.

There are also certain industries in Ireland where a higher minimum wage applies, including the construction industry. Further information on these industries is available from our industry specific pages.

A maximum working week average of 48 hours a week
The maximum 48 hour week is based on an average calculated over a four, six, or twelve-month period depending on the industry. Employers must keep a record of how many hours an employee works.

Unpaid breaks during working hours
Workers have the right to a 15-minute break if working four and a half hours of work and a 30-minute break if working six hours of work.

Annual leave from work
Full-time workers have the right to four working weeks paid annual leave per year. Part-time workers have the right to a proportional amount of annual leave based on the amount of time they work.
A minimum amount of notice before dismissal
Workers are entitled to a minimum amount of notice if their employment ceases. The minimum amount of notice depends on the length of service.

As an employer, it is important to maintain records in relation to your employees and their entitlements and it is in your interest to do so. Keeping these records means that you will be prepared should a NERA inspector call and provides evidence that you are compliant with employment rights legislation.
Employees (workers) and employers (bosses) both have Occupational Health and Safety (OHS) rights and responsibilities. Find out more about what the law says you and your employer must do to keep the workplace safe.

Caution
One must kept in mind that welfare work is not an act of philanthropy, as it is a programme to help in three areas of the workers' life - on the job, off the job but in the company, and outside the company in the community at large.

2.1.4 Employees Must
Work safely to protect them self and others from injury and follow all OHS instructions, for example:
- Wear all personal protective equipment provided.
- Follow safe work procedures.
- Not interfere with or misuse anything provided by the employer (equipment, signs, etc.) that is used to keep the workplace safe.
- Not remove or change machine guards.
- Not behave in a way that puts themselves or others at risk.
- Respond to a reasonable request to provide assistance or first aid to an injured person at work.
- Report any OHS issues, including hazards, injuries, illnesses and near misses.

2.1.5 Employers Must
Properly orientate, train and supervise staff to ensure safe work practices are understood and followed by all employees.
- Provide suitable personal protective equipment (PPE) to make sure workers can do their job safely and train workers how to use PPE correctly.
- Regularly check OHS systems and procedures to make sure that workers are adequately protected from workplace hazards.
- Provide adequate facilities for the welfare of employees. This covers everything from providing suitable toilet facilities to conducting risk assessments on premises and procedures.

- Be aware of employers' legal obligations under the NSW Occupational Health and Safety Act 2000 and the NSW Occupational Health and Safety Regulation 2001 and meet those obligations in full.

Caution

To avoid any future discrepancies employers must keep a record of how many hours an employee works. As, the maximum 48 hour week is based on an average calculated over a four, six, or twelve-month period depending on the industry.

2.1.6 Employees' Rights and Remuneration

India's labour laws are overlapping, potentially inconsistent and cumbersome, with more than 45 pieces of relevant legislation. Employers face particular difficulties in terminating employment and closing industrial establishments.

- The Employees' Compensation Act, (was formerly known as The Workmen's Compensation Act, 1923). Provides for compensation to workers for industrial accidents and occupational diseases resulting in disability and death.
- The Payment of Wages Act, 1936, and the Minimum Wages Act, 1948 call for regular and timely payment of wages, industry wage boards to recommend the minimum wage and fix the wage-rate structure for each industry.
- The Industrial Disputes Act, 1947 covers layoffs, retrenchment compensation, labour-management disputes and unfair labour practices. The Act also addresses reinstatement of workers by a labour court or tribunal order that the employer can appeal to a higher court. A reinstated worker is entitled to 100% of wages while the decision of the higher court is pending.
- The Act requires industrial establishments with 100 or more workers to draw up standing orders that specify working conditions (hours, shifts, holidays, vacation, sick pay, termination rules and grievance procedures). These orders must meet minimum state standards, and they may be changed only with the consent of the workers or the unions and only to augment benefits. The code of discipline in industry adopted by the Standing Labour Committee (a type of national 20 India International Tax and Business Guide conference held by the Ministry of Labour) defines the rights and responsibilities of employees and workers, and it provides for a grievance procedure and the settlement of disputes by voluntary arbitration.
- The Industrial Employment (Standing Orders) Act, 1959 requires employers in industrial establishments to define conditions of employment.
- The Maternity Benefit Act, 1961 covers mandatory maternity benefits.
- The Payment of Gratuity Act, 1972 requires employers to pay a gratuity to workers earning less than a certain limit upon termination of service.
- The Equal Remuneration Act, 1976 prohibits job and wage discrimination based on sex, except for prohibiting or restricting the employment of women in certain categories of work.
- The Essential Service Maintenance Act, 1981 empowers the government to prohibit strikes in any industry that is declared essential.
- The Child Labour (Prohibition and Regulation) Act, 1986 prohibits child labour in hazardous occupations and regulates it in non-hazardous occupations.
- The Trade Unions Act, 1926 provides for registration of trade unions. By way of amendment in 2001, it reduced the multiplicity of trade unions.
- The Indian government continues to oppose the linking of international trade with labour standards, but it is a signatory to 39 International Labour Organisation (ILO) conventions.

Did You Know?
The EEOC reported that it received 99,947 employment discrimination charges in the fiscal year ending on 9/30/2011, up from 99,922 a year earlier and the most on record.

2.2 Employment Discrimination

ARTICLE 15: Prohibition of discrimination on grounds of religion, race, caste, sex or place of birth
(1) The State shall not discriminate against any citizen on grounds only of religion, race, caste, sex, and place of birth or any of them.
(2) No citizen shall, on grounds only of religion, race, caste, sex, place of birth or any of ;them, be subject to any disability, liability, restriction or condition with regard to-

- Access to shops, public restaurants, hotels and places of public entertainment
- The use of wells, tanks, bathing ghats, roads and places of public resort maintained wholly or partly out of State funds or dedicated to the use of general public.

(3) Nothing in this article shall prevent the State from making any special provision for women and children.
(4) Nothing in this article or in Cl. (2) of Art. 29 shall prevent the State from making any special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes and the Scheduled Tribes.

Employment discrimination occurs whenever an employer or its representatives adversely single out employees or applicants on the basis of age, race, gender, sexual orientation, disability, religion and a variety of other reasons included in the law.
According to Equal Employment Opportunity Commission (EEOC), employers cannot discriminate against you in any aspect of employment, such as:

- Hiring and firing
- Compensation, assignment, or classification of employees
- Transfer, promotion, layoff, or recall
- Job advertisements
- Recruitment
- Testing
- Use of company facilities
- Training and apprenticeship programs
- Fringe benefits
- Pay, retirement plans, and disability leave

But to be "illegal" discrimination, your employer must be in violation of a specific state or Federal law (statute), regulation or constitutional provision. Otherwise, you are not generally protected from discrimination, however unfair or unethical it may seem.
For example, if your boss is much harder on you than anyone else for no apparent reason, while it might be unethical behaviour for a boss, it is not discrimination by law. But if he or she is extra hard on you for a reason that is protected by law, such as your religion, age or sex, then it is illegal discrimination, especially if you suffer damage such as getting passed over for a well-deserved raise or promotion.

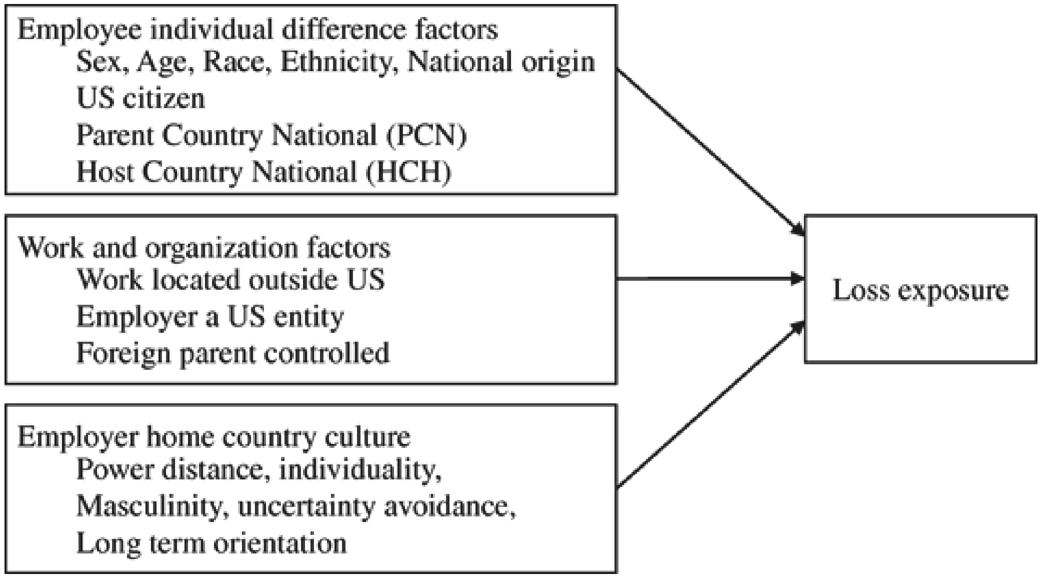


Figure 2.2 Employment discrimination representation

2.2.1 Employment Discrimination Laws

States and municipalities are allowed to enact their own employment discrimination laws that include or expand the provisions in the Federal laws. For example, some states make it unlawful for employers to discriminate based on sexual orientation, smoking or weight, in addition to the discriminations that the Federal laws prohibit. Some states and municipalities refer to their employment discrimination laws as fair employment practices laws, and they are typically enforced by local equal employment opportunity offices or civil rights agencies. To research employment discrimination laws in your state, start with the links in State Labour and Employment Law.

Employment discrimination laws do not apply to independent contractors. That is because genuine independent contractor share self-employed. As such, they are not employees, at least according to labour laws. However, if an employer has misclassified employees as independent contractors, then employment discrimination laws might retroactively apply after a government agency or court makes a misclassification determination.

2.2.2 Correcting Employment Discrimination

However illegal, you still might have to file a lawsuit to get relief from employment discrimination. For example, if you are fired or forced to quit for any of the reasons protected by employment discrimination laws, you will likely have to go to court to prove wrongful termination. A "threatening" letter from your attorney may be all it takes for your former employer to settle out of court. However, if the employer chooses to fight and you choose to fight back, you're likely headed for court.

Alternately, you might be able to bypass the judicial system by arbitrating your case. You do not need an attorney on your side of the table, but the American Arbitration Association recommends it. In fact, arbitration might be your only choice, if you signed a mandatory arbitration agreement with the employer in question.

If you think you have a case of employment discrimination prohibited according to the laws enforced by the EEOC, you may file your charge with the EEOC, "To preserve the ability of the EEOC to act on your behalf and to protect your right to file a private lawsuit, should you ultimately need to." To research organizations or other governmental agencies that might also provide you with an avenue of relief from employment discrimination, start by clicking Research Labour Laws in the sidebar.

But before you file your charge with the EEOC, it might be a good idea to first consult with a discrimination attorney, to determine if that is the best route. For example, you might be better off filing your employment discrimination charge with a state or municipal government agency. Additionally, an attorney will help you to collect evidence and better file your charge, to increase your chances that a government agency will take your case. Some attorney referral services will arrange a discount for your first visit. But you might not have to pay up front at all, if your attorney makes his or her fees contingent on winning your case.

2.3 Equal Employment Opportunity and Affirmative Action

ARTICLE 16 of Indian Constitution describes the equality of opportunity in matters of public employment:

(1) There shall be equality of opportunity for all citizens in matters relating to employment or appointment to any office under the State.

(2) No citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence or any of them, be ineligible for, or discriminated against in respect of any employment or office under the State.

(3) Nothing in this article shall prevent the Parliament from making any law prescribing, in regard to a class or classes of employment or appointment to an office under the Government of, or any local or other authority within, a State or Union territory, any requirement as to residence within that State or Union territory prior to such employment or appointment.

(4) Nothing in this article shall prevent the State from making any provision for the reservation of appointments or posts in favour of any backward class of citizens, which, in the opinion of the State, is not adequately represented in the services under the State.

(4A) Nothing in this article shall prevent the State from making any provision for reservation in the matter of promotion, with consequential seniority, to any class or classes of post in the services under the State in favour of the Scheduled Castes and the Scheduled Tribes which in the opinion of the State are not adequately represented in the services under the State.

(4B) Nothing in this article shall prevent the State from considering any unfilled vacancies of a year which are reserved for being filled up in that year in accordance with any provision for reservation made under Cl. (4) or Cl. (4A) as a separate class of vacancies to be filled up in any succeeding year or years and such class of vacancies shall not be considered together with the vacancies of the year in which they are being filled up for determining the ceiling of fifty percent reservation of total number of vacancies of that year.

(5) Nothing in this article shall affect the operation of any law which provides that the incumbent of an office in connection with the affairs of any religious or denominational institution or any member of the governing body thereof shall be a person professing a particular religion or belonging to a particular denomination.

The main object of Art. 16 is to create a constitutional right to equality of opportunity and employment in public offices. This article is confined to citizens as distinguished from other persons. Further, it is confined to employment or appointment to an office `under the State'. This article can be looked from the angle of the reservation policy in respect to public offices.

2.3.1 Reservation Policy and Article 16

The scope and extent of Art. 16(4) has been examined thoroughly by nine judges of the Supreme Court in Indra Sawhney v. Union of India, popularly known as the Mandal case. The majority opinion of the Supreme Court on the various aspects of reservations provided in Art. 16(4) may be summarized as follows:

1. Backward Class of citizen in Art. 16(4) can be identified on the basis of caste, not only on economic basis.
2. Backward Classes in Art. 16(4) are not similar to as socially and educationally backward in Art. 15(4).
3. Creamy layer can be and must be excluded.
4. Reservation shall not exceed 50% . A little clarification is essential: all reservations are not of the same nature. There are two types of reservations, which may, for the sake of convenience, be referred to as vertical reservations and horizontal reservations. The reservations in favour of Scheduled Castes.
Scheduled Tribes, and other backward classes [under Article 16(4)] may be called `vertical reservations' whereas reservations in favour of physically handicapped [under Art. 16(1)] can be referred to as `horizontal reservations'. Horizontal reservations cut across the vertical reservations-what is called inter-lock reservations. To be more specific, suppose 3% of the vacancies are reserved in favour of physically handicapped persons; this would be a reservation related to Art. 16(1). The persons selected against this quota will be placed in the appropriate category; if he belongs to Scheduled Caste category, he will be placed in that quota by making necessary adjustments; similarly, if he belongs to open competition (O.C.) category, he will be placed in that category by making necessary adjustments. Even after providing for these horizontal reservations, the percentage of reservations in favour of backward class of citizens remains-and should remain-the same. This is how these reservations are worked out in several States and there is no reason as to why this procedure should not be continued. It is, however, made clear that the rule of 50% shall be applicable only to reservations proper; they shall not be indeed cannot be applicable to exemptions, concessions, relaxations, if any, provided to 'Backward Class of Citizens'under Art. 16(4).

5. Reservation can be made by Executive Order. 6. No reservation in promotions.

2.3.2 Effect of Constitutional Amendment in 1995 and 2001

The Supreme Court in Indra Sawhney case categorically held that there would not be any reservation in promotion but the Parliament in 1995 inserted Cl. 4A to Art. 16 (further amended in 2001) which provides that nothing in this Article shall prevent the State from making any provision for reservation in the matter of promotion, with consequential seniority, to any class or classes of post in the services under the State in favour of the Schedule Castes and the Scheduled Tribes which, in the opinion of the State, are not adequately represented in the service under the State. This means that reservation, in promotion in Government job, will be continued in favour of SC and ST even after Mandal case if the Government wants to do so. The Parliament therefore nullified the decision of the Supreme Court held in Mandal case.

2.3.3 Effect of Constitutional Amendment in 2000

Clause 4B was inserted into Art. 16 in 2000 by eighty-first amendment. This clause again nullifies the decision of Mandal case by permitting backlog vacancy to constitute a different unit altogether. That means the maximum limit as prescribed by the Supreme Court in Mandal case is no longer valid.

2.3.4 Regulating Employment of Women in a Factory

Working hours of female workers Section 66 makes following provisions in this respect:
(1) No exemption may be granted to female worker, from the provisions of Section 54 relating to daily hours of work.
(2) Women workers shall not be employed except between the hours of 6 a.m. and 7 p.m. However, the State Government may by a notification in the Official Gazette, vary these limits to the extent that no woman shall be employed between the hours of 10 p.m. and 5 a.m.
(3) There shall be no change of shifts except after a weekly holiday or any other holiday.
Exemptions from the above restriction

The State Government has been empowered to make rules granting exemptions from above stated restriction in respect of women working in fish-curing or fish canning factories. This has been done with a view to prevent damage to or deterioration in any raw material. However, before granting any exemption, the State Government may lay down any condition as it thinks necessary, such rules made by the State Government shall remain in force for not more than three years at a time. [Section 66(3)]

2.3.5 Employment of Young Persons and Children

Most of the civilized nations restrict the employment of children in the factories. The Royal Commission on Labour observed that this is based on the principle that the supreme right of the State to the guardianship of children controls the natural rights of the parent when the welfare of society or of the children themselves conflicts with parental rights. Workers as young as five years of age may be found in some of these places working without adequate meal, intervals or weekly rest days at as low as 2 annas in the case of those tenderest years. Therefore, to curb these and other evil practices of employing children, following legislative measures have been adopted.

Did You Know?

The term 'business ethics' came into common use in the United States in the early 1970s. By the mid-1980s at least 500 courses in business ethics reached 40,000 students, using some twenty textbooks and at least ten casebooks along supported by professional societies, centers and journals of business ethics.

2.4 Organizational Politics

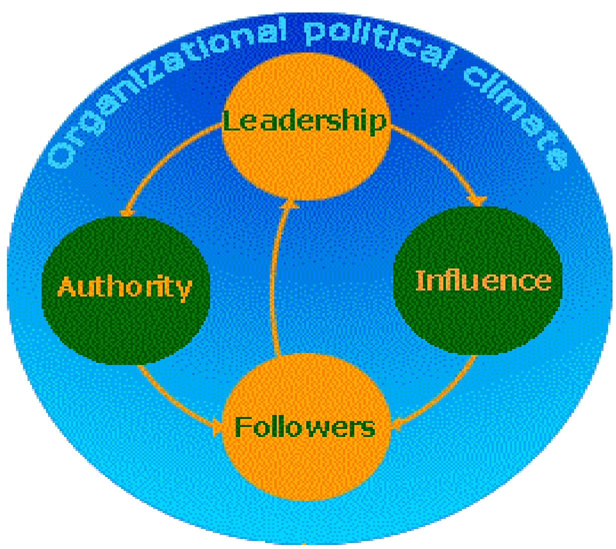


Figure 2.3 Organisational political climate

2.4.1 Definitions

Politics has emerged as an important variable in organizational research. It has drawn the attention of management scientist and organizational psychologists. This variable is being studied with different perspective in the organization.

Mayes and Allen defined as "Organizational politics is the management of influence to obtain ends not sanctioned by the organization or to obtain sanctioned ends through nonsanctioned influence means."

Kacmar, K.M., Bozeman, D.P., Carlson, D.S. & Anthony, W.P. offered the following definition "organizational politics involves actions by individuals, which are directed toward the goal of furthering their own self-interests without regard for the well-being of others or their organization."

Dubrin defined organizational politics as informal approaches to gaining power through means other than merit or luck.

All organizations are subject to conflict and competition between the desires and interests of different departments, teams and individuals. Organizational politics refers to the processes through which these rival interests are played out and eventually reconciled. While in an ideal organization it may be hoped that decisions are made on a rational basis, politics is inherently non-rational and subject to power interactions between diverse interests. Members of an organization are at the same time cooperating to achieve a common goal and competing for rewards, and at times their personal interests may be at odds with the organization's objectives.

It is through the political system of an organization that rival interests are resolved. This system represents how power is applied and distributed in the organization. Understanding the political system of an organization is necessary for a leader to operate effectively and reach their goals. A leader, exercising power, is able to have a strong influence on the political climate of an organization through their decisions, their way of handling conflict and providing recognition, support and inspiration to their teams.

Negative organizational politics may be very destructive for an organization. This has been identified as one of the major sources of stress within modern businesses. Negative politics includes the use of subversive methods to promote a personal agenda which may undermine organizational objectives, distract energy away from organizational goals and compromise the interests, cooperation and fulfillment of other employees. Such tactics may include filtering or distortion of information, non-cooperation, allocating blame, reprisals, dishonesty, obstructionism and threats.

Impression management is another aspect of organizational politics that it is important to maintain an awareness of. The term refers to techniques of self-presentation where a person may purposefully control the information they put forward about themselves or their ideas to create a favourable impression. For the leader this implies that everything may not always be as it appears. Studies have indicated that people using impression management may be more favourably rated by their supervisors than others. On the other hand, being aware of the impression you are creating should be considered in building support for your own goals. The extent to which impression management is applied is an ethical question that relates to a leaders credibility and integrity.

Often, political behaviour and maneuvering within an organization is caused by uncertainty, such as unclear objectives, poorly defined decisions, competition and change. A leader's influence may be used to smother a political climate that promotes such negative politics.

By promoting a positive culture that values integrity, respect and fairness within their team, the leader is able to channel people's interests and energy away from negative political interplay and towards an alignment with organization objectives. Allowing team members to express their interests and demonstrating a commitment to support individual needs integrates their fulfilment into the work organization and promotes the positive resolution of political conflicts.

2.5 Indianism and Indian Management

Indianism means using Indian civilization experience and intellectual traditions to develop more relevant knowledge base and culturally relevant theories. Intellectual tradition is very vast. Certain broad streams of thought can be identified and viewed as mini paradigms, which would serve as a basis for developing new ideas in the fields of relevant theories-social, management and development.

2.5.1 Indian Intellectual Traditions

Nine major different Indian intellectual traditions have been identified, which provides a number of concepts, frameworks and ideas to the world of management. Each tradition may differ depending upon the assumptions about the nature of man and his interrelationship with state, society and ecosystem, which have created implications for administrators/managers

Indian intellectual traditions

1. *Arthashatra*
2. *Vedantic*/psycho-spiritual
3. Liberation from oppression(LIFO)/Sharman.
4. Cyad vada (multiple perspective)
5. Gandhian
6. Communism
7. Confluncism
8. Cultural nationalism
9. OSHO

Arthasastra tradition

Artha means wealth or manorial advancement. Kautilya is the architect of *Arthasastra* who gave primary to materialistic dimension. It contains a no of management ideas. It recognizes the existence of the "law of fish" know as "matra nayaya". Where the stronger would swallow the weak is recognized. Kautilya provides a systematic treatment of management and provides ideas that appeal to modern day administrators/managers.-Logical procedures and principles in respect of labour organization.-Wages paid, strictly in terms of quantity and quality of work.-Punishments for unnecessary delaying or spoiling the work. Provides excellent insight to personnel management, job description, and qualifications for jobs, selection procedure, execution development, incentive systems and performance evaluation.

Kautilya's contribution is considered one of the most comprehensive works on organization and management of human affairs.

Vedantic/Psycophilosophical Tradition

It deals with divinity-oriented view of human nature.-

"Githa" provides an ideal of karma yoga, a basis for human action. Each person has the potential of infinity: it is possible to harness this potential at the level of each individual.

In the modern age, Ramakrishna paramahamsa and swami Vivekananda, are considered as major contributors to psycophilosphical tradition. According to them, each soul is potentially divine: the goal of life is to manifest the divinity within through work or work ship. This tradition emphasizes the value-based approach to management and administration. It goes beyond the dictum of "doing things right" and put emphasison "doing the right things".

Liberation from oppression (LIFO)

Survival of the weakest and survival of all life norms-human and non-human is the key concern. It reflects the spiritualistic and humanistic concern. Here life means liberation from exploitation. When work place becomes oppressive, the need for liberation from oppression becomes vital.

Sydavada (multiple perspective)

Theory of relativity of knowledge. As per Jain tradition. The 'syad' or viewing from particular viewpoint is not enough, but also related other viewpoint is essential for arriving at the final conclusion. Hence, problem must be viewed from multiple perspective-recognizing multidimensionality of the problem.

Gandhian tradition:(based on theory of contentment)
Overall happiness or contentment is the key to balanced human progress. There is enough for everybody's need. He criticized modernization, and gave number of ideas that could serve as an ideology for humanizing the work place. Provides a basis for the development of human character-as a means of preventing value erosion in society. Emphasizes on humanistic and harmonic approach towards human and social development. *Swadesi* as a basis for economic self-reliance.

Communism
It considers 'common man' as the pillar of social drive. Implies changes in the government policies, as well as functioning of the government. Under the directorship of the masses. It suggests a holistic view of development. Seen from the common mans perspective in order to create a humanistic and eco-friendly civilization.

Confluencism
Confluence is meeting point (sang am) Rig-Veda says that" let noble thoughts come to us from every side". Implies a creation of new ideas as a result of interaction with different ideas. Emphasizes the ability to assimilate ideas and transform them creatively-give and take processes between various cultures. Without an explicit or implicit dominance, means a two way process of flow of ideas.

Cultural nationalism
It is a social-psychological worldview based on the concept of a nations culture and self-dignity as a basis for societies regeneration. Gives primary to the cultural dimension and long civilization experiences for periodic and self-dignity of the individual society.

OSHO tradition
This tradition is, ideas of Rajneesh who rejected most of the current ideas of world view about man, state and society. He emphasized on futuristic vision and hope for transformation of society –now man who is an enlightened being, capable of realizing his full potential by liberation himself from the innumerable programming techniques invented by modern society. OSHO literature is very vast and controversial.

Case Study-Business Ethics for Corporate Growth
Starting in 1981 in Bangalore, India with seven colleagues who dared to dream and who were lucky to be among the first in the economic liberalization of India in 1990s, Infosys has crossed billion dollars in revenues in 2004.The company has maintained a consistent growth and built a global company providing turnkey software development. There are many businesses that succeed-the unique factor about Infosys is in just over two decades it has built a brand known for ethical standards both inside and outside in the marketplace. The hypothesis of this paper is that corporate ethics promotes and inspires competitive advantage in a burgeoning marketplace.

Ethics in Corporate governance means the parameters which a company sets for itself for its functioning. Transparency and disclosures about accounts as well as other important issues have to be communicated to the stakeholders in a truthful and prompt manner. These build up confidence and trust in the marketplace. When issues like Enron and WorldCom hit the headlines, it is difficult to ignore business ethics. As consumers are getting increasingly aware of ethical issues, corporations have to respond to their concerns whether it is related to issues of environment, heath or any other concern.
In many of public addresses, the chief mentor of Infosys has tried to set benchmarks in the business environment. In his address at the Confederation of Indian Industry leadership summit in September

2003, he said “CEO compensation is an issue that has to be decided by the board and shareholders. Three factors are to be considered for this-fairness, transparency and accountability". In the same speech he added, “ We have seen particularly in the west when the companies did not do well, when they had to fire thousands of employees at lower levels , the CEOs continued to get very good salary. That hurts people."
Such type of remarks, which when backed by action, helps a company in building up a band of stakeholders who back the growth of the company. Thus, the widely reported news in media that Narayana Murthy still lives in his modest flat establishes his company’s credibility in the Indian market where the gap between the rich and the poor is immense. When words and action do not match, people become cynical.
To verify how much ethics mattered for a person who wants to invest his money in a firm, a random survey of 50 persons was carried out in the national capital of Delhi. The question asked was, If you have to invest in a company which of the two would you give more preference
(a) Consistent growth of a firm which has exemplary ethical history.
(b) High profitability of a firm but which is largely non transparent and no clear ethical rules.

More than 80% supported the firm with a good ethical history. Though the other company was highly profitable, yet its non transparent nature made it a risky venture.
By making business ethics its unique selling proposition, a company can accelerate its profit making process. Business ethics incorporates certain issues and principles.

- Transparency
- Accountability
- Honesty
- Trust

All these are interlinked. If the stakeholders believe that the entity they are dealing with is transparent, accountable for its actions and honest in its dealings, it will build up trust. Without a proper cohesion among these interlinked factors, it is difficult to survive in an expanding complex business environment.

This is more relevant in case of multinationals. When companies move to other nations in search of revenue and non saturated markets, ethics can build and sustain a reputation. The challenge of operating in foreign markets is now more daunting because they now exist in an alert media landscape where accountability for corporate actions is greater.

Questions
1. Define business ethics in corporate governance.
2. What is the role of ethics in investing capital in a firm?

2.6 Summary

- Employers take on employees to do a job. That job may be providing some form of service or it could be a contribution to the actual production of a good.
- Workers' participation in management is an important responsibility because it offers an enormous potential for higher productivity, improved satisfaction and creative thinking.
- The prolongation of working life and prevention of diseases are problems which affect every employee.
- The political system of an organisation is necessary for a leader to operate effectively and reach their goals.

- Employment discrimination occurs whenever an employer or its representatives adversely single out employees or applicants on the basis of age, race, gender, sexual orientation, disability, religion and a variety of other reasons included in the law.

2.7 Keywords

Communism: It considers 'common man' as the pillar of social drive. Implies changes in the government policies, as well as functioning of the government.

Employee: A person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business.

Employer: A legal entity that controls and directs a servant or worker under an express or implied contract of employment and pays (or is obligated to pay) him or her salary or wages in compensation.

Impression Management: Impression management is one of the aspects of organizational politics that it is important to maintain an awareness of.

Organizational Politics: Organizational politics refers to the processes through which these rival interests are played out and eventually reconciled.

2.8 Self Assessment Questions

1. A growing international labour force is another factor that may affect companies.

(a). True (b). False

2. Changing demographics have a direct impact on business models and strategies.

(a). Testing Model (b). Communication Model

(c). Business models (d). None of these.

3. ....in its accepted parlance means voluntary effort of employers to improve the conditions of their employees.

(a). Official work (b). Welfare work

(c). Religious work (d). None of these.

4. Workers have the right to a 30-minute break if working four and a half hours of work.

(a). True (b). False

5. The maximum 48 hour week is based on an average calculated over a four, six, or twelve-month period depending on the industry.

(a). True (b). False

6. The ....refers to techniques of self-presentation where a person may purposefully control the information they put forward about themselves.

(a). Impression management (b). Personality management

(c). Employee management (d). None of these.

7. ....means using Indian civilization experience and intellectual traditions to develop more relevant knowledge base and culturally relevant theories.

(a). Americanism (b). British

(c). Indianism (d). None of these.

8. ....is the architect of *Arthasastra* who gave primary to materialistic dimension.

(a). Chankya (b). Kautilya

(c). Sushrut (d). AryaBhatt

9. Employees (workers) and employers (bosses) both have Occupational Health and Safety (OHS) rights and responsibilities.

(a). True (b). False

10. ....defines the rights and responsibilities of employees and workers, and it provides for a grievance procedure and the settlement of disputes by voluntary arbitration.

(a). Management (b). Labour Committee

(c). Employer (d). None of these.

2.9 Review Questions

1. Explain the changing workforce in business ethics.
2. What are the employer's rights and responsibilities?
3. Explain about employees' rights and remuneration.
4. What is the employment discrimination?
5. Discuss about employment discrimination law.
6. Explain the reservation policy and Article 16.
7. What are the employment of young persons and children?
8. Define the organizational politics.
9. What is the Indianism and Indian management?
10. Discuss about *Arthsastra* tradition.

Answers of Self Assessment Questions

1. (a)	2. (c)	3. (b)	4. (b)	5. (a)
6. (a)	7. (c)	8. (b)	9. (a)	10. (b)

Unit-3 Business Ethics in HRM

CONTENTS

Objectives

After studying this chapter, you will be able to:

- Discuss the Gandhian philosophy and trusteeship
- Explain the role of ethics in Human Resource
- Explain the role of ethics marketing production and IT
- Describe the term finance and operation

Introduction

Human resource management deals with manpower planning and development related activities in an organization. Arguably it is that branch of management where ethics really matter, since it concerns human issues specially those of compensation, development, industrial relations and health and safety issues. There is however sufficient disagreement from various quarters.

There are different schools of thought that differ in their viewpoint on role of ethics or ethics in human resource development. One group of thought leaders believes that since in business, markets govern the organizational interests and these interests are met through people, the latter are therefore at the highest risk. They believe that markets claim profits in the name of stakeholders and unless we have protocols, standards and procedures the same will develop into a demon monopolizing markets and crushing human capital; HR ethics are become mandatory.

3.1 Gandhian Philosophy and Trusteeship

The Gandhian principle of trusteeship is another philosophy on ethics that has received increased importance in the present day world of decaying morals and lack of trust among individuals as well as organizations.

The philosophy of trusteeship implies that an industrialist or businessman should consider himself to be a trustee of the wealth he possesses. He should think that he is only a custodian of his wealth meant to be used for the purpose of business. The wealth belongs to society and should be used for the greatest good of all. The trusteeship concept should also be extended to the labour in industry. It does not recognize capital and assets as individual property. This was basically to reduce the conflict between 'haves' and 'have nots'. The origin of the trusteeship principle can be traced to the concept of non-possession detailed in *Bhagawad Gita*. Gandhiji also advocated *Sarvodaya*, meaning welfare for all. He was of the firm view that capital and labour should supplement each other. There should be a family atmosphere and harmony in work place. Gandhi's philosophy of trusteeship has got more relevance in the present scenario. In the recent past, social involvement by business has, for the most part, taken the shape of philanthropy and public charity. This has led to the building of temples, hospitals and educational institutions. A few examples of such activities would include the Birla Temple in Kolkata, the Shree Vivekananda Research and Training Institute setup by Excel Industries in Mandvi which is very much in the spirit of trusteeship; the L&T Welfare Centre in Bombay, the Tata Institute of Fundamental Research, and the Voltas Lifeline Express that has been running on Indian tracks for over a decade.

Gandhi's economic philosophy was greatly influenced by Ruskin's ***UntoThis Last.*** From this book: he learnt: (a) that the good of the individual is contained in the good of all; (b) that a lawyer's work has the same value as the barber's, in as much as all have the same right to earn from their work; and, (c) that a life of labour, i.e., the life of the tiller of the soil and the handicraftsman is the life worth living. Further, Gandhi was also inspired by the ideas of Thoreau, Tolstoy, and Kropotkin. Tolstoy's principles of simplicity, asceticism, and equalitarianism became a part of Gandhi's philosophy. Besides, the Indian scriptures (the Bhagavad Gita, and the Upanishads) and Indian saints such as Kabir, Mira, and Guru Nanak, also left a deep impression on Gandhi.

Gandhi's ideas on economics are embedded in his philosophy of life. Gandhian economics differs from mainstream economics in the following manner:

- It replaces the assumption of the perfect mobility of labour with the assumption that community and family stability should have priority.
- It rejects the more-is-always-better principle. It replaces the axiom of non-satiation with a principle of limits, the recognition that there is such a thing as 'enough' material wealth.
- It recognizes that consuming more than 'enough' creates more problems than it solves, and causes consumer satisfaction or utility to decline, rather than increase.
- It aims at a better quality of life, rather than higher standards of living as propagated by other economists.

Let us have a clear idea of Gandhi's philosophy of life to understand Gandhian economics. Gandhi viewed life as a whole, and not in its isolated compartments. According to the Indian scriptures, there are four aspects of an individual's life: ***Artha*** (money), ***Kama*** (desire), ***Dharma*** (righteousness), and ***Moksha*** (liberation). These aspects are interrelated, and, therefore all of them should be harmoniously developed. Money is required to satisfy the basic requirements of life; however, it is not the end in itself. Man's aim is not to multiply worldly desires and engage his whole life in acquiring wealth to satisfy all his desires. The goal of life is to control desire and transform it, through righteousness, into liberation. He argues for the liberation of man from the cyclical order marked by artha, kama, dharma and moksha. According to him, true happiness lies in the all round development of a human being's personality, and in living a full life. Gandhi's ideas on economics are a part of his general philosophy of life. In these ideas, he outlined principles on which he wanted to build the ideal socialist society. The principles are as follows:

- **Humanism:** Man is both the means, and the end of all activity. He is also the measure of performance. Everything functions with a human face. All ideas, institutions, and actions are to be judged in terms of whether they help in building a better man.
- **Simple Living:** Gandhi had faith in materialism without lust and passion. Material progress must be subservient to moral growth. The ultimate aim of man is not to accumulate wealth and enjoy luxuries of life, but to attain the higher values of life, and to lead a simple and full life. Simple living and high thinking should be the motto of life.
- **Social Justice:** Society is divided between rich and poor, between the strong and the weak, between the privileged and unprivileged, and between the elite and the masses. The principle of social justice requires that the former must help the latter in fulfilling their basic requirements. The ideal functioning of the society must aim at providing social justice and reducing inequalities.
- **Non Violence:** Social change is to be brought about through non violent methods. Ends and means are inseparable in life, and only good means yield good results. An ideal society can only be established by adopting peaceful and non violent means, and not through hatred and war. In Gandhian economics, the principle of non violence means the following things:

  (a). The absence of capitalistic exploitation

  (b). The decentralization of production units

  (c). Cheaper defence organization

  (d). Less inequality of income

  (e). Self sufficiency of communities.
- **Love and Co-operation:** An ideal society should be established on the principles of love and cooperation. In such a society, the love of others and not self love; co-operation and not egocentric acts, pre-dominate. Relation between humans should be based on truth, love, and cooperation, and not on money and matter.
- **Harmony:** The ideal economic condition according to Gandhi is self sufficiency of the economy. For this, the following harmonies should be maintained: (a) the requirements of the people must

be in harmony with the resources of the economy and, (b) production technology should match the country's requirements.

3.1.1 Trusteeship

Gandhian philosophy always aims at bringing economic equality through nonviolent social change. Gandhi propounded the doctrine of trusteeship as a way to realize such change. The peaceful removal of economic inequalities is possible if the rich, after meeting their reasonable needs, hold the surplus wealth in trust for society. In this way, the rich man is not dispossessed of his surplus wealth, but he is required to use this wealth in the broader interest of the community, and not in his personal interest. The doctrine of trusteeship is based on the idea that everything is from God, and belongs to God. Therefore, it is for God's people as a whole, and not for a particular individual. Thus, if an individual possesses more than his proportionate share, he becomes a trustee of that surplus amount for God's people. As to the question of the determination of the successor of the trustee, Gandhi replied that the original trustee is to be allowed to make his choice, but that choice is to be finalized by the state. Thus, a check is put on the state as well as on the individual.

A summary of Gandhi's trusteeship follows.

- Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one; it gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.
- It does not recognize any right of private ownership of property except in as much as it may be permitted by society for its own welfare.
- It does not exclude legislative regulation of the ownership and use of wealth.
- Thus, under state regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interest of society.
- Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that could be allowed to any person in the society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time, so much so that the tendency would be towards obliteration of the difference.
- Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal whim or greed.

A non-exploitative technology must not create hierarchy and privilege. It must not encourage centralism. For these reasons, technology must satisfy four basic conditions:
(i). The operators must have full control of the technology.
(ii). The technology must not replace the worker
(iii). The technology must increase the productivity of the workers
(iv). It must produce goods and services needed by the worker.

3.2 **<u>Ethics in Human Resource</u>**

Ethical challenges abound in HRM. Each day, in the course of executing and communicating HR decisions, managers have the potential to change, shape, redirect, and fundamentally alter the course of other people's lives. Managers make hiring decisions that reward selected applicants with salaries, benefits, knowledge, and skills, but leave the remaining applicants bereft of these opportunities and advantages. Managers make promotion decisions that reward selected employees with raises, status, and responsibility, leaving other employees wondering about their future and their potential.

Managers make firing and lay-off decisions in order to improve corporate performance, all the while harming the targeted individuals and even undermining the commitment and energy of the survivors. Even when managers complete performance appraisals and deliver performance feedback, they may inspire one employee and devastate another. For each HR practice, there are winners and there are losers: those who get the job, or receive a portfolio of benefits, and those who do not.

Did You Know?
In 1962 President John F. Kennedy delivered a "Special Message on Protecting the Consumer Interest," in which he outlined four basic consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard.

3.2.1 Ethical Standards for HRM

We propose three ethical standards for governing HR practices. Each of these standards embodies a core principle and protects a prominent constituency whose interests and well-being hinge on the work of HRM. We first specify the standards, and then for each one, we explain its intended function, the constituency whose interests it protects, and the problems, both practical and conceptual, confronting the standard. We begin simply by proposing the three standards:

Standard # 1: Advance the organization's objective. Execute the task in question so that progress is made towards the objective that calls for it to be done in the first place.

Standard # 2: Enhance the dignity of those harmed by the action. When managers distribute opportunities and benefits, there are those who do not receive those opportunities and benefits-of who receive fewer than others. When companies go through cycles of destruction-restructuring, downsizing-individuals get harmed. In both instances, those who lose out are due treatment that respects their standing, fosters their resilience, and enables them to continue to function effectively.

Standard # 3: Sustain the moral sensibility of those executing morally ambiguous tasks. Someone must deliver the poor performance appraisal, announce the lay-off, or shutter the manufacturing facility. The ambivalence induced in performing these tasks reflects an underlying uneasiness about fair treatment and fair outcomes, and managers ought to remain attuned to that uneasiness.

To explain why we specify these three standards and what normative weigh they carry, we now outline the function each is designed to serve, the constituencies to which it responds, and the problems posed in attempting to fulfill it.

Standard # 1: Advance the organization's objective

It would seem to go without saying that hiring and firing decisions, performance appraisals, and even downsizings should serve a central organizational objective. However, it does tend to go unsaid, and even worse, in the doing of these tasks; the underlying organizational objective is often utterly misplaced. By making the organization's objective explicit, the aim of this ethical standard is to align the specific HR practice with a clear grasp of the objective it is designed to advance.

This ethical standard therefore serves two functions. First, it requires managers to identify the objective that their actions are intended to serve. It prompts careful consideration of the objective these practices serve, initiating a process of thoughtful due diligence to ensure that the purpose does warrant the practice. Imagine managers working in a company with a forced-ranking performance evaluation system. They must explain to those receiving below average appraisals why they are ranked as they are. The need to deliver these negative appraisals does not itself make the practice wrong. It does make the practice difficult, and it does inflict emotional and material harm on some people. Clarity about the objective can help managers weigh the difficulty and harm, and it can push them to question whether the objective really necessitates the practice and whether the practice really advances the objective. Might there be alternative ways of advancing the objective? Perhaps not or perhaps ways that are not as effective, but the process of clarifying the objective and questioning its connection to the practice solidifies the importance of the practice and aligns it with the objective it serves.

This ethical standard also serves a second function: it makes the underlying objective psychologically salient. Too often, legal requirements and administrative rituals shape HR practices; eclipsing the purpose those practices are meant to serve. The law certainly needs to be followed, and administrative routines certainly preserve consistency, but they are insufficient guides for action. When performing tasks that leave some people less well off or that fracture an organization as it goes through change, managers need a meaningful sense of direction.

In general, a clear and engaging direction tends to enhance motivation and performance in work tasks, but it is even more essential in the painful side of HRM. Research on delivering bad news indicates that people simply avoid delivering it, perhaps anticipating the distress others will feel or responding empathically to the experience of those being harmed. In general, it is reassuring to know that human beings cringe at the prospect of hurting others, but there are some purposes that require people to harm others, at least to some limited degree. Making those purposes clear enables people to make sense of the harm they are doing, understanding what they are doing at a level of meaning that accentuates the larger purpose served.

Some might fear that this amounts to mere rationalization. The risk does exist that people will grasp for any purpose that can excuse otherwise questionable conduct. However, our aim in suggesting this ethical standard advance the organization's objective-is to reduce the likelihood of rationalization and increase the likelihood of careful deliberation, of considered judgement in performing HR practices, so that even those that raise ethical questions have been checked against underlying goals. Necessary practices that have been weighed seriously against their intended organizational objective may nonetheless entail harm. Clarity about the underlying objective enables those performing these practices to connect psychologically to the objective and perform what otherwise would be experienced solely as a harmful task. Advancing the organization's objective reflects the interests and needs of three central constituencies. It captures concern for those who benefit from the organization's ongoing and effective operation, typically owners, share-holders, clients, and employees. Terminating a contract employee, denying a promotion, or shutting a plant should all be designed to ensure the ongoing effective functioning of the organization. Presumably, the effective operation of the organization benefits those who continue to use its products and services, those who remain employed making those products and services, and those who gain economically from the company's production of those goods and services. In addition, advancing the organization's objective also provides a degree of protection for the harmed targets of HR practices. It ensures that serious thought and consideration have gone into why this practice and its outcomes are warranted. It also places boundaries around the harm that can be done, invoking managers to limit the harm to only that necessary to advance the now-salient objective.

Conceptual and practical challenges confront this standard. Conceptually, no matter how aligned hiring, firing, compensation, or appraisal practices are with an organizational objective, that objective might not justify the practice. Promoting or rewarding one person rather than others, or demoting an under-performing team member, may dearly serve the purpose of enhancing performance quality or productivity, but does that objective necessarily warrant the practice? In addition, the injunction to advance the organizational objective may focus effort and increase the likelihood that the practice will serve that objective, but seldom can we know with certainty ahead of time whether a practice will produce its intended consequence. Even in those instances when the objective unequivocally justifies the practice, what if the practice turns out not to advance the objective? Will a downsizing truly save a company, preserving shareholders' investment and other employees' jobs? What if it fails to do so? We simply cannot augur whether the desired outcome will emerge from the harmful action, or whether the distribution that leaves some better off and others worse off will indeed benefit the organization. And even if the benefit materializes, is it sufficient to justify the harm done?

The practical challenge follows from these conceptual dilemmas. Is it even possible for individuals in organizations to align their practices with underlying organizational purposes? Much as managers might engage in what they experience as a conscientious process of aligning HR practices with organizational purposes, managers might fall far short of actual alignment. Human faculties of deliberation are limited, biases creep in, and time and other organizational demands constrain the extent of deliberation. It is impossible to generate all available options, construct the full set of options that may serve the desired objective while unleashing less harm, or even weigh whether a single practice advances its intended objective and whether that objective grants sufficient permission to perform the practice. The overwhelming power of institutional pressures even suggests that the HR practices chosen are far less subject to deliberate choice.

Managers face another practical challenge when engaging in HR practices. The organizational objective can be misplaced altogether amid the storm of emotion and anxiety unleashed when bad news and bad outcomes must be delivered. The risk is great that the task itself will not get done. The sway of raw visceral forces in the moment of task execution may keep the manager from delivering candid feedback, announcing the true extent of the lay-off, or reporting the blunt fact of bonus distributions. The task may not get done and the organization's objective may fail to be advanced.

We do not deny these challenges. In fact, they motivate the introduction of this first ethical standard. The conceptual and practical challenges exist even without the first ethical standard in place. But insisting that HR practices should advance organizational objectives opens the possibility of a more intentional, mindful approach to weighing and adopting specific practices. The first ethical standard cannot eliminate these challenges-organizational life makes these challenges endemic to HR practices. However, the second and third ethical standards address the inevitable presence of these challenges.

Standard # 2: Enhance the dignity of those harmed by the action

This second standard differs from and augments procedural justice in an important way. Procedural justice seeks to embody fundamental respect for human beings by treating people with just procedures. In so doing, theorists and researchers find that people abide by decisions and feel those decision outcomes were arrived at fairly. A premise of procedural justice is that people must be treated in a consistent and equitable manner. Research has shown that when accorded procedural justice, people are more willing to accept negative outcomes and less likely to respond in a destructive manner.

Whereas procedural justice is foremost a defensive standard, designed to prevent the violation of rights and the impairment of human beings, dignity lays out an affirmative standard, designed to promote the effective functioning of human beings. Although dignity is often mentioned in discussions of procedural justice, here we use dignity to signify something distinct and specific. Dignity refers to individuals' capacities to exercise those faculties that identify a person as distinctively human, faculties that endow each human being with the capacity to develop and pursue purposes.

Dignity expands the lens of procedural justice. Procedural justice revolves around concern for harmed individuals' perceptions and experiences of the harmful act itself. The second ethical standard we propose revolves around harmed individuals' capacities to operate constructively after the harmful act. This second ethical standard serves a different function from procedural justice. Procedural justice functions to impart a sense of fairness and ensure acceptance of the outcome, thereby limiting potential repercussions and negative emotions for victims and witnesses. Dignity functions to preserve and restore the capacity of harmed individuals to act effectively. As suggested by research indicating that procedural justice has a more significant effect on negative emotions than it does on positive emotions, procedural justice prevents the downside; conversely, dignity fosters the upside. Dignity focuses on preserving and enhancing the faculties and sense of identity people need in order to get on with life.

Why does this matter to HRM? When practices entail distributions, some will lose out on what are being distributed-jobs, promotions, opportunities, rewards. Focusing on dignity expands the distributive pie for those who end up worse off. They may be denied opportunities or have their jobs and lives disrupted, but attending to their dignity ensures that another good is distributed to them. Enhancing their dignity means equipping them with the ability to move on and restoring their sense of self-efficacy, so that they can cope with the blow, rebound, and move forward.

The challenges inherent in the first ethical standard also make this second standard especially important. In an imperfect world, managers do not have time to perfectly determine if a practice is indeed justified, and even if justified, whether it will indeed advance the organization's objective as intended. Certainly, managers can take actions to ensure that a worthy purpose is being advanced and that the organizational purpose warrants the harmful practice. However, the reality is that some people do end up with less in distributive decisions and that some people do carry the burden of displacement and restructuring-at times, even unjustifiably absorbing these negative outcomes. Dignity introduces a commitment to them, a responsibility to distribute to them the capacity to be creative agents in the aftermath of the harm. This is a compensatory standard, ensuring that those harmed by HR practices, however justifiably they may be harmed, emerge with their human faculties intact.

The conceptual difficulty of this second standard lies in its asymmetric function. Enhancing the dignity of victims does not redress the underlying wrong. A HR practice that harms one party to advance an organizational purpose might nonetheless still be unjustifiable or, worse yet, might in fact fail to advance the objective. How does preserving the dignity of targets speak to this problem? We acknowledge that it does not speak directly to the problem, but no practical solution can; the underlying ethical problem cannot be redressed. There will be instances when downsizing might not be ethically justified, even if it preserves a company, saves jobs, and permits a profit. The only option resides in asymmetric response, a response that (a) recognizes the realistic possibility of distributive injustice and the possibility that some people will be unjustifiably harmed and (b) responds to those possibilities through the distribution of alternative creative resources.

The practical problem with enhancing the dignity of those harmed by HR practices is that it is not easy to do. From the perspective of the target of harm, preserving their sense of self-efficacy and equipping them with skills and capabilities to move forward is akin to teaching people to swim after throwing them into the middle of a pool. The overwhelming sinking feeling of the experience makes it difficult to develop the skills and orientation that would prevent sinking. From the perspective of those called upon to perform the harmful practice, it is challenging enough to deliver the harmful blow to deny opportunities or end relationships, for example. Amidst the welter of emotion, those doing the work of HRM must master the experience of the situation to respond appropriately to the harmed individuals. This is one of the most difficult tasks that a manager can face, and later we illuminate two mechanisms for helping managers meet this challenge.

Standard # 3: Sustain the moral sensibility of those executing morally ambiguous tasks

As the two prior standards indicate, HR practices focus foremost on the human beings they are intended to affect and on the organizations those practices serve. Human Resource practices rarely take into account the practitioners of HRM, whether a HR manager or a general manager. Although hiring, firing, promoting, appraising, rewarding, and restructuring are actively carried out by people, the people. Who perform these tasks has largely been neglected.

Neglecting the practitioners of HRM seems especially problematic because the enactment of HRM is both practically and ethically challenging. As we argued in proposing the first ethical standard, often HR practices raise irresolvable ethical conflicts, and as we suggested in proposing the second standard, performing HRM effectively may entail simultaneously delivering a blow and restoring the humanity of the person absorbing the blow. Tasks that remain morally ambiguous and that require opposing actions require at least some consideration of how those charged with these tasks can carry them out.

Our third ethical standard brings into consideration the people doing the work of HRM. The function of this third standard is to set out a criterion that recognizes the realistic psychological challenges confronting those who must implement HR practices. We propose that HR practices should be designed to help those who perform them to sustain their capacity to ask moral questions and to deliberate seriously, rather than reach for rationalizations and convenient escapes from responsibility.

Practices that distribute opportunities and advantages to some but not others, or that demolish aspects of a company in order to preserve or open opportunities, leave those performing these practices with a choice. They can live with the noxious feeling of dissonance, wondering, 'Do the gains really justify the harm I am doing?' Or they can release the dissonance by accepting the justifiability of the cost absorbed by those who lose out. Research indicates which way managers will lean: most human beings naturally seek to resolve cognitive dissonance. They will find it difficult to live with the possibility that a bonus was given to the wrong person, that a lay-off was not needed to save the company, or

that a negative performance appraisal of one individual, even if it improved the team's performance, might have harmed the individual too significantly.
So, too, when dealing face-to-face with the human beings who lose out. The overwhelming cocktail of emotion experienced by those who deny the opportunity or impose the cost can drive the most conscientious HR practitioner either to dodge the task altogether or to do it in a manner that reduces his or her own anxiety. In these cases, the dignity of the target does not register, even as an afterthought. The pressures and psychological weight of the situation make one's own experience as the executioner the sole preoccupation.
To espouse ethical standards for guiding HRM requires attending to the experience of those who must perform the work of HRM. Our third ethical standard does not magically enable managers to live with ambivalence and satisfy heightened demands. It does, though, call attention to the experience of managers. It creates an imperative for designing HR practices so they foster the capability of HR practitioners. Specifically, this third ethical standard calls upon organizations to (a) foster HR practitioners' capacities to retain, rather than resolve, qualms and moral conflicts, and (b) provide means for HR practitioners to learn how to achieve multiple objectives when performing acts that affect others.
Human resource practices are difficult enough to devise, especially practices consistent with standards of morality. Introducing concern for the agent enacting those practices makes them more difficult to devise. Conceptually, it also raises the question of which party takes precedence: the organization, the target, or the practitioner? Whose concerns should anchor HR practices? Which of these ethical standards takes precedence? Our aim in introducing this third standard is not simply to complicate matters. Rather, the capabilities of the person performing the HR practice must be taken into account if the HR practice is to be performed proficiently and in accordance with ethical standards. Simply leaving the performer out of the picture does not remove the problem; it overlooks, and potentially exacerbates, the problem.
The practical challenge lies in equipping managers to perform unnatural acts. Human beings seek to evade or reduce noxious experiences, whether it is the dissonance of questionable practices or the anxiety of witnessing the target's experience. How can managers be equipped to live with negative emotions, with qualms, and with multiple demands to meet organizational needs and enhance the dignity of victims, yet remain capable of offering a job to one person and not others, deliver a performance review, and transfer jobs from one location to another?
One reason for introducing this ethical standard, much as with the other two, is to pose these questions. Where the crafting of HR should practices start-with concern for whom?-and how should HR professionals be equipped? We do not pretend to have answers. These ethical standards indicate the need for organizations to develop responses that protect the welfare of the organization, victims, and managers in order to address the ethical questions that HRM raises.

3.3 Marketing Ethics

Marketing ethics is viewed as important because of marketing’s interface with many diverse stakeholders. Marketing is a key functional area in the business organization that provides a visible interface with not only customers, but other stakeholders such as the media, investors, regulatory agencies, channel members, trade associations, as well as others. It is important when addressing marketing ethics to recognize that it should be examined from an individual, organizational, and societal perspective. Examining marketing ethics from a narrow issue perspective does not provide foundational background that provides a complete understanding of the domain of marketing ethics. The purpose of this chapter is to define, examine the nature and scope, identify issues, provide a decision-making framework, and trace the historical development of marketing ethics from a practice and academic perspective.

3.3.1 Definition of Marketing Ethics

Ethics has been termed the study and philosophy of human conduct, with an emphasis on the determination of right and wrong. For marketers, ethics in the workplace refers to rules (standards, principles) governing the conduct of organizational members and the consequences of marketing decisions. Therefore, ethical marketing from a normative perspective approach is defined as "practices that emphasize transparent, trustworthy, and responsible personal and organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders. Marketing ethics focuses on principles and standards that define acceptable marketing conduct, as determined by various stakeholders and the organization responsible for marketing activities. While many of the basic principles have been codified as laws and regulations to require marketers to conform to society's expectations of conduct, marketing ethics goes beyond legal and regulatory issues. Ethical marketing practices and principles are core building blocks in establishing trust, which help build long-term marketing relationships. In addition, the boundary-spanning nature of marketing (i.e. sales, advertising, and distribution) presents many of the ethical issues faced in business today.

Both marketing practitioners and marketing professors approach ethics from different perspectives. For example, one perspective is that ethics is about being a moral individual and that personal values and moral philosophies are the key to ethical decisions in marketing. Virtues such as honesty, fairness, responsibility, and citizenship are assumed to be values that can guide complex marketing decisions in the context of an organization. On the other hand, approaching ethics from an organizational perspective assumes that establishing organizational values, codes, and training is necessary to provide consistent and shared approaches to making ethical decisions.

Did You Know?

In the 1990s, the government provided support and rewards for ethics programs through the Federal Sentencing Guidelines for Organizations, approved by Congress in 1991.

3.3.2 The Domain of Marketing Ethics

Substantive Domain

The relationship between a customer and an organization exists because of mutual expectations built on trust, good faith, and fair dealing in their interaction. In fact, there is an implied covenant of good faith and fair dealing, and performance cannot simply be a matter of the firm's own discretion. Not only is this an ethical requirement but it has been legally enforced in some states. The implied covenant of good faith and fair dealing is to enforce the contract or transaction in a manner consistent with the parties' reasonable expectations Courts may impose "implied duties of good faith" in marketing exchanges. This obligation of good faith appears to be an institutional or legal approach to enforcing ethical conduct in marketing.

Marketing ethics not only requires an attempt to make ethical decisions, but also to avoid the unintended consequences of marketing activities. This requires consideration of key stakeholders and their relevant interests. Market orientation has been found as the key variable in the successful implementation of marketing strategies. But a successful marketing strategy has not always been associated with meeting the needs and demands of all stakeholders.

This logic is captured in the new definition of marketing developed by the American Marketing Association which states that, "marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders". This definition emphasizes the importance of delivering value and the responsibility of marketers to be able to create meaningful relationships that provide benefits to all relevant stakeholders. This is the first definition of marketing to include concern for stakeholders beyond the organization and customers.

One difference between an ordinary decision and an ethical one is that accepted rules may not apply and the decision-maker must weigh values in a situation that he or she may not have faced before. Another difference is the amount of emphasis placed on a person's values when making an ethical decision. An ethical dilemma evolves when the choice between alternative actions with moral content is unclear. Whether a specific behaviour is right or wrong, ethical or unethical is often determined by the concerned stakeholders and an individual's personal ethics. Consequently, values, judgments, and complex situations all play a critical role in ethical decision making.

Stakeholders designate the individuals, groups and communities that can directly or indirectly affect, or be affected by, a firm's activities. Marketing stakeholders can be viewed as both internal and external. Internal stakeholders include various departments, the board of directors, employees, and other interested internal parties. External stakeholders include competitors, advertising agencies, suppliers, regulators and others such as special interest groups. The various relationships should be identified and interests understood. The complexity surrounding a determination of the effects of marketing transactions on all relevant stakeholders requires the identification of stakeholders in the exchange process. The re-conceptualization of the marketing concept based on a long-term, multiple stakeholder approach has also been suggested as a prescriptive model for organizational responsibility in marketing. Based on these developments, there is a need for marketing to develop more of a stakeholder orientation rather than a narrow customer orientation. Stakeholder orientation in marketing goes beyond markets, competitors, and channel members to understanding and addressing all stakeholder demands. As a result, organizations are now under pressure to demonstrate initiatives that take a balanced perspective on stakeholder interests

Historical Development of Marketing Ethics

The historical background for marketing ethics is derived from early concerns during the turn of the 20th century concerning antitrust and consumer protection, especially adulterated food products. From the beginning of advertising, there have always been concerns about misrepresentations and purposeful deception of consumers. Frank Chapman Sharp started teaching a course in business ethics at the University of Wisconsin in 1913 and Sharp and Fox published a textbook on business ethics. The book was based on the concept of "fair service" and the authors stated "it will be possible to reduce our study of fair service to the principles of fair salesmanship". The book could have been titled 'Marketing Ethics' and had chapters on commercial coercion, let the buyer beware, the limits of persuasion, fair pricing, and the ethics of bargaining. Within the academic history of marketing, one of the first articles that appeared in the *Journal of Marketing* was an article by Charles F. Phillips entitled, "Some Theoretical Considerations Regarding Fair Trade Laws." Ethics was not directly addressed, but the impact of resale price maintenance on competition, especially channel members and customers, was addressed. The concern was that customers were not receiving information about prices and might assume that the quality of coffee offered by all stores was identical. Most academic publishing in the 1950s focused on issues such as fair trade, antitrust, advertising and pricing.

During the 1960s American society turned to causes. An anti-business attitude developed as many critics attacked the vested interests that controlled the economic and political sides of society—the so-called military-industrial complex. The 1960s saw the decay of inner cities and the growth of ecological problems, such as pollution and the disposal of toxic and nuclear wastes. This period also witnessed the rise of consumerism—activities undertaken by independent individuals, groups, and organizations to protect their rights as consumers. These came to be known as the Consumers' Bill of Rights.

During this period of time, the first comprehensive model for ethics in marketing. This first academic conceptualization of the variables that influence marketing ethics decision making tried to determine the logical basis for marketers to determine what is right or wrong. It presented a schematic plan for analyzing the variables inherent in the ethics of decision making; and provided a framework for social and personal ethics in marketing decisions. The model did a good job in delineating variables that influence ethical decision making, including participants, cultural influencers, role expectations, and the complexity of ethical decision making. During this same period of time, an article, "*Would You Want Your Daughter to Marry a Marketing Man?*" that maintained that much of marketing is unethical and irrelevant. This article was received so well that in 1977, an article entitled, "*Would You Want Your Son to Marry a Marketing Lady?*" and in 1987 published another article entitled, "*Would You Want Your Granddaughter to Marry a Taiwanese Marketing Man?*" The titles of these articles indicate that possibly marketing ethics was not considered a serious academic research area. The 1967 Bartels article provided a foundation for empirical research that followed in the 1970s.

In the 1970s significant research was conducted to describe the beliefs of managers about marketing ethics. Carroll found that young managers would go along with their supervisors to show loyalty in dealing with matters related to judgments on morality. A follow-up study by Bowman supported these findings. Ferrell and Weaver provided insights into organizational relationships that influence marketing mangers' ethical beliefs and behaviour. The findings indicated that respondents perceived that the ethical standards of their peers and top management were lower than their own standards. Empirical research in the 1970s set the stage for frameworks that describe ethical decision making within the context of a marketing organization.

The Ferrell and Gresham "A Contingency Framework for Understanding Ethical Decision Making in Marketing" emphasized the interaction of the individual and organization, including organization culture, co-workers, and opportunity to explain how ethical decisions are made. Most of the propositions in this model have been tested to provide a grounded understanding of ethical decision making. Hunt and Vitell "A General Theory of Marketing Ethics" is widely accepted and also provides an empirically grounded model to illustrate how ethical decision making occurs in an organization. Research followed in both marketing and management literature that helped test the Ferrell and Gresham and Hunt and Vitell models.

In the 1980s, business academics and practitioners acknowledged business ethics as an important field of study. Industry developments, such as the Defence Industry Initiative on Business Ethics and Conduct, established a method for discussing best practices and working tactics to link organizational practice and policy to successful ethical compliance. The Guidelines broke new ground by codifying into law incentives to reward organizations for taking action to prevent misconduct. A special task force provided a report for updating and refining the guidelines in 2003. In 2005, a federal amendment to the Federal Sentencing Guidelines added oversight of ethics and compliance programs to the responsibilities of board of director positions. The amendment places more responsibility on board members to monitor and audit ethics programs, including marketing ethics.

While the regulatory system was developing incentives for ethical conduct in organizations, a strong link between corporate ethical values and organizational commitment in marketing. Their corporate ethical values scale is widely used in organizational ethics research. A normative framework for relational marketing exchanges based on the ethical exchange dimensions of trust, equality, responsibility, and commitment. They develop foundational understanding of the interrelationship of ethics and law in marketing exchange. This is a significant contribution because some observers take the perspective that the legal and ethical dimensions of exchange are independent. They conclude that ethical marketing exchanges require a managerial emphasis on ethical corporate culture, ethics training programs, and on ethical audits.

The need for a normative framework for marketing ethics. Integrative Social Contract Theory (ISCT) links the decision-making process, multiple communities, hyper norms, and ethical judgments based on the dominant legitimate norms. This framework can be used for resolving ethical issues that arise among different communities and is significant because marketers frequently engage in boundary-spanning relationships and cross-cultural activities. This normative framework is significant to marketing because it emphasizes the exchange relationship between the firm and its stakeholders, including the right to exist and even prosper in society. This theory can be used to bridge normative and descriptive research in marketing ethics.

As the 21st century arrived, ethics in the world of business became a major issue with scandals associated with Enron, WorldCom, Tyco, Qwest, Sunbeam, and Arthur Andersen. While most of these scandals were associated with accounting fraud, in many cases companies such as Sunbeam, using inventory sales shifting strategies (buy and hold), relied on salespersons to help implement the fraud. These activities resulted in the passage of the Sarbanes-Oxley Act in 2002, which is the most far-reaching change in organization control, corporate governance, and government oversight since the Securities and Exchange Act of 1934. During this time (2000–2006) the *Journal of Marketing* published no articles with the word ethics in the title, but articles did appear dealing with ethical issues. There is still a need to continue both theory development and empirical testing of theories of ethical decision making in marketing.

Key Issues in Marketing Ethics

By its very nature, marketing ethics is controversial, and there is no universally accepted approach for resolving questions. Ethical issues address a problem, situation, or opportunity that requires an individual, group, or organization to choose among several actions that must be evaluated as right or wrong. The organization and stakeholders define marketing ethical issues that must be identified and resolved to build trust and effective relationships with stakeholders. Because marketing ethics sometimes deals with subjective moral choices, this requires decisions about the moral standards to apply and the definition of ethics issues. However, many groups in society, including government, are defining ethical and legal issues and proactive approaches to deal with these issues. For example, millions of blogs or personal web logs exist on the Internet without any formal code of ethics or regulation. Many firms, such as Audi, have their own blogs with many stakeholders requesting the formation of an ethics committee to create unified standards. Organizations are being asked to prevent and control misconduct by implementing ethical compliance programs. Ethics brings many rewards to organizations that nurture it, but managing ethics requires activity and attention on several levels—complying with the law, setting ethical standards, and dealing with the complex decisions related to trade-offs between the bottom line and ethical conduct.

High ethical standards require both organizations and individuals to conform to sound moral principles. Fair Trade has emerged to link ethically minded consumers with marketers concerned with disadvantaged producers in developing nations. Starbucks works to treat coffee farmers fairly in their business relationships by paying premium prices, long-term contracts, affordable credit, direct purchasing, and investing in social projects in coffee communities. However, general special factors must be considered when applying ethics to marketing. First, to survive, marketers must contribute to profits or other organizational objectives. Second, marketers must balance their desire for success against the needs and desires of society. Maintaining this balance often requires compromises or tradeoffs. To address these unique aspects, society has developed rules—both legal and implicit—to guide marketers in their efforts to reach their objectives in ways that do not harm individuals or society as a whole.

External stakeholder’s interests, concerns, or dilemmas help trigger ethical issue intensity. For example, the National Do-Not Call Registry has tremendous impact on telemarketers’ business practices. Organizational culture (internal stakeholders) and individual moral philosophies and values influence the recognition of ethical issues and marketing ethics decisions.

Marketing ethics relates to issues such as honesty and fairness, conflicts of interest, discrimination, privacy, and fraud. Government regulatory agencies and self-regulatory groups such as the Better Business Bureau have developed formal mechanisms to deal with ethical issues related to marketing. The Federal Trade Commission (FTC) enforces consumer protection laws. Within this agency, the Bureau of Consumer Protection works to protect consumers against unfair, deceptive, or fraudulent practices. In addition to the FTC, other federal agencies such as the Food and Drug Administration, the Consumer Product Safety Commission, and the Federal Communications Commission try to assist consumers in addressing deceptive, fraudulent, or damaging conduct. At the state level, consumer protection statutes exist, and deceptive trade practices laws exist in most states.

A Framework for Understanding Ethical Decision Making In Marketing

Ethical decision making in marketing parallels ethical decision making across all organizational domains. There is much overlap between marketing ethics and business ethics because the basic frameworks that describe ethical decision making in an organization include decisions that encompass marketing. In other words, within the context of an organization, there is an ethical component to business decisions, regardless of whether it is marketing or some other functional area component. External stakeholder interests, concerns or dilemmas help trigger ethical issue intensity. For example, PETA has encouraged KFC and other fast-food restaurants to make the ethical treatment of animals a priority. Organizational culture and individual moral philosophies and values influence the recognition of ethical issues and marketing ethics decisions. The decisions or outcomes are evaluated by both internal and external stakeholders. While it is impossible to describe precisely how or why an individual or a work group may make a specific decision, we can generalize about average or typical behaviour patterns within organizations.

First, as previously discussed, marketing can identify the importance of stakeholders, stakeholder issues, and gather information to respond to significant individuals, groups, and communities. Next, in the decision-making process, marketers should identify the importance or relevance of a perceived issue– i.e., the intensity of the issue. The fast food industry is being pressured by government agencies, consumers, and special interest groups to offer healthier menu options, particularly for children. The intensity of a particular issue is likely to vary over time and among individuals and is influenced by the organizational culture, values and norms; the special characteristics of the situation; and the personal pressures weighing on the decision. McDonald's restaurants were the targets of negative publicity associated with the release of the movie *Super Size Me*. In response, the company introduced more salads and healthful portions and alternatives. Individual factors are obviously important in the evaluation and resolution of ethical issues, and familiarity with principal, theoretical frameworks from the field of moral philosophy is helpful in determining ethical decision making in marketing. Personal moral development and philosophy, organizational culture, and co-workers, determine why different people perceive issues with varying intensity.

The ethical climate of an organization is a significant element of organizational culture. Whereas a firm's overall culture establishes ideals that guide a wide range of behaviours for members of the organization, its ethical climate focuses specifically on issues of right and wrong. The ethical climate is the organization's character or conscience. Codes of conduct and ethics policies, top management's actions on ethical issues, the values and moral development and philosophies of co-workers, and the opportunity for misconduct all contribute to an organization's ethical climate. In fact, the ethical climate actually determines whether or not certain dilemmas are perceived as having an ethical intensity level that requires a decision.

Opportunity usually relates to employees' immediate job context—where they work, with whom they work, and the nature of the work. The specific work situation includes the motivational "carrots and sticks" that superiors can use to influence employee behaviour. Pay raises, bonuses, and public recognition are carrots, or positive reinforcement, whereas reprimands, pay penalties, demotions, and even firings act as sticks, the negative reinforcement. For example, a salesperson that is publicly recognized and given a large bonus for making a valuable sale that he or she obtained through unethical tactics will probably be motivated to use unethical sales tactics in the future, even if such behaviour goes against one's personal value system. Research has shown that there is a general tendency to discipline top sales performers more leniently than poor sales performers for engaging in identical forms of unethical selling behaviour. Neither a company policy stating that the behaviour in question was unacceptable nor a repeated pattern of unethical behaviour offsets the general tendency to favour the top sales performers. A superior sales record appears to induce more lenient forms of discipline despite managerial actions that are specifically instituted to produce more equal forms of discipline.

The American Marketing Association (AMA) code provides values which are assumptions about appropriate behaviour, as well as norms that provide suggested behaviours. The AMA recognizes the diversity of marketing, and encourages members to access codes of ethics that address specific functional areas such as marketing research, direct selling, direct marketing, and advertising.

State of the Field and Future Directions

The latest description of the Hunt and Vitell theory of marketing ethics and their discussions of empirical tests of the theory provides an excellent framework for understanding the "why" questions about marketing ethics. The model shows why peoples' ethical judgments differ in an organizational context. This theory, as well as Ferrell and Gresham, provide directions for future empirical descriptive research in marketing ethics. While many researchers and managers believe that personal ethics determines organizational ethics, these frameworks and empirical research question this assumption. The role of corporate culture along with internal control of opportunity to engage in misconduct remains a key determinant of marketing ethics.

The development of stakeholder theory and the importance of stakeholder orientation provide a new direction for integrating ethics into marketing decisions. This perspective focuses on understanding and responding to important stakeholder groups that hold marketing accountable for its actions. This approach assumes that stakeholders are knowledgeable on key ethics issues and that the organization can respond in a manner that maintains marketing relationships.

Stakeholder orientation has the potential to redefine the strategic concept of market orientation by including the interests of all stakeholders in marketing decisions. Marketing can be viewed more as a network of relationships providing skills and knowledge to all stakeholders. From this perspective marketing ethics would be an important part of the strategic planning process.

The role of normative theory and cognitive moral development continues to be a part of the pluralistic approach used to discover and evaluate marketing ethics. Both descriptive and normative researchers agree that marketers do develop guidelines and rules for ethical conduct based on accepted norms and moral philosophies. Integrative Social Contract Theory (ISCT), based on norms as the foundation of rules within communities, provides a direction for future research. Stakeholder theory can be linked with ISCT to examine multiple conflicting norms and discovery of norms that should have priority in marketing decisions.

Insights

For most organizations, trade associations define minimum acceptable ethical behaviour and the regulatory system provides the foundation for acceptable conduct in society. While acceptable ethical behaviour is derived from the professional, cultural, industry, and organizational environments, individual behaviour may differ based on ethical judgments. Marketing ethics remains a complex area to understand and offers the opportunity for research on many different dimensions that have been discussed in this section. Marketing will be under pressure from organizational efforts to institutionalize formal ethics programs in order to satisfy stakeholder demands. Both normative and descriptive understanding will be required to improve marketing ethics. There are many opportunities to contribute to the advancement of knowledge in this important area of marketing.

Did You Know?

In 2004, the American Marketing Association approved a new code of ethics entitled, "Ethical Norms and Values for Marketers".

Caution

Always take precaution in hierarchy and privilege for non-exploitative technology as it may encourage centralism.

3.4 Ethics in Production

Ethics in production is a subset of business ethic that is meant to ensure that the production function or activities are not damaging to the consumer or the society. Like other ethics there is a certain code of conduct or standards to be followed, however ensuring that the ethics are complied with is often difficult.

One of the most important characteristic of the business today is that there is a great degree of interdependence between various business functions. Production cannot happen without marketing and sales and vice versa. In order to survive in the competitive sphere organizations try to reduce the costs involved in production processes. This cost efficiency is sometimes achieved at the cost of quality. Poor processes and technology is used to keep the cost down, this is especially true for small players who cannot afford economies of scale. Having said this there are also examples of industry giants that compromised on certain production processes, cola companies make up for a good example.

All the production functions are governed by production ethics but there are certain that are severely harmful or deleterious which need to be monitored continuously. The following are worth mentioning:

There are ethical problems arising out of use of new technologies that are deleterious to health, safety and environment. Technological advancements like genetically modified food, radiations from mobile phones, medical equipment etc are less problems are more of dilemmas. Defective services and products or products those are innately deleterious like alcohol, tobacco, fast motor vehicles, warfare, chemical manufacturing etc.

Animal testing and their rights or use of economically or socially deprived people for testing or experimentation is another area of production ethics.

Ethics of transactions between the organization and the environment that lead to pollution, global warming, increase in water toxicity and diminishing natural resources.

3.4.1 Dilemma of Ethics in Production

There are certain processes involved in the production of goods and a slight error in the same can degrade the quality severely. In certain products the danger is greater i.e. a slight error can reduce the quality and increase the danger associated with consumption or usage of the same exponentially. The dilemma therefore lies in defining the degree of permissibility, which in turn depends on a number of factors. Bhopal gas tragedy is one example where the poisonous gas got leaked out due to negligence on the part of the management.

Usually many manufactures are involved in the production of same good. They may use similar or dissimilar technologies for the same. Setting a standard in case of dissimilar technologies is often very difficult. There are many other factors that contribute to the dilemma, for example, the involvement of the manpower, the working conditions, the raw material used etc.

Social perceptions also create an impasse sometimes. For example the use of some fertilizer by cola companies in India recently created a national debate. The same cold drinks which were consumed till yesterday became noxious today because of a change in the social perception that the drinks are not fit for consumption.

3.5 Ethics in Information Technology

Advancements in information technology (IT) have helped business and industry raise the bar on production and results. Professionals who work with information technology have access to sensitive information and tools that are important to business operations. Because of this, ethical responsibility is as central to IT professionals as technical knowledge.

3.5.1 Performance

In the early 21st century, the role of IT has become more customer-centric due to emphasis on customer relationship management (CRM), a company-wide business marketing process with a goal of enhancing the total customer experience. IT professionals have an ethical duty to use their expertise to support employees in serving customers, and to maintain and use solutions that are important to managing business and marketing processes.

3.5.2 Sensitive Information

IT professionals often have access to sensitive company data and employee information not readily available to other company employees. Company-wide business systems like CRM and enterprise resource planning (ERP) rely on the collection of customer data. IT helps with data extraction. IT also sets up employee network access, email accounts and other technology access. IT professionals must adhere to strict confidentiality guidelines because of their access to these types of data.

3.5.3 No Vengeance

Dissolution of working relationships creates additional ethical dilemmas for IT. IT professionals manage and use company hardware and software and maintain intellectual properties. Committing to leave company property intact and promising not to use technical knowledge for punitive action upon termination are common inclusions in IT codes of conduct, according to the SANS Institute's "IT Code of Ethics."

The large number of activities, and their complex nature, conducted by information technology professionals, and users, can sometimes have serious repercussions, and affect the well being of many individuals. When these activities include, theft, destruction, or fraud, most would agree these types of activities are wrong. However, when can the behaviour with respect to, privacy issues associated with databases and electronic mail, and electronic monitoring be considered wrong? Developing a set of rules or codes of conduct will identify accepted actions for technology users. Privacy concerns have heightened the unease about ethics within technology. And it is this unease that prompted many professional organizations, such as the Association for Computing Professionals (ACM), to develop ethical codes of conduct for information technology professionals and users to provide guidance about ethical behaviour. This paper will discuss the form of some of these codes and their effectiveness. The code of ethics adopted by ACM consists of 24 imperatives (ACM, 1992). These imperatives, similar to Immanuel Kant's (1724-1804) Deontological theory, are rules that command a type of action without regard to the type of desired end. For instance, ACM's General Moral Imperative 1.5 "Honor property rights including copyrights and patents" presupposes situations where matters of public security require custody of personal property in order to acquire information of unlawful activity.

The major issues concerning ethics with Information technology are: Privacy and Confidentiality, Freedom of Speech, Security, and Computer. When it comes to communicating on the web ones conversation are subject to another person listening or seeing the transmitted message. “Browsers track activities in history files, while Cookies dumped by web sites into information about a person and the things they look at. With the information collected by cookies from online e-commerce sites trace the purchasing patterns of the consumer.” (Introna) The information gathered can give specifics on the identities of individual consumers and this information can be sold whereas leading to a breach of privacy and confidentially. If one can respect others PRIVACY on Internet or just in general the activity on the Internet can limit the chances for identity theft or other criminal activities.

3.6 Ethics in Finance

Ethics in general is concerned with human behaviour that is acceptable or "right" and that is not acceptable or "wrong" based on conventional morality. General ethical norms encompass truthfulness, honesty, integrity, respect for others, fairness, and justice. They relate to all aspects of life, including business and finance. Financial ethics is, therefore, a subset of general ethics.

Ethical norms are essential for maintaining stability and harmony in social life, where people interact with one another. Recognition of others' needs and aspirations, fairness, and cooperative efforts to deal with common issues are, for example, aspects of social behaviour that contribute to social stability. In the process of social evolution, we have developed not only an instinct to care for ourselves but also a conscience to care for others. There may arise situations in which the need to care for ourselves runs into conflict with the need to care for others. In such situations, ethical norms are needed to guide our behaviour. "Ethics represents the attempt to resolve the conflict between selfishness and selflessness; between our material needs and our conscience."

Ethical dilemmas and ethical violations in finance can be attributed to an inconsistency in the conceptual framework of modern financial-economic theory and the widespread use of a principal-agent model of relationship in financial transactions. The financial-economic theory that underlies the modern capitalist system is based on the rational-maximize paradigm, which holds that individuals are self-seeking (egoistic) and that they behave rationally when they seek to maximize their own interests. The principal-agent model of relationships refers to an arrangement whereby one party, acting as an agent for another, carries out certain functions on behalf of that other. Such arrangements are an integral part of the modern economic and financial system, and it is difficult to imagine it functioning without them.

The behavioural assumption of the modern financial-economic theory runs counter to the ideas of trustworthiness, loyalty, fidelity, stewardship, and concern for others that underlie the traditional principal-agent relationship. The traditional concept of agency is based on moral values. But if human beings are rational maximizes, then agency on behalf of others in the traditional sense is impossible. "To do something for another in a system geared to maximize self-interest is foolish. Such an answer, though, points out an inconsistency at the heart of the system, for a system that has rules requiring agents to look out for others while encouraging individuals to look out only for themselves, destroys the practice of looking out for others".

The ethical dilemma presented by the problem of conflicting interests has been addressed in some areas of finance, such as corporate governance, by converting the agency relationship into a purely contractual relationship that uses a carrot-and-stick approach to ensure ethical behaviour by agents. In corporate governance, the problem of conflict between management (agent) and stockholders (principal) is described as an agency problem. Economists have developed an agency theory to deal with this problem. The agency theory assumes that both the agent and the principal are self-interested and aim to maximize their gain in their relationship. A simple example would be the case of a store manager acting as an agent for the owner of the store. The store manager wants as much pay as possible for as little work as possible, and the store owner wants as much work from the manager for as little pay as possible. This theory is value-free because it does not pass judgment on whether the maximization behaviour is good or bad and is not concerned with what a just pay for the manager might be. It drops the ideas of honesty and loyalty from the agency relationship because of their incompatibility with the fundamental assumption of rational maximization. "The job of agency theory is to help devise techniques for describing the conflict inherent in the principal-agent relationship and controlling the situations so that the agent, acting from self-interest, does as little harm as possible to the principal's interest". The agency theory turns the traditional concept of agency relationship into a structured (contractual) relationship in which the principal can influence the actions of agents through incentives, motivations, and punishment schemes. The principal essentially uses monetary rewards, punishments, and the agency laws to command loyalty from the agent.

Most of our needs for financial services management of retirement savings stock and bond investing, and protection against unforeseen events, to name a fewer such that they are better entrusted to others because we have neither the ability nor the time to carry them out effectively. The corporate device of contractualization of the agency relationship is, however, too difficult to apply to the multitude of financial dealings between individuals and institutions that take place in the financial market every day. Individuals are not as well organized as stockholders, and they are often unaware of the agency problem. Lack of information also limits their ability to monitor an agent's behaviour. Therefore, what we have in our complex modern economic system is a paradoxical situation: the ever-increasing need for getting things done by others on the one hand, and the description of human nature that emphasizes selfish behaviour on the other. This paradoxical situation, or the inconsistency in the foundation of the modern capitalist system, can explain most of the ethical problems and declining morality in the modern business and finance arena.

3.6.1 Ethical Violations

The most frequently occurring ethical violations in finance relate to insider trading, stakeholder interest versus stockholder interest, investment management, and campaign financing. Business in general and financial markets in particular is replete with examples of violations of trust and loyalty in both public and private dealings. Fraudulent financial dealings, influence peddling and corruption in governments, brokers not maintaining proper records of customer trading, cheating customers of their trading profits, unauthorized transactions, insider trading, misuse of customer funds for personal gain, mispricing customer trades, and corruption and larceny in banking have become common occurrences.

Insider trading is perhaps one of the most publicized unethical behaviours by traders. Insider trading refers to trading in the securities of a company to take advantage of material "inside" information about the company that is not available to the public. Such a trade is motivated by the possibility of generating extraordinary gain with the help of non-public information (information not yet made public). It gives the trader an unfair advantage over other traders in the same security. Insider trading was legal in some European countries until recently. In the United States, the 1984 Trading Sanctions Act made it illegal to trade in a security while in the possession of material non-public information. The law applies to both the insiders, who have access to non-public information, and the people with whom they share such information.

Campaign financing in the United States has been a major source of concern to the public because it raises the issue of conflict of interest for elected officials in relation to the people or lobbying groups that have financed their campaigns. The United States has a long history of campaign finance reform. The Federal Election Commission (FEC) administers and enforces the federal campaign finance statutes enacted by the Congress from time to time. Many states have also passed lobbying and campaign finance laws and established ethics commissions to enforce these statutes.

3.6.2 Ethical Codes

Approaches to dealing with ethical problems in finance range from establishing ethical codes for financial professionals to efforts to replace the rational-maximize (egoistic) paradigm that underlies the modern capitalist system by one in which individuals are assumed to be altruistic, honest, and basically virtuous.

It is not uncommon to find established ethical codes and ethical offices in American corporations and in financial markets. Ethical codes for financial markets are established by the official regulatory agencies and self-regulating organizations to ensure ethically responsible behaviour on the part of the operatives in the financial markets.

One of the most important and powerful official regulatory agencies for the securities industry in the United States is the Securities and Exchange Commission (SEC). It is in charge of implementing federal securities laws, and, as such, it sets up rules and regulations for the proper conduct of professionals operating within its regulatory jurisdiction. Many professionals play a role within the securities industry, among the most important of which are accountants, broker-dealers, investment advisers, and investment companies. Any improper or unethical conduct on the part of these professionals is of great concern to the SEC, whose primary responsibility is to protect investor interests and maintain the integrity of the securities market. The SEC can censure, suspend, or bar professionals who practice within its regulatory domain for lack of requisite qualifications or unethical and improper conduct. The SEC also oversees self-regulatory organizations (SROs), which include stock exchanges, the National Association of Security Dealers (NASD), the Municipal Securities Rulemaking Board (MSRB), clearing agencies, transfer agents, and securities information processors. An SRO is a membership organization that makes and enforces rules for its members based on the federal securities laws. The SEC has the responsibility of reviewing and approving the rules made by SROs.

Other rule-making agencies include the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), and state finance authorities. Congress has entrusted to the

Federal Reserve Board the responsibility of implementing laws pertaining to a wide range of banking and financial activities, a task that it carries out through its regulations. One such regulation has to do with unfair or deceptive acts or practices. The FDIC has its own rules and regulations for the banking industry, and it also draws its power to regulate from various banking laws passed by Congress.

In addition to federal and state regulatory agencies, various professional associations set their own rules of good conduct for their members. The American Institute of Certified Public Accountants (AICPA), the American Institute of Certified Planners (AICP), the Investment Company Institute (ICI), the American Society of Chartered Life Underwriters (ASCLU), the Institute of Chartered Financial Analysts (ICFA), the National Association of Bank Loan and Credit Officers (also known as Robert Morris Associates), and the Association for Investment Management and Research (AIMR) are some of the professional associations that have well-publicized codes of ethics.

3.6.3 Toward a Paradigm Shift

There has been an effort to address the ethical problems in business and finance by re-examining the conceptual foundation of the modern capitalist system and changing it to one that is consistent with the traditional model of agency relationship. The proponents of a paradigm shift question the rational-maximize assumption that underlies the modern financial-economic theory and reject the idea that all human actions are motivated by self-interest. They embrace an alternative assumption that human beings are to some degree ethical and altruistic and emphasize the role of the traditional principal-agent relationship based on honesty, loyalty, and trust. "Clearly, there is an extent to which Smith and the economists are right. Human beings are self-interested and will not always look out for the interest of others. But there are times they will set aside their interests to act on behalf of others. Agency situations were presumably set up to guarantee those times."

The idea that human beings can be honest and altruistic is an empirically valid assumption; it is not hard to find examples of honesty and altruism in both private and public dealings. There is no reason this idea should not be embraced and nurtured. As Bowie points out: "Looking out for oneself is a natural, powerful motive that needs little, if any, social reinforcement. Altruistic motives, even if they too are natural, are not as powerful: they need to be socially reinforced and nurtured". If the financial-economic theory accepts the fact that behavioural motivations other than that of wealth maximization are both realistic and desirable, then the agency problem that economists try to deal with will be a non-problem. For Dobson, the true role of ethics in finance is to be found in the acceptance of "internal good" ("good" in the sense of "right" rather than in the sense of "physical product"), which, he adds, is what classical philosophers describe as "virtue" that is, the internal good toward which all human endeavour should strive. He contends: "If the attainment of internal goods were to become generally accepted as the ultimate objective of all human endeavours, both personal and professional, then financial markets would become truly ethical"

3.7 Ethics in Operations

Technology has a pervasive and every day stronger impact on society and on human life. That has led to a growing awareness that science cannot be considered above or beyond the realm of value judgments and hence of ethics. As Robert Oppenheimer put it after Hiroshima: *“scientists have now experienced sin”*.

These considerations apply in a special way to Operations Research which, has as its objects methodologies and techniques for providing support in decision making processes. Hardly any area in O.R. can be considered far enough from the real world to escape from ethical considerations.

The awareness of the relevance of ethics in Operations Research has been growing in the last years. The role of Operations Research in addressing social issues has been advocated among others by Rosenhead and, more recently, by Koch. Schneeweiss analyzes the relations between ethics and decision processes and therefore Operations Research: “via the analyst or consultant, O.R., as an applied science, is part of the decision process and thus is, at least partially, responsible for keeping moral norms”.

A more systematic analysis of the relations between ethics and Operations Research has been performed by Brans, who outlines what can be considered the first ethical code for Operations Research. Note that scientific associations in fields which are contiguous to or overlap with the O.R. area, such as ACM and IEEE, already have their ethical codes.

In this paper two ethical principles are discussed, which can help O.R. researchers and practitioners in their activities.

The first is the responsibility principle, along the lines developed in a more general context by the philosopher Hans Jonas. Applied to our field this principle suggests, for example, taking into account in our work not only the point of view of the “client”, i.e. the person who pays for our research or for our professional advice, but also the point of view of all the “stakeholders”, i.e. the ones who can directly or indirectly be affected by the results of our activity.

The second principle, which can be called the sharing and cooperation principle, calls for a more open distribution of the results of our research activity, whether they are ideas, algorithms or software. The rationale behind this principle is twofold. First, our results are not only ‘ours’; in fact, they are only the tip of an iceberg consisting of a pre-existing large body of knowledge. We will have used in our work the results of the work of the scientific and professional community, and it is our duty to enable the whole community to benefit from our work. Second, we should contrast the trend to an ever increasing privatization of ideas, which is something relatively new in science, and which rather often turns public investments into private gains.

Case Study-The HR Intervention at Rourkela Steel Plant: Involving People in Quality-Driven Improvement Culture

Rourkela Steel Plant is an integrated steel plant located in the state of Orissa with employee strength of around 24,000 and a production capacity of 1.67 million tonnes of saleable steel per year. Started in the year 1959, the plant is a unit of Steel Authority of India Limited (SAIL), a public sector holding company consisting of seven manufacturing plants contributing to the nation a total of 12 million tonnes of steel and having a turnover of Rs 19 billion per annum. The company has a country-wide marketing network, a cluster of ore mines providing the raw materials, a Research and Development Centre and a Management Development Centre, besides the Training and Development Centres operating in each of the plants. Rourkela Steel Plant is a major producer of a diversified range of sophisticated steel products such as plates, coils, sheets, pipes, etc. The plant concentrates its efforts always on giving its best output through cost-effective and quality-centric processes. A positive work culture prevails in the plant and a close people-orientation is evident in the various managerial initiatives taken from time to time for effective performance of the plant.

During the 1990s, Rourkela Steel Plant incurred heavy losses every year due to various factors such as market slump, stiff competition from other steel producers in the market, high input cost, interest burden on the investments made for modernization of the plant and other factors. However, since 2001, the dynamic CEO of the plant launched a series of initiatives for involving people in a turnaround drive. The major initiative was focused on regular communication exercises on the priorities of the plant's performance, involving a direct interaction of the CEO with grass-root employees, batch by batch, covering the entire workforce. Building upon the motivating climate created through the involvement of employees in these mass scale communication exercises, the top management further launched specific improvement-oriented interventions which gave results leading to the company's revival within a period of two years.

The plant associated with a consultant organization reputed for its specialization in quality management and having a track record of serving its client organizations in initiatives for achieving culture change, reducing cost, improving business process and building strategic management systems. The objectives for the intervention were formulated keeping the organizational needs in view and communicated across the organization. The priorities to be addressed were to create a common language and understanding of quality in the company, to identify areas of quality stages, and to bring all improvements under one common organization-wide project by involving people as quality improvement teams working on various micro-level improvements. Training was the first step initiated to ensure an effective implementation process. Since ownership of the initiative by top leadership was essential for achieving the objectives, a special programme was organized for the CEO and the senior executives heading the different functions. A series of training programmes on the Quality Improvement Process was also organized for the key managers, supervisors and employees working in the areas identified for improvement. The basics of the envisioned Quality Improvement Process were explained in the programmes. It was emphasized that people should demonstrate commitment to the achievement of quality efficiency, learn to work as effective teams, and exhibit a zeal for innovation and improvement. The inputs were focused on identifying the areas of quality deviations, calculating the losses due to deviations, selecting projects for improvements to arrest the loss, constituting the project teams and methodology of implementation. The programmes were conducted by a faculty team from the consultant company. In addition, managers from the different departments were selected and trained as trainers who in turn conducted training on Quality Improvement Process for employees of their respective areas. These training efforts enabled the human resource preparedness for the intervention undertaken by the organization. The employees got acquainted with the concepts of quality as needed for the strategic initiatives and learnt how to identify the elements of Quality Improvement Process, develop plans for quality improvements, relate their responsibilities to the plans and participate in the process of implementation effectively. For building a quality culture, inculcating the right beliefs in the commitment layers on the minds of employees is essential. The training facilitated this process by emphasizing that quality is the responsibility of everyone in the organization and that for successful implementation of Quality Improvement Process, a sense of commitment should be demonstrated through individual and team actions for quality improvements. The training further helped in building necessary competencies required for the participants in working as quality improvement teams, identifying quality-related problems, exploring solutions/improvements and implementing these for concrete results in the areas of productivity and profitability.

The top management appreciated the need for monitoring by suitably structured internal committees as a prerequisite for ensuring effective implementation. A three-tier monitoring setup was provided by constituting the following:

- Quality improvement teams in the different work areas,
- Committee at the level of the Works Head, and
- Apex Steering Committee at the CEO's level.

The training activities were carried out by the HRD Centre of the Plant and the functioning of the teams/committees was coordinated by the Total Quality Management department. The momentum of day-to-day implementation at the workplace was kept up by the continuous support and guidance of the line managers and heads of departments.

In each of the departments, the quality improvement teams included employees from production, maintenance and services sections. The heads of department guided and supported the teams. The teams met every week and deliberated on the specific issues/problems causing high price of quality non-conformance. Based on the solutions identified through the discussions, the teams launched quality improvement projects in the problem areas of high non-conformance cost. The projects were aimed at achieving tangible productivity gains on various fronts such as the techno-economic parameters related to a steel plant (e.g., improving yield of output, reducing demur-rage incurred in transit of materials within the plant through railway wagons, reducing consumption of power, steam, gas and energy resource utilized in the plant activities), quality norms of process and output (e.g., reducing diversions and down-gradations in respect of products such as coils and sheets) and equipment health/upkeep (e.g., proactive maintenance modifications for reducing downtime of machines). The quality improvement teams took the suggestions of the grass root employees connected with the area of project and involved them in the process of implementation. The committee chaired by the Works Head along with the senior zonal-level in-charges as members met every fortnight and reviewed the performance of the departmental teams. The committee discharged the responsibilities of supporting the teams with necessary resources and cross-functional assistance for implementation of the projects, suggesting priority areas for new projects and recognizing the performance of successful team projects.

The efforts of the employees were suitably recognized through group awards for the successful projects. The achievements were highlighted in the house journal. The steering committee provided a motivating platform for the quality improvement teams to make presentations on their successful projects before the CEO and senior executives. An illustration of a specific improvement project can drive home the dimensions of this intervention. In the captive power plant of the company, the diversion of high-pressure steam generated as energy resource was high and resulted in a heavy loss to the tune of Rs 11.6 million per year. The quality improvement team of the department took up the project of reducing diversion of high-pressure steam, identified the root causes (e.g., coal jamming, leakage of boilers etc.), explored and implemented the corrective actions/modifications in the equipment concerned. This improvement brought down the steam diversion to almost nil. In another instance, the team at the steel producing shop identified that the frequent tripping of industrial fans was causing considerable production delay and diagnosed the root causes such as dust deposits causing high vibrations in fans, poor quality flux material used as input adding to the dust overload, erosion and corrosion of fans. The project by the team enabled execution of necessary corrective actions such as regular cleaning, using improved quality flux and reducing its retention in bunkers to avoid dust accumulation. This improvement initiative had a direct, conspicuous impact on the reduction of production delay on account of fan tripping. The success of the various projects triggered off a series of more initiatives in new areas and simultaneously training efforts were continued for involving more people in this improvement culture. Quality culture gained momentum and challenges were accepted to pursue improvements with a high degree of motivation. The very activity of getting involved in accomplishing improvements was itself a developmental measure. The top leadership was keen on making it a people-wide movement.

Customer-orientation was inbuilt into the systems and practices of the Quality Improvement Process. The priority of achieving zero-defect in every process/product/service was uppermost in the minds of everyone. Only for the purpose of initial facilitation, was external assistance taken from the consultant. During the course of the intervention, the project teams developed self-reliance, and the process was maintained by internally available expertise and strength built through the training/developmental initiatives and onsite experiences in the execution of projects. The results have reinforced that people involvement in the challenges targeted towards specific improvements can make a big difference in any organization. This whole experiment was taken up not as an isolated initiative but as a part of the core change interventions launched by the top leadership to achieve turnaround of the company in a systematic manner. This integration of the quality culture with the organizational performance was a decisive factor for leading the intervention towards long-term results. People in the process developed a sense of pride that they had a role in making their organization a better place to work in by their improvements.

Questions

1. Discuss in brief Rourkela Steel Plant.
2. What are the roles of quality improvement teams?

3.8 Summary

- The philosophy of trusteeship implies that an industrialist or businessman should consider himself to be a trustee of the wealth he possesses.
- Dignity functions to preserve and restore the capacity of harmed individuals to act effectively.
- Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one; it gives no quarter to capitalism, but gives the present owning class a chance of reforming itself.
- The organizational objective misplaced altogether amid the storm of emotion and anxiety unleashed when bad news and bad outcomes must be delivered.
- Ethics has been termed the study and philosophy of human conduct, with an emphasis on the determination of right and wrong.
- The ethical climate of an organization is a significant element of organizational culture.

3.9 Keywords

Harmony: The ideal economic condition according to Gandhi is self sufficiency of the economy.

Marketing: Marketing is a key functional area in the business organization that provides a visible interface with not only customers, but other stakeholders.

Non Violence: Social change is to be brought about through non violent methods. Ends and means are inseparable in life, and only good means yield good results.

Procedural justice: Procedural justice is foremost a defensive standard, designed to prevent the violation of rights and the impairment of human beings.
Trusteeship: Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one; it gives no quarter to capitalism, but gives the present owning class a chance of reforming itself.

3.10 Self Assessment Questions

1. According to the Indian scriptures, there are ....aspects of an individual's life.
(a). Three (b). Two
(c). Four (d). Six

2. The practical challenge follows from these conceptual dilemmas.
(a). True (b). False

3. ....face another practical challenge when engaging in HR practices.
(a). Employee (b). Manager
(c). Labour (d). None of these

4. ....seeks to embody fundamental respect for human beings by treating people with just procedures.
(a). Normal justice (b). Procedural justice
(c). Fundamental justice (d). None of these

5. ....expands the lens of procedural justice.
(a). Unity (b). Morality
(c). Dignity (d). None of these

6. ....is viewed as important because of marketing's interface with many diverse stakeholders.
(a). Business ethics (b). Marketing ethics
(c). both (a) and (b) (d). None of these

7. In the ....significant research was conducted to describe the beliefs of managers about marketing ethics.
(a). 1980s (b). 1990s
(c). 1970s (d). None of these

8. The ethical climate of an organization is not a significant element of organizational culture.
(a). True (b). False

9. Ethics of transactions between the organization and the environment that lead to pollution.
(a). population (b). farm
(c). pollution (d). None of these

10. Technology has a pervasive and every day stronger impact on society and on human life.
(a). True (b). False

3.11 Review Questions

1. Define the nature and scope of marketing ethics from both a descriptive and normative perspective.
2. What can be found in examining the history of marketing ethics that could be used in understanding marketing ethics today?
3. How does the contingency framework for understanding ethics in a marketing organization assist in designing an effective program to maintain and improve ethics in marketing?
4. What is the interrelationship between contract law and ethics in building and sustaining marketing exchanges?
5. Discuss the relationship between corporate ethical values and organizational performance in marketing
6. Determine the goodness and badness of that act.
7. What is marketing ethics? How does the element of time impact the current understanding of what is ethical in marketing?
8. Discuss the ethical standards for HRM.
9. Explain the role of ethics in finance.
10. Define the ethical codes.

Answers of Self Assessment Questions

1. (c)	2. (a)	3. (b)	4. (b)	5. (c)
6. (b)	7. (c)	8. (b)	9. (c)	10. (a)

Unit-4 Business Environment

CONTENTS

Objectives

After studying this chapter, you will be able to:

- Understand the meaning and characteristics of Business Environment
- Know the types and importance of Business Environment
- Explain the objectives of Business Environment
- Describe the Fundamental Rights and Directive Principles of state policy.

Introduction

In this chapter we are going to discuss the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects, the political framework, the legal aspects and the technological aspects etc. So in this chapter, we shall also learn about the concept of business environment, its objectives, scope and the various components of the environment.

4.1 Meaning

The term Business Environment is composed of two words 'Business' and 'Environment'. In simple terms, the state in which a person remains busy is known as Business. The word Business in its economic sense means human activities like production, extraction or purchase or sales of goods that are performed for earning profits.
On the other hand, the word 'Environment' refers to the aspects of surroundings. Therefore Business Environment may be defined as a set of conditions – Social, Legal, Economical, Political or Institutional that are uncontrollable in nature and affects the functioning of organization. Business Environment has two components:

1. Internal Environment
2. External Environment

Internal Environment: It includes 5 Ms i.e. man, material, money, machinery and management, usually within the control of business. Business can make changes in these factors according to the change in the functioning of enterprise.

External Environment: Those factors which are beyond the control of business enterprise are included in external environment. These factors are: Government and Legal factors, Geo-Physical Factors, Political Factors, Socio-Cultural Factors, Demo-Graphical factors etc. It is of two Types:

1. Micro/Operating Environment
2. Macro/General Environment

The success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in the government polices, the business has to make the necessary changes to adapt itself to the new policies. Similarly, a change in the technology may render the existing products obsolete, as we have seen that the introduction of computer has replaced the typewriters; the colour television has made the black and white television out of fashion. Again a change in the fashion or customers' taste may shift the demand in the market for a particular product, e.g., the demand for jeans reduced the sale of other traditional wear. All these aspects are external factors that are beyond the control of the business. So the business units must have to adapt themselves to these changes in order to survive and succeed in business. Hence, it is very necessary to have a clear understanding of the concept of business environment and the nature of its various components.
The term 'business environment' connotes external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise. These include customers, competitors, suppliers, government, and the social, political, legal and technological factors etc. While some of these factors or forces may have direct influence over the business firm, others may operate indirectly. Thus, business environment may be defined as the total surroundings, which have a direct or

indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, and technical factors etc., which are uncontrollable in nature and affects the business decisions of a firm.

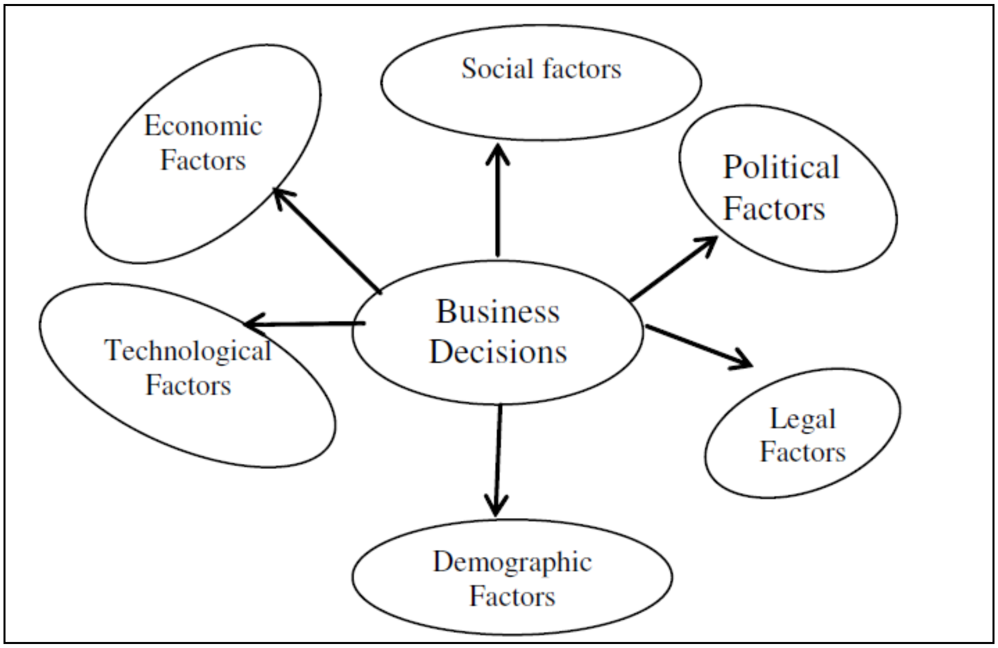


Figure 4.1: Business decesion factors.

4.2 Characteristics of Business Environment

The characteristics of business environment can be summarised as follows:

(a) Business environment is the sum total of all factors external to the business firm and that greatly influences their functioning.

(b) It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological and legal conditions.

(c) The business environment is dynamic in nature, which means it keeps on changing.

(d) The changes in business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment.

(e) Business Environment differs from place to place, region to region and country to country. Political conditions in India differ from those in Pakistan. Taste and values cherished by people in India and China vary considerably.

Caution

The business environment must vary with time to time otherwise it can affect the capital of business.

4.3 Types of Business Environment

Confining business environment to uncontrollable external factors, it may be classified as:

(a) Economic environment; and

(b) Non-economic environment.

The economic environment includes economic conditions, economic policies and economic system of the country. Non-economic environment comprises social, political, legal, technological, demographic and natural environment. All these have a bearing on the strategies adopted by the firms and any change in these areas is likely to have a far-reaching impact on their operations. Let us have a brief idea about each of these areas of business environment.

4.3.1 Economic Environment

The survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

Economic Conditions: The economic conditions of a nation refer to a set of economic factors that have great influence on business organisations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

Economic Policies: All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:

(i) Industrial policy
(ii) Fiscal policy
(iii) Monetary policy
(iv) Foreign investment policy
(v) Export –Import policy (Exim policy)

The government keeps on changing these policies from time to time in view of the developments taking place in the economic scenario, political expediency and the changing requirement. Every business firm has to function strictly within the policy framework and respond to the changes therein.

Important Economic Policies:

(i) Industrial policy: The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development.
(ii) Fiscal policy: It includes government policy in respect of public expenditure, taxation and public debt.
(iii) Monetary policy: It includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry.
(iv) Foreign investment policy: This policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development and take advantage of the modern technology.
(v) Export–Import policy (Exim policy): It aims at increasing exports and bridge the gap between expert and import. Through this policy, the government announces various duties/levies. The focus now-a-days lies on removing barriers and controls and lowering the custom duties.

Economic System: The world economy is primarily governed by three types of economic systems, viz., (i) Capitalist economy; (ii) Socialist economy; and (iii) Mixed economy. India has adopted the mixed economy system which implies co-existence of public sector and private sector.

4.3.2 Non-Economic Environment

The various elements of non-economic environment are as follow:

Social Environment

The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition, more nuclear families with single child concepts have come up. This increases the demand for the different types of household goods. It may be noted that the consumption patterns, the dressing and living styles of people belonging to different social structures and culture vary significantly.

Political Environment

This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors. Further, ideology of the political party also influences the business organisation and its operations. You may be aware that Coca-Cola, a cold drink widely used even now, had to wind up operations in India in late seventies. Again the trade union activities also influence the operation of business enterprises. Most of the labour unions in India are affiliated to various political parties. Strikes, lockouts and labour disputes etc. also adversely affect the business operations. However, with the competitive business environment, trade unions are now showing great maturity and started contributing positively to the success of the business organisation and its operations through workers participation in management.

Legal Environment

This refers to set of laws, regulations, which influence the business organisations and their operations. Every business organisation has to obey, and work within the framework of the law. The important legislations that concern the business enterprises include:

(i) Companies Act, 1956
(ii) Foreign Exchange Management Act, 1999
(iii) The Factories Act, 1948
(iv) Industrial Disputes Act, 1972
(v) Payment of Gratuity Act, 1972
(vi) Industries (Development and Regulation) Act, 1951
(vii) Prevention of Food Adulteration Act, 1954
(viii) Essential Commodities Act, 2002
(ix) The Standards of Weights and Measures Act, 1956
(x) Monopolies and Restrictive Trade Practices Act, 1969
(xi) Trade Marks Act, 1999
(xii) Bureau of Indian Standards Act, 1986
(xiii) Consumer Protection Act, 1986
(xiv) Environment Protection Act
(xv) Competition Act, 2002

Besides, the above legislations, the following are also form part of the legal environment of business

(i) Provisions of the Constitution: The provisions of the Articles of the Indian Constitution, particularly directive principles, rights and duties of citizens, legislative powers of the central and state government also influence the operation of business enterprises.

(ii) Judicial Decisions: The judiciary has to ensure that the legislature and the government function in the interest of the public and act within the boundaries of the constitution. The various judgments given by the court in different matters relating to trade and industry also influence the business activities.

Technological Environment

Technological environment include the methods, techniques and approaches adopted for production of goods and services and its distribution. The varying technological environments of different countries affect the designing of products. For example, in USA and many other countries electrical appliances are designed for 110 volts. But when these are made for India, they have to be of 220 volts. In the modern competitive age, the pace of technological changes is very fast. Hence, in order to survive and grow in the market, a business has to adopt the technological changes from time to time. It may be noted that scientific research for improvement and innovation in products and services is a regular activity in most of the big industrial organisations. Now a days infact, no firm can afford to persist with the outdated technologies.

Demographic Environment

This refers to the size, density, distribution and growth rate of population. All these factors have a direct bearing on the demand for various goods and services. For example a country where population rate is high and children constitute a large section of population, then there is more demand for baby products. Similarly the demand of the people of cities and towns are different than the people of rural areas. The high rise of population indicates the easy availability of labour. These encourage the business enterprises to use labour intensive techniques of production. Moreover, availability of skill labour in certain areas motivates the firms to set up their units in such area. For example, the business units from America, Canada, Australia, Germany, UK, are coming to India due to easy availability of skilled manpower. Thus, a firm that keeps a watch on the changes on the demographic front and reads them accurately will find opportunities knocking at its doorsteps.

Natural Environment

The natural environment includes geographical and ecological factors that influence the business operations. These factors include the availability of natural resources, weather and climatic condition, location aspect, topographical factors, etc. Business is greatly influenced by the nature of natural environment. For example, sugar factories are set up only at those places where sugarcane can be grown. It is always considered better to establish manufacturing unit near the sources of input. Further, government’s policies to maintain ecological balance, conservation of natural resources etc. put additional responsibility on the business sector.

Did You Know?

Business Environment was formed in 1994 by David Saul, Simon Rusk, Bernard Klug and Colin Gershinson, through several property purchases that were refurbished to become serviced offices.

4.4 Objectives of Business Environment

Following are main objectives of business environment:

Knowledge of Information

By studying the business environment, we can know the changes of business. This information is very useful for our business.

Basis of Decisions

One of main objective of the study of business environment that it can provide all the information which is needed for taking good decisions. Suppose, you completed your internal business environment study. With this study, you can take decision relating to purchase, sale, salary and price because you know your competitor, you know your suppliers and you know your customers.

Helpful in making of Policies

For making good business policies, we need to know and scan business through business environment.

Technological Planning

Today, technology is changing very fastly. 3 years ago, we have to search software for downloading business software but today we can use all business software online free of cost. This has become possible due to changes of web technology. So, you have to study technological environment. With this, you can make better technological planning of your business.

Survive in the Business

Sometime industry may face recession. Production may be unlimited but sales will be limited. Only that business will survive who estimate all these situation in advance through business environment study.

Caution

Every businessman must be aware current environment of business. With this, he can think the future of his business in such environment.

4.5 Importance of Business Environment

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of the social, political, legal and economic environment helps the business in the following ways:

a. Determining Opportunities and Threats: The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.
b. Giving Direction for Growth: The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.
c. Continuous Learning: Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.
d. Image Building: Environmental understanding helps the business organisations in improving their image by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power.
e. Meeting Competition: It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly.
f. Identifying Firm's Strength and Weakness: Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.

Did You Know?

The U. S. Civil Rights Act of 1964 was the first piece of legislation to help jump start the business ethics movement.

4.6 Directive Principles of State Policy and Fundamental Duties

The Constitution of India aims to establish not only political democracy but also socioeconomic justice to the people to establish a welfare state. With this purpose in mind, our Constitution lays down desirable principle and guidelines in Part IV. These provisions are known as the Directive Principle of State Policy.

It is a well-established saying that rights have significance only when enjoyed in consonance with the duties. Therefore, the Fundamental Duties were inserted in Article 51A of our Constitution in 1976 by 42nd Amendment Act. In the original Constitution in 1950, there was no mention of these duties. It was expected that the citizens would fulfil their duties willingly.

4.6.1 Meaning of Directive Principles of State Policy

Directive Principles of State Policy are in the form of instructions/guidelines to the governments at the centre as well as states. Though these principles are non-justifiable, they are fundamental in the governance of the country. The idea of Directive Principles of State Policy has been taken from the Irish Republic. They were incorporated in our Constitution in order to provide economic justice and to avoid concentration of wealth in the hands of a few people. Therefore, no government can afford to ignore them. They are infact, the directives to the future governments to incorporate them in the decisions and policies to be formulated by them.

4.6.2 Classification of the Directive Principles

Directive Principles of State Policy have been grouped into four categories. These are:

(1) the economic and social principles,
(2) the Gandhian principles,
(3) Principles and Policies relating to international peace and security and
(4) miscellaneous.

The economic and social Principles

The state shall endeavour to achieve Social and Economic welfare of the people by:

(1) providing adequate means of livelihood for both men and women.
(2) reorganizing the economic system in a way to avoid concentration of wealth in few hands.
(3) securing equal pay for equal work for both men and women.
(4) securing suitable employment and healthy working conditions for men, women and children.
(5) guarding the children against exploitation and moral degradation.
(6) making effective provisions for securing the right to work, education and public assistance in case of unemployment, old age, sickness and disablement.
(7) making provisions for securing just and humane conditions of work and for maternity relief.
(8) taking steps to secure the participation of workers in the management of undertakings etc.
(9) promoting education and economic interests of working sections of the people especially the SCs and STs.
(10) securing for all the workers reasonable leisure and cultural opportunities.
(11) making efforts to raise the standard of living and public health.
(12) providing early childhood care and education to all children until they complete the age of 6 years.

The Gandhian Principles

There are certain principles, based on the ideals advocated by Mahatma Gandhi. These Principles are as follows:

(1) To organize village Panchayats.
(2) To promote cottage industries in rural areas.

(3) To prohibit intoxicating drinks and drugs that are injurious to health.
(4) To preserve and improve the breeds of the cattle and prohibit slaughter of cows, calves and other milch and drought animals.

Directive Principles of State Policy Relating To International Peace And Security:

India should render active cooperation for world peace and security and for that the state shall endeavour to :
(1) Promote international peace and security.
(2) Maintain just and honourable relations between nations.
(3) Foster respect for international laws and treaty obligations.
(4) Encourage settlements of international disputes by mutual agreement.

Miscellaneous

The Directive Principles in this category call upon the state : -
(1) To secure for all Indians a uniform civil code.
(2) To protect historical monuments.
(3) To save environment from pollution and protect wild life.
(4) To make arrangements for disbursement of free legal justice through suitable legislation.

4.6.3 Critical Analysis of Directive Principles

Many critics have called these Directive Principles of State Policy as not better than 'New Year Greetings'. Even the rationale of inserting such high sounding promises has been questioned. It has been asserted that Directives are in the form of holy wishes having no legal sanction behind them. Government is not bound to implement them. Critics point out that they are not formulated keeping the practical aspect these ideals in mind. Despite all this, it cannot be said that these Principles are absolutely useless. They have their own utility and significance. The Directive Principles are just like a polestar that provides direction. Their basic aim is to persuade the government to provide social and economic justice in all spheres of life, keeping in view its limited material resources, at the earliest possible. Many of them have been implemented very successfully. Actually, no government can afford to ignore these instructions as they are the mirror of the public opinion and also reflect the basic spirit of the Preamble of our Constitution. Some of the steps taken in this direction are being listed below: (1) Land reforms have been introduced and Jagirdari and Zamindari systems have been abolished.
(2) There has been rapid industrialisation and tremendous increase in the agricultural production through Green Revolution.
(3) National Commission for the Welfare of Women has been established.
(4) Ceiling has been placed on land and property to fix the limit of person's holdings.
(5) The privy purses of ex-princes have been abolished.
(6) Life Insurance, General Insurance and most of the banks have been nationalised.
(7) In order to reduce economic disparity, Right to Property has been deleted from the chapter on Fundamental Rights.
(8) Subsidized public distribution schemes have been launched to help the poor people.
(9) The rules require that both men and women are paid equal wages for equal work.
(10) Untouchability has been abolished. Sincere efforts have been made for the upliftment of the SCs ,STs and of other Backward Classes.
(11) Through 73rd and 74th Amendments to the constitution, (1991 & 1992 respectively), Panchayati Raj has been given the constitutional status with more powers.

(12) Small scale and village industries and Khadi Gram Udyog have been encouraged to bring prosperity to the rural areas.

(13) India has also been actively co-operating with the U.N. to promote international peace and security.

The above steps on the part of the central and state governments indicate that many Directive Principles of State Policy have been implemented to lay down the foundations of a secular, socialist and welfare state. However, still there is a long way to go to achieve all of them in full.

There are many hindrances in the non-implementation of Directive Principles of State Policy. The main reasons are:

(a) Lack of political will on the part of the states,

(b) Lack of awareness and organized action on the part of the people and

(c) Limited material resources.

4.6.4 Distinction between Fundamental Rights and Directive Principles

Now that you know about Fundamental Rights and Directive Principles of State Policy, which are playing an important role in the establishment of the political and socio-economic society in India, it is important for you to learn about the distinction between the two. The Fundamental Rights are claims of the citizens recognized by the state. They are in the nature of denial of certain authority to the government. They are, therefore, negative in nature. The Directive Principles are like positive directions that the government at all levels must follow to contribute to the establishment social and economic democracy in India.

Another point of difference as mentioned earlier is that while the Fundamental Rights are justiciable and are enforceable by the court of law, the Directive Principles are nonjusticiable. In other words, the Supreme Court and the High Courts have the powers to issue orders or writs for enforcement of Fundamental Rights. The Directive Principles of State Policy, on the other hand, confer no legal rights and create no legal remedies. This should not lead us to conclude that the Directive Principles are inferior or subordinate to the Fundamental Rights.

4.6.5 Relationship between Fundamental Rights and Directive Principles

In spite of these differences, there is a close relationship between the two. Fundamental Rights and Directive Principles are complementary and supplementary to each other. Whereas the Fundamental Rights establish political democracy, the Directive Principles establish economic and social democracy. No government can afford to ignore them while formulating its plans and policies as it is responsible for all its actions to the people in general. Although there is no legal sanction behind these principles, the ultimate sanction lies with the people. The people with their opinion will never let the ruling party to acquire power again if it fails to adhere to these guiding principles. Thus, our Constitution aims at bringing about a synthesis between Fundamental Rights and Directive Principles of state policy. Together, they form the core of the Constitution.

4.6.6 Fundamental Duties

Rights and Duties are two sides of a coin. There are no rights without duties, no duties without rights. In fact, rights are born in a world of Duties. The original Constitution enforced in 1950, did not mention Fundamental Duties of the citizens. It was hoped that citizens would perform their duties willingly. But, 42^{nd} Amendment to the Constitution added a new list of 10 duties in chapter IV under Article 51A of the Constitution.

Duties Enlisted

(i) To abide by the Constitution and respect our National Flag and National Anthem.

(ii) To follow the noble ideals that inspired our national freedom movement.

(iii) To protect the unity and integrity of India.
(iv) To defend the country when the need arises.
(v) To promote harmony and brotherhood among all sections of the people and to respect the dignity of women.
(vi) To preserve our rich heritage and composite culture.
(vii) To protect and improve our natural environment including forests, rivers, lakes and wildlife.
(viii) To develop scientific outlook and humanism.
(ix) To protect public property and not to use violence.
(x) To strive for excellence in all spheres of individual and collective activity. New Addition
(xi) Clasue (K) Art 51A Amendment Act 86th 2002.
(K) "a parent or guardian to provide opportunities for education of his child or as the case may be ward between the age of six and fourteen years.

Nature of Fundamental Duties

Fundamental Duties for citizens are in nature of a code of conduct. A few of these duties are even vague and unrealistic. The non-justiciable character of these duties make them less interesting. Moreover, their ambiguous language is another hindrance in their being obeyed e.g. a citizen does not know how to maintain sovereignty, integrity and glorious heritage of the country. There is a lot of truth in the argument of the critics, yet, it would not be proper to call these duties as only pious declarations.

Case Study-Indian Animation Industry: Moving Up the Value Chain?

In November 2008, NASSCOM announced that the Indian animation industry was poised for significant growth in the coming years. The industry was expected to record US$1163 million by 2012, as against the projected US$460 million by the end of 2008, reporting a CAGR of 27%, according to a report jointly prepared by NASSCOM and Ernst & Young. There were several movies slated for release in 2009 including big budget movies like "Sultan-The Warrior", "Coochie Coochie Hota Hai" and a few more.
The entry of big players into the animation industry served to encourage the animation studios in India, which were hoping to get both investment and more and more original and varied content that would suit the global audience. Experts felt that the Indian animation industry had gained significant momentum in the 1990s and the 2000s. It had witnessed the entry of many new players and many of the companies were moving up the value chain (Refer to Exhibit I for the value chain of the Animation industry, and to Exhibit II for a list of key players in the Industry).
These companies were adopting different business models in their bid to take advantage of the huge scope for growth in the industry (Refer to Exhibit III for the business models adopted by the Indian players). While the projections for growth were good and some experts felt that the Indian animation companies had some strengths, others pointed out to weaknesses which could prevent the companies from tapping the full potential of the global animation industry.
Industry experts pointed out that Indian players still accounted for only a minuscule share of the global animation industry (Refer to Exhibit VI for a note on the global animation industry).

Early Years

The history of the Indian animation industry dates way back to 1914 when Dadasaheb Phalke, considered the father of Indian cinema, made an animation film using the stop-motion camera technique and simple things like matchsticks and coins. He also used animation to create special effects for films like Raja Harischandra and the other mythologicals films that he produced...

A Turning Point

It was in the 1990s that the Indian animation industry witnessed a boom. Ram Mohan and Sako were determined to make the animated series based on the Ramayana and so Ram Mohan travelled to Japan to make it happen...

Indian Animation Gains Momentum

The low entry barrier and the lure of easy dollars that could be earned by providing cut-price work for the animation studios from the West resulted in several small companies crowding the Indian animation industry...

Coming of Age?

The Indian film industry, which is the second largest in the world, was not involved in animation in a big way. It had been using animation to a limited extent in live action movies, mostly in the form of visual effects...

Challenges

The Indian animation industry had been growing at exceptional rates since the late 1990s, but experts felt that some serious challenges remained in the way of sustaining such growth rates. A major challenge for the industry was the skilled manpower crunch. Even though India had a large English speaking labour force, there was a dearth of readily employable skilled animators...

The Way Forward

Industry experts felt that while the growth of the animation industry in India had been phenomenal, there was an opportunity for it to grow even more. The low cost of production was a huge advantage. For instance, the production cost of a half-hour animated movie in India cost around US$ 60-70,000 while in the US, it was around US$ 250,000-300,000, according to NASSCOM's analysis...

Questions

1. Analyze the Indian animation industry at the backdrop of the global animation industry.
2. Explore concepts related to value chains and discuss whether the players in the Indian animation industry were moving up the value chain.

4.7 Summary

- Business Environment is a set of conditions – Social, Legal, Economical, Political or Institutional that are uncontrollable in nature and affects the functioning of organization.
- The success of every business depends on adapting itself to the environment within which it functions.
- Business Environment differs from place to place, region to region and country to country.
- Business Environment may be classified as (a) Economic environment; and (b) Non-economic environment.
- The business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business.
- Rights and Duties are two sides of a coin. There are no rights without duties, no duties without rights.

4.8 Keywords

Business Environment: It is composed of two words ‘Business’ and ‘Environment’. In simple terms, the state in which a person remains busy is known as Business.

Directive Principles of State Policy: Our Constitution lays down desirable principle and guidelines in Part IV. These provisions are known as the Directive Principle of State Policy.

Economic Environment: The totality of economic factors, such as employment, income, inflation, interest rates, productivity, and wealth, that influence the buying behaviour of consumers and institutions.

Fundamental Duties: Fundamental Rights' is a charter of rights contained in the Constitution of India

Social Environment: The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms.

4.9 Self Assessment Questions

1. The business environment is static in nature.

(a). True	(b). False

2. Business environment includes factors external as well as internal to business firm.

(a). True	(b). False

3. The Directive Principles are..in nature.

(a) Negative	(b) Positive
(c) Natural	(d) None of these.

4. The Directive Principles are meant to establish.............................democracy.

(a) Political	(b) Cultural
(c)socio-economic	(d) None of these.

5. The changes in business environment are quite predictable.

(a) True	(b) False

6. Business environment helps the firm to identify the opportunities for the business.

(a). True	(b). False

7. The Fundamental Duties are...

(a) Justiciable	(b) Non-justiciable
(c) Clear	(d) Ambiguous

8. Fundamental Duties were inserted in Article 51A of our Constitution in......................

(a) 1974	(b) 1970
(c) 1976	(d) 1972

9. The.. system has been abolished all over India.

(a) Capitalist	(b) Zamindari
(c) Caste	(d) None of these.

10. The Rights and Duties are the two sides of the same coin.

(a). True	(b). False

4.10 Review Questions

1. Define the term business environment in your own words.
2. Examine the nature of directive principles of state policy. What is the sanction behind them?
3. State any two features of business environment.
4. Mention the different types of business environment.
5. List the various elements of non-economic environment of business.
6. Discuss the classification of directive principles of state policy.

7. Explain briefly the interrelationship between fundamental rights and directive principles of state policy.
8. Explain any two non-economic environment of business.
9. Describe in brief the economic environment of business.
10. Describe the importance of business environment for the business firm.

Answers for Self Assessment Questions

1 (b)	2 (b)	3 (b)	4 (c)	5 (b)
6 (a)	7 (b)	8 (c)	9 (b)	10 (a)

Unit-5 Factors Affecting Business Environment

CONTENTS

Objectives

After studying this chapter, you will be able to:

- Explain the social-cultural environments
- Discuss the business and society
- Define the corporate social responsibility

Introduction

Business, now-a-days is vitally affected by the economic, social, legal, technological and political factors. These factors collectively form business environment. Business environment, as such, is the total of all external forces, which affect the organisation and operations of business. The environment of an organisation has got internal, operational and general lives managers must be aware of these three environmental levels and their relationship and importance.

The term business environment implies those external forces, factors and institutions that are beyond the control of individual business organisations and their management and affect the business enterprise. It implies all external forces within which a business enterprise operates. Business environment influence the functioning of the business system. Thus, business environment may be defined as all those conditions and forces which are external to the business and are beyond the individual business unit, but it operates within it. These forces are customer, creditors, competitors, government, socio-cultural organisations, political parties national and international organisations etc. some of those forces affect the business directly which some others have indirect effect on the business.

Business environment as such are classified into the following three major categories, they are:

- Internal environment
- Operational environment
- General/external environment

Both internal and operational environment are the creation of the enterprise itself. The factors of external or general environment are broad in scope and least controlled and influenced by the management of the enterprises.

5.1 Social-cultural Environments

In broad terms, the social-cultural environment includes everything that is not included in the economy or the political system. Economic life is organized primarily through a market in which individuals relate to one another as buyers and sellers and the purpose is production. In political life individuals relate to one another as citizens and the basic purpose is making collective decisions and rules. The economic and political systems together create the conditions—goods, services and rules—which we all need in order to live the kinds of lives that we choose. The social-cultural environment, then, consists of the whole range of behaviours and relationships in which individuals engage in their personal and private lives, including:

- The characteristics of the population (e.g. age, sex, race or ethnicity, class)
- values and attitudes
- life styles and relationships.

Culture is an attribute of groups, and this can mean society as a whole (e.g. national culture), groups within society (sub-cultures), or even groups of societies and nations (trans-national culture). For example, it is quite common to speak of 'western culture'. This term implies that there are certain values and ways of life that western societies might be said to share, such as:

- Secularism—this refers to the increasing influence of rational and scientific thought, and the decline of religion as a framework of understanding and guide to behaviour.
- Consumerism or materialism—this refers to the view that achieving higher levels of consumption of goods and services leads to greater happiness. A good life means having more 'stuff'. This attitude lies behind the belief that economic growth is always a good thing.

- Individualism—this usually refers to the idea that individuals make their own life-style choices and are motivated primarily by self-interest. It can also involve the idea that individuals should strive to be self-reliant.

However these attitudes or values vary in strength between western societies (e.g. UK society is more secular than the United States), and they also have their own distinctive cultural traits. For example, 'Britishness' might be said to include (among other traits):

- An attitude of reserve (e.g. compared to American outspokenness)
- A sensitivity to class differences (as expressed by accent and manners)
- A sense of fair play.

In analyzing the social-cultural environment of business it is important to recognize that society and culture are not homogeneous or fixed. Rather they are diverse and fluid or dynamic. Social and cultural change is a hallmark of modern societies (more than in the past), symbolized by the widely recognized phenomenon of a generation gap. This refers to the way in which, due to social and cultural change, each generation tends to feel somewhat out of touch with (and even bewildered or shocked by) the attitudes and behaviours of the next. Business needs to stay in touch with social and cultural shifts.

Did You Know?
India's business environment has improved after the initiation of economic reforms in early 1990s.

5.2 Business and Society

This chapter introduces and discusses some basic concepts that are central to understanding the continuing business and society discussion. Among these concepts are pluralism, our special-interest society, business criticism, corporate power, and corporate social response to stakeholders. First, let us briefly define and explain two key terms: *business* and *society*.

5.2.1Business: Defined

Business may be defined as the collection of private, commercially oriented (profitoriented) organizations, ranging in size from one-person proprietorships to corporate giants (e.g., Johnson & Johnson, GE, Coca-Cola, Delta Airlines, and UPS). Between these two extremes, of course, are many medium-sized proprietorships, partnerships, and corporations.

When we discuss business in this collective sense, we include businesses of all sizes and in all types of industries. However, as we embark on our discussion of business and society, we will often find ourselves speaking more of big business in selected industries. Big business is highly visible. Its products and advertising are more widely known. Consequently, it is more frequently in the critical public eye. People in our society often associate size with power, and the powerful are given closer scrutiny. Although it is well known that small businesses in our society far outnumber large ones, the pervasiveness, power, visibility, and impact of large firms keep them on the front page more of the time.

Some industries are simply more conducive than others with respect to the creation of visible, social problems. For example, many manufacturing firms by their nature cause air and water pollution. They contribute to climate changes. Such firms, therefore, are more likely to be subject to criticism than a life insurance company, which emits no obvious pollutant. The auto industry, most recently with the manufacture of sport utility vehicles (SUVs), is a particular case in point. Much of the criticism against General Motors (GM) and other automakers is raised because of their high visibility as manufacturers, the products they make (which are the largest single source of air pollution), and the popularity of their products (many families own one or more cars).

Some industries are highly visible because of the advertising-intensive nature of their products (e.g., Procter & Gamble, FedEx, Anheuser-Busch, and Home Depot). Other industries (e.g., the cigarette, toy,

and fast food industries) are scrutinized because of the possible effects of their products on health or because of their roles in providing health-related products (e.g., pharmaceutical firms).
When we refer to business in its relationship with society, we focus our attention on large businesses in particular industries. However, we should not lose sight of the fact that small- and medium-sized companies also represent settings in which our discussions also apply.

5.2.2 Society: Defined

Society may be defined as a community, a nation, or a broad grouping of people with common traditions, values, institutions, and collective activities and interests. As such, when we speak of business and society relationships, we may in fact be referring to business and the local community (business and Atlanta), business and the United States as a whole, or business and a specific group of people (consumers, investors, minorities).

When we discuss business and the entire society, we think of society as being composed of numerous interest groups, more or less formalized organizations, and a variety of institutions. Each of these groups, organizations, and institutions is a purposeful aggregation of people who have united because they represent a common cause or share a set of common beliefs about a particular issue. Examples of interest groups or purposeful organizations are numerous: Friends of the Earth, Common Cause, chambers of commerce, National Association of Manufacturers, and People for the Ethical Treatment of Animals (PETA), and Rainforest Action Network.

5.2.3 Society as the Macro Environment

The environment of society is a key concept in analyzing business and society relationships. At its broadest level, the societal environment might be thought of as a macro environment, which includes the total environment outside the firm. The macro environment is the complete societal context in which the organization resides. The idea of the macro environment is just another way of thinking about society. In fact, early courses on business and society in business schools were sometimes (and some still are) titled "Business and Its Environment." The concept of the macro environment evokes different images or ways of thinking about business and society relationships and is therefore useful in terms of framing and understanding the total business context.

A useful conceptualization of the macro environment is to think of it as being composed of four segments: social, economic, political, and technological.
The social environment focuses on demographics, lifestyles, and social values of the society. Of particular interest here is the manner in which shifts in these factors affect the organization and its functioning. The influx of illegal immigrants over the past several years has brought changes to the social environment. The economic environment focuses on the nature and direction of the economy in which business operates. Variables of interest include such indices as gross national product, inflation, interest rates, unemployment rates, foreign exchange fluctuations, national debt, global trade, balance of payments, and various other aspects of economic activity. In the past decade, hyper competition and the global economy have dominated the economic segment of the environment. Businesses moving jobs offshore has been a controversial trend. Enduring levels of high unemployment have been particularly critical recently.

The political environment focuses on the processes by which laws get passed and officials get elected and all other aspects of the interaction between the firm, political processes, and government. Of particular interest to business in this segment are the regulatory process and the changes that occur over time in business regulation of various industries and various issues. The passage of the Sarbanes–Oxley Act continues to be a contentious issue to many businesses. Beginning in 2009, Congress ramped up its regulatory ambitions as it sought to improve the global economic system. Lobbying and political contributions are ongoing controversies. Finally, the technological environment represents the total set of technology-based advancements taking place in society. This segment includes new products, processes, materials, and means of communication, as well as the states of knowledge and scientific advancement.

Thinking of business and society relationships embedded in a macro environment provides us with a constructive way of understanding the kinds of issues that constitute the broad milieu in which business functions. Throughout this book, we will see evidence of these turbulent environmental segments and will learn to appreciate what challenges managers face as they strive to develop effective organizations. Each of the many specific groups and organizations that make up our pluralistic society can typically be traced to one of these four environmental segments.

5.2.4 A Pluralistic Society

Our society's pluralistic nature makes for business and society relationships that are more dynamic and novel than those in some other societies. Pluralism refers to a diffusion of power among society's many groups and organizations. The following definition of a pluralistic society is helpful: "A pluralistic society is one in which there is wide decentralization and diversity of power concentration."

The key descriptive terms in this definition are *decentralization* and *diversity*. In other words, power is dispersed among many groups and people. It is not in the hands of any single institution (e.g., business, government, labour, or the military) or a small number of groups. Many years ago, in *The Federalist Papers*, James Madison speculated that pluralism was a virtuous scheme.

Pluralism Has Strengths and Weaknesses

All social systems have strengths and weaknesses. A pluralistic society prevents power from being concentrated in the hands of a few. It also maximizes freedom of expression and action. Pluralism provides for a built-in set of checks and balances so that no single group dominates. Nonetheless, a weakness of a pluralistic system is that it creates an environment in which diverse institutions pursue their own self-interests, with the result that there is no unified direction to bring together individual pursuits.

The Virtues of a Pluralistic Society	**A pluralistic society...** • Prevents power from being concentrated in the hands of a few • Maximizes freedom of expression and action and strikes a balance between monism (social organization into one institution), on the one hand, and anarchy (social organization into an infinite number of persons), on the other • Is one in which the allegiance of individuals to groups is dispersed	• Creates a widely diversified set of loyalties to many organizations and minimizes the danger that a leader of any one organization will be left uncontrolled • Provides a built-in set of checks and balances, in that groups can exert power over one another with no single organization (business or government) dominating and becoming overly influential

Another weakness is that groups and institutions proliferate to the extent that their goals tend to overlap, thus causing confusion as to which organizations best serve which functions. Pluralism forces conflict onto centre stage because of its emphasis on autonomous groups, each pursuing its own objectives. In light of these concerns, a pluralistic system does not appear to be very efficient.

History and experience have demonstrated, however, that the merits of pluralism are considerable and that most people in society prefer the situation that has resulted from it. Indeed, pluralism has worked to achieve some equilibrium in the balance of power of the dominant institutions that constitute our society.

Multiple Publics, Systems, and Stakeholders

Knowing that society is composed of so many different semiautonomous and autonomous groups might cause one to question whether we can realistically speak of society in a definitive sense that has any generally agreed-upon meaning. Nevertheless, we do speak in such terms, knowing that, unless we specify a particular societal subgroup or subsystem, we are referring to all those persons, groups, and institutions that constitute our society. Thus, when we speak of business and society relationships, we usually refer either to particular segments or subgroups of society (consumers, women, minorities, environmentalists, senior citizens) or to business and some system in our society (politics, law, custom, religion, economics). These groups of people or systems may also be referred to in an institutional form.

Figure 5.1 depicts in graphic form the points of interface between business and some of the multiple publics, systems, or stakeholders with which business interacts. Stakeholders are those groups or individuals with whom an organization interacts or has interdependencies. If sheer numbers of relationships are an indicator of complexity, we could easily argue that business's current relationships with different segments of society constitute a truly complex social environment. If we had the capacity to draw a diagram similar to Figure 5.1 that displayed all the details composing each of those points of interface, it would be too complex to comprehend.

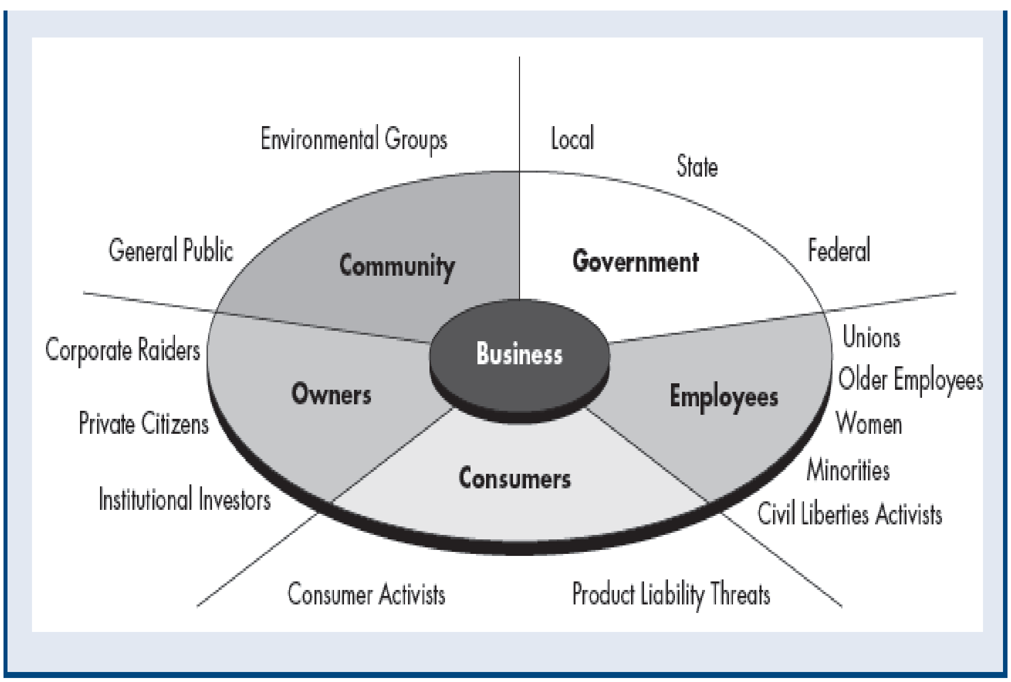


Figure 5.1: Business and selected Stakeholder Relationships.

Today, managers cannot sidestep this problem, because management must live with these interfaces on a daily basis.

Caution

It should be noted that each of the stakeholder groups must be further subdivided into more specific subgroups.

5.2.5 A Special-Interest Society

A pluralistic society often becomes a special-interest society. As the idea of pluralism is pursued to an extreme, a society is created that is characterized by tens of thousands of special-interest groups, each pursuing its own focused agenda. General-purpose interest organizations, such as Common Cause and the U.S. Chamber of Commerce, still exist. However, the past three decades have been characterized by increasing specialization on the part of interest groups representing all sectors of society—consumers, employees, investors, communities, the natural environment, government, and business itself. One newspaper headline noted that "there is a group for every cause." Special-interest groups not only have grown in number at an accelerated pace, but also have become increasingly activist, intense, diverse, and focused on single issues. Such groups are increasingly committed to their causes.

The health care debate that began raging in the fall of 2009 illustrates how a pluralistic, special-interest society works. Consider that the following special-interest groups were all active and continued to be so in the fine-tuning of the health care legislation. The major interest groups included doctors, hospitals, drug companies, insurance companies, employers, insured people, seniors, and uninsured people. Each of these groups has a lot at stake in resolving this society-level issue that has significant implications for many sectors, especially business. Though the health care law was passed in 2010, it will not be implemented immediately and many controversial details still have to be worked out.

The consequence of such specialization is that each of these groups has been able to attract a significant following that is dedicated to the group's goals. Increased memberships have meant increased revenues and a sharper focus as each of these groups has aggressively sought its specific, narrow purposes. The likelihood of these groups working at cross purposes and with no unified set of goals has made life immensely more complex for the major institutions, such as business and government that have to deal with them. But this is how a pluralistic society works.

5.2.6 Business Criticism and Corporate Response

It is inevitable in a pluralistic, special-interest society that the major institutions that make up that society, such as business and government, will become the subjects of considerable scrutiny and criticism. Our purpose here is not so much to focus on the negative as it is to illustrate how the process of business criticism has shaped the evolution of the business and society relationship today. Were it not for the fact that individuals and groups have been critical of business, we would not be dealing with this subject in a book or a course, and few changes would occur in the business and society relationship over time.

Figure 5.2 illustrates how certain factors that have arisen in the social environment have created an atmosphere in which business criticism has taken place and flourished. In this chapter, we describe the response on the part of business as an increased concern for the social environment and a changed social contract (relationship) between business and society. Each of these factors merits special consideration.

Factors in the Social Environment

Over the decades, many factors in the social environment have created a climate in which criticism of business has taken place and flourished. Some of these factors occur relatively independently, but some are interrelated. In other words, they occur and grow hand in hand.

Affluence and Education: Two factors that have developed side by side are affluence and education. As a society becomes more prosperous and better educated, higher expectations of its major institutions, such as business, naturally follow.

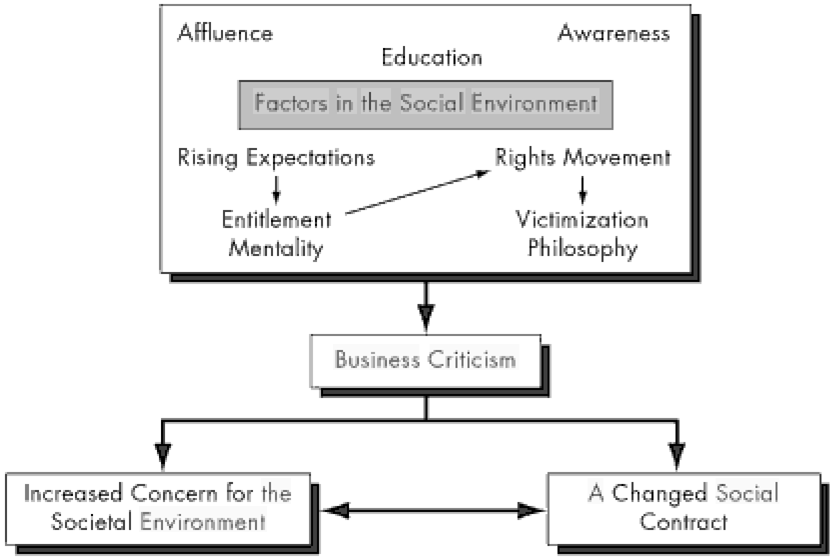


Figure 5.2: Social environment Business Criticism and Corporate Response.

Affluence refers to the level of wealth, disposable income, and standard of living of the society. Measures of the U.S. standard of living indicate that it has been rising for decades, but levelling off during the past five years or so. A recent study has found that the rate at which an entire generation's lot in life improves relative to previous generations has slightly declined. In spite of these effects, overall affluence remains elevated, but this could change. This movement toward affluence is found in many of the world's developed countries and is also occurring in developing countries as global capitalism spreads. The current economic recession raises valid questions about continuing affluence, however.

Alongside a higher standard of living has been a growth in the average formal education of the populace. The U.S. Census Bureau reported that between 1970 and 2000, when the last census data were published, the number of American adults who were high school graduates grew from 55% to 83%, and the number who was college graduates increased from 11% to 24%. The 2010 census data, when available, may change these figures. As citizens continue to become more highly educated, their expectations of life generally rise. The combination of affluence and education has formed the underpinning for a society in which some criticism of major institutions, such as business, naturally arises.

Awareness through Television, Movies, and the Internet: Closely related to formal education is the broad and growing level of public awareness in our society. Although newspapers and magazines are read by a declining fraction of our population, more powerful media—television and movies—are accessed by virtually our entire society. Through television, the citizenry gets a profusion of information that contributes to a climate of business criticism. In recent years, especially, movies have bashed both the capitalist system and businesses. In addition, the Internet and mobile phone explosion has brought elevated levels of awareness in our country and around the world. Through e-mails, texting, blogs, and tweets, the average citizen is incredibly aware of what is going on in the world.

The prevalence and power of TV touches all socioeconomic classes. Several statistics document the extent to which our society is dependent on TV for information. According to data compiled by the ACNielsen Company, the average daily time spent viewing television per household in 1950 was four and a half hours. Nielsen reports that now this figure has grown to over eight hours. A typical day for an American household now divides into three nearly equal parts: eight hours of sleep, eight hours of TV, and eight hours of work or school. Although the household average now exceeds eight hours, the average person watches over four hours per day. These figures are the highest in over 50 years. In the United States today, over 98% of homes have colour TVs, and a great majority of Americans have two or more televisions. In developed countries around the world, these statistics are becoming more common. Television is indeed a pervasive and powerful medium in society.

24/7 *News and investigative news programs:* There are at least three ways in which information that leads to criticism of business appears on television. First, there are straight news shows, such as the ubiquitous 24-hour cable news channels, the evening news on the major networks, and investigative news programs. It is debatable whether or not the major news programs are treating business fairly, but in one major study conducted by Corporate Reputation Watch, senior executives identified media criticism, along with unethical behaviour, as the biggest threats to a company's reputation. Reflecting on the lessons learned from high-profile cases of corporate wrongdoing, half the executives surveyed thought unethical behaviour and media criticism were the biggest threats to their corporate reputations. Coverage of Wall Street's complicity in the recent recession has been particularly damaging because it has called into question society's basic trust of corporate executives.

Business has to deal not only with the problems of 24/7 news coverage but also with a number of investigative news programs, such as *60 Minutes*, *20/20*, *Dateline NBC*, and PBS's *Frontline*, that seem to delight in exposés of corporate wrongdoings or questionable practices. Whereas the straight news programs make some effort to be objective, the investigative shows are tougher on business, tending to favour stories that expose the dark side of the enterprises or their executives. These shows are enormously popular and influential, and many companies squirm when their reporters show up on their premises complete with camera crews.

Prime-time television programs the second way in which criticisms of business appear on TV is through prime-time programs. Television's depiction of businesspeople brings to mind the scheming oilman J.R. Ewing of Dallas, whose backstabbing shenanigans dominated prime-time TV for years (1978–1991) before it went off the air. More recently, the popular TV reality show The Apprentice, featuring billionaire businessman Donald Trump, depicted aspiring business executives in often questionable roles. More often than not, the businessperson has been portrayed across the nation's television screens as smirking, scheming, cheating, and conniving "bad guys." A recent report released by the Business and Media Institute reported a study of the top 12 prime-time dramas in which 77% of the plots involving business were negative toward businesspeople. In this study, business characters committed almost as many serious felonies as drug dealers, child molesters, and serial killers combined. On one show, Law and Order, half of the felons were businesspeople. Some other TV shows where this negative portrayal has been evident include CSI, Mad Men, Damages, and Criminal Minds. Any redeeming social values that business and businesspeople may have rarely show up on television. Rather, businesspeople are often cast as evil and greedy social parasites whose efforts to get more for themselves are justly condemned and usually thwarted. There are many views as to why this portrayal has occurred. Some would argue that business is being characterized accurately. Others say that the television writers are dissatisfied with the direction our nation has taken and believe they have an important role in reforming American society.

Commercials: A third way in which television contributes to business criticism is through commercials. This may be business's own fault. To the extent that business does not honestly and fairly portray its products and services on TV, it undermines its own credibility. Commercials are a two-edged sword. On the one hand, they may sell more products and services in the short run. On the other hand, they could damage business's long-term credibility if they promote products and services deceptively. According to

Real Vision, an initiative to raise awareness about television's impact on society, TV today promotes excessive commercialism as well as sedentary lifestyles. In three specific TV settings—news coverage, prime-time programming, and commercials— a strained environment is fostered by this "awareness" factor made available through the power and pervasiveness of television.

Movies: Movies are also a significant source of business criticism. Hollywood seems to see corporations as powerful, profit-seeking enterprises that have no redeeming values. The Oscar-winning movie *Avatar*, along with *Up in the Air*, portrays corporations as greedy, cruel, and destructive. Michael Moore's documentary, *Capitalism: A Love Story*, slams the free enterprise system as corrupt and doomed. Other recent movies to stigmatize the business system include *The Informant*, *The International*, *Syriana*, and *Duplicity*. In these movies, corporate life is depicted as amoral, at best, and possibly deadly. In 2010, the sequel to *Wall Street* was released—*Wall Street: Money Never Sleeps*—with Michael Douglas playing again the evil Gordon Gekko. Gekko is released from 14 years in prison just in time to witness the financial system's collapse and to visit his old ways. Hollywood writers seem to love advancing the "greed is good" portrayal of business, and they go out of their way to perpetuate this image of the corporate community.

We should make it clear that the media are not to blame for business's problems. If it were not for the fact that the behaviour of some businesses is questionable, the media would not be able to create such an environment. The media makes the public more aware of questionable practices and should be seen as only one key factor that contributes to the environment in which business now finds itself.

Revolution of Rising Expectations: In addition to affluence, formal education, and awareness through television and the Internet, other societal trends have fostered the climate in which business criticism has occurred. Growing out of these factors has been a revolution of rising expectations held by many. This is defined as a belief or an attitude that each succeeding generation ought to have a standard of living higher than that of its predecessor. A recent Pew Charitable Trust study has revealed that, according to census data, today this is more of a dream than a reality. The median income for men has declined slightly over the past 20 years, but household incomes remain high due to the number of women now working full-time. And, of course, the recent economic recession has moderated these rising expectations.

If rising expectations do continue, people's hopes for major institutions, such as business, should be greater too. Building on this line of thinking, it could be argued that business criticism is evident today because society's rising expectations of business's social performance have outpaced business's ability to meet these growing expectations. To the extent that this has occurred over the past 25 years, business finds itself with a larger social problem.

A social problem has been described as a gap between society's expectations of social conditions and the current social realities. From the viewpoint of a business firm, the social problem is experienced as the gap grows between society's *expectations* of the firm's social performance and its *actual* social performance. Rising expectations typically outpace the responsiveness of institutions such as business, thus creating a constant predicament in that it is subject to criticism. Figure 5.3 illustrates the larger "social problem" that business faces today. It is depicted by the "gap" between society's expectations of business and business's actual social performance.

Although the general trend of rising expectations may continue, the revolution moderates at times when the economy is not as robust. Historically, job situations, health, family lives, and overall quality of life continue to improve, though the effect of the recession makes their future hard to predict. The persistence of social problems such as crime, poverty, homelessness, unemployment, AIDS, environmental pollution, alcohol and drug abuse, and, now, terrorism and potential pandemics such as bird flu are always there to moderate rising expectations.

Entitlement Mentality: One notable outgrowth of the revolution of rising expectations has been the development of an entitlement mentality.

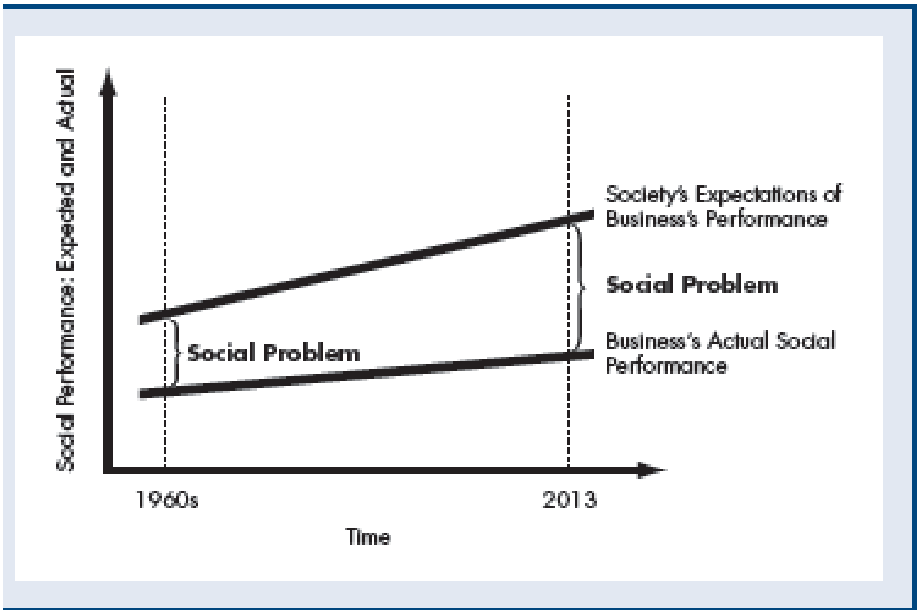


Figure 5.3: Society Expectations versus Business actual Social performance.

Several years ago, the Public Relations Society conducted a study of public expectations, with particular focus on public attitudes toward the philosophy of entitlement. The entitlement mentality is the general belief that someone is owed something (e.g., a job, an education, a living wage, or health care) just because she or he is a member of society. The survey was conducted on a nationwide basis, and a significant gap was found between what people thought they were entitled to have and what they actually had—a steadily improving standard of living, a guaranteed job for all those willing and able to work, and products certified as safe and not hazardous to one's health.

Some of these rights, such as the right to privacy and the right to due process, have been perceived as generic for all citizens. However, in addition to these generalized rights, there has been activism for rights for particular groups in society. This modern movement began with the civil rights cases of the 1950s. Many groups have been inspired by the success of African-Americans and have sought progress by similar means. Thus, we have seen the protected status of minorities grow to include Hispanic Americans, Asian-Americans, Native Americans, women, and the disabled, the aged and other groups. At various levels—federal, state, and local—we have seen claims for the rights of gays, smokers, non smokers, obese persons, AIDS victims, convicted felons, and illegal immigrants, just to mention a few.

There seems to be no limit to the numbers of groups and individuals seeking "rights" in our society. Business, as one of society's major institutions, has been affected with an ever-expanding array of expectations as to how people want to be treated, not only as employees but also as owners, consumers, environmentally conscious citizens, and members of the community. The "rights" movement is interrelated with the special-interest society discussed earlier and sometimes follows an "entitlement" mentality among some people and within some sectors of society.

Victimization Philosophy: It has become apparent during the past 20 years or so that there are growing numbers of individuals and groups who see themselves as having been victimized by society. The *New York* magazine featured a cover story on "The New Culture of Victimization," with the title "Do not Blame Me!" *Esquire* probed what it called "A Confederacy of Complainers." Charles Sykes published *A Nation of Victims*

The Decay of the American Character.33 Sykes's thesis, with which these other observers would agree, is that the United States is fast becoming a "society of victims."

What is particularly interesting about the novel victimization philosophy is the widespread extent to which it is dispersing in the population. According to these writers, the victim mentality is just as likely to be seen among all groups in society—regardless of race, gender, age, or any other classification. Sykes observed that previous movements may have been seen as a "revolution of rising expectations," whereas the victimization movement might be called a "revolution of rising sensitivities" in which grievance begets grievance.

In such a society of victims, feelings rather than reason prevail, and people start perceiving that they are being unfairly "hurt" by society's institutions—government, business, and education. The philosophy of victimization is intimately related to and sometimes inseparable from the rights movement and the entitlement mentality. Taken together, these new ways of viewing one's plight—as someone else's unfairness—may pose special challenges for business managers in the future.

In summary, affluence and education, awareness through television, the revolution of rising expectations, an entitlement mentality, the rights movement, and the victimization philosophy have formed a backdrop against which criticism of business has grown and flourished. This helps explain why we have an environment that is so conducive to criticism of business. Though the U.S. economy is in its worst economic slump since World War II as this is being written, some of these same general trends are bound to continue but be moderated in the next several years. In the next two subsections, we will explore what some of the criticisms of business have been, and we will discuss some of the general responses to such criticisms.

Criticisms of Business: Use and Abuse of Power.

Levels of Power: Business power exists at and may be manifested at several different levels. Four such levels include the macro level, the intermediate level, the micro level, and the individual level. The macro lev*el* refers to the corporate system—Corporate America— the totality of business organizations. Power here emanates from the sheer size, resources, and dominance of the corporate system. As the corporate system has become more global, its impact has become more far reaching as well. The intermediate level refers to groups of corporations acting in concert in an effort to produce a desired effect—to raise prices, control markets, dominate purchasers, promote an issue, or pass or defeat legislation. Prime examples are OPEC (gas prices), airlines, cable TV companies, banks, pharmaceutical companies, and defence contractors pursuing interests they have in common. The combined effect of companies acting in concert is considerable. The micro level of power is the level of the individual firm. This might refer to the exertion of power or influence by any major corporation—Google, Wal-Mart, Microsoft, Nike, Procter and Gamble, or Johnson and Johnson, for example. The final level is the *individual level*. This refers to the individual corporate leader exerting power—for example, Andrea Jung (Avon), Steve Jobs (Apple), Jeffrey Immelt (GE), Bill Gates (Microsoft), Tiger Woods (Tigerwoods.com), or Anne Mulcahy (Xerox).

The important point here is that as one analyzes corporate power, one should think in terms of the different levels at which that power is manifested. When this is done, it is not easy to conclude whether corporate power is excessive or has been abused. Specific levels of power need to be examined before conclusions can be reached.

Spheres of Power: In addition to levels of power, there are also many different spheres or arenas in which business power may be manifested. Figure 5.4 depicts one way of looking at the four levels identified and some of the spheres of power that also exist. *Economic power* and *political power* are two spheres that are referred to often, but business has other, more subtle forms of power as well. These other spheres include *social and cultural power*, *power over the individual*, *technological power*, and *environmental power.*

Is the power of business excessive? Does business abuse its power? Apparently, many people think so. To provide sensible and fair answers to these questions, however, one must carefully specify which level of power is being referred to and in which sphere the power is being exercised. When this is done, it is not simple to arrive at answers that are generalizable.

Furthermore, the nature of power is such that it is sometimes wielded unintentionally. Sometimes it is consequential; that is, it is not wielded intentionally, but nevertheless exerts its influence even though no attempt is made to exercise it.

Balance of Power and Responsibility: Whether or not business abuses its power or allows its use of power to become excessive is a central issue that cuts through all the topics we will be discussing in this book. But power should not be viewed in isolation from responsibility, and this power–responsibility relationship is the foundation of calls for corporate social responsibility. The Iron Law of Responsibility is a concept that addresses this:

Levels / Spheres	Macrolevel (the business system)	Intermediate Level (several firms)	Microlevel (single firm)	Individual Level (single executive)
Economic				
Social/Cultural				
Individual				
Technological				
Environmental				
Political				

Figure 5.4: Level and Spheres of Corporate Power.

"In the long run, those who do not use power in a manner which society considers responsible will tend to lose it." Stated another way, whenever power and responsibility become substantially out of balance, forces will be generated to bring them into closer balance.

When power gets out of balance, a variety of forces come to bear on business to be more responsible and more responsive to the criticisms being made against it. Some of these more obvious forces include governmental actions, such as increased regulations and new laws. The investigative news media become interested in what is going on, and a whole host of special-interest groups bring pressure to bear. In the Business Week cover story cited earlier, the point was made that "it is this power imbalance that is helping to breed the current resentment against corporations."

The tobacco industry is an excellent example of an industry that has felt the brunt of efforts to address allegations of abuse of power. Complaints that the industry produces a dangerous, addictive product and markets that product to young people have been made for years. The U.S. Food and Drug Administration (FDA) tried to assert jurisdiction over cigarettes and has been trying to rein in tobacco companies through aggressive regulation. One major outcome of this effort to bring the tobacco industry under control was a $368-billion settlement, to be paid over 25 years, in which the tobacco firms settle lawsuits against them, submit to new regulations, and meet strict goals for reducing smoking in the United States. Although the industry continues to fight these measures, as it always has, it is expected that by the year 2022 tobacco's role in American society will be forever reduced.

Did You Know?
In 1993 the Parliament of the World's Religions adopted a Declaration of a Global Ethic that condemned "the abuses of the Earth's ecosystems," poverty, hunger, and the economic disparities that threaten many families with ruin.

5.3 Corporate Social Responsibility

The CSR (Corporate Social Responsibility) is a concept that frequently overlaps with similar approaches such as corporate sustainability, corporate sustainable development, corporate responsibility, and corporate citizenship, being an expression used to describe what some see as a company's obligation to be sensitive to the needs of all of the stakeholders in its business operations.

5.3.1 Definitions

Companies need to answer to two aspects of their operations. 1. The quality of their management - both in terms of people and processes (the inner circle). 2. The nature of, and quantity of their impact on society in the various areas.

Outside stakeholders are taking an increasing interest in the activity of the company. Most look to the outer circle - what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused - as well as past financial performance - on quality of management as an indicator of likely future performance.

Other definitions

Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons. Personally, we believe this model is more sustainable because:

1. Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business and maximise the value of wealth creation to society.

2. When times get hard, there is the incentive to practice CSR more and better - if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

But as with any process based on the collective activities of communities of human beings (as companies are) there is no "one size fits all". In different countries, there will be different priorities, and values that will shape how business act.

While CSR does not have a universal definition, many see it as the private sector's way of integrating the economic, social, and environmental imperatives of their activities. As such, CSR closely resembles the business pursuit of sustainable development and the triple bottom line. In addition to integration into corporate structures and processes, CSR also frequently involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to improve CSR performance.

A company's stakeholders are all those who are influenced by, or can influence, a company's decisions and actions. These can include (but are not limited to): employees, customers, suppliers, community organizations, subsidiaries and affiliates, joint venture partners, local neighbourhoods, investors, and shareholders (or a sole owner).

CSR is closely linked with the principles of "Sustainable Development" in proposing that enterprises should be obliged to make decisions based not only on the financial/economic factors but also on the social and environmental consequences of their activities.

The Four Myths of CSR

Deborah Doane, the chair of the Britain-based organization CORE Coalition (for "COrporate REsponsibility"), wrote an article for the Fall 2005 issue of the Stanford Social Innovation Review where she listed and debunked what she called "the four key myths of CSR." Those myths are:

1. "The market can deliver both short-term financial returns and long-term social benefits." According to Doane, not only are the interests of profit-seeking corporations and broader society often at odds, but socially responsible investments by corporations "are particularly unlikely to pay off in the two- to four-year time horizon that public companies, through demands of the stock market, often seem to require."
2. "The ethical consumer will drive change." Doane writes, "Most surveys show that consumers are more concerned about things like price, taste, or sell-by date than ethics. Wal-Mart's success certainly is a case in point."
3. "There will be a competitive 'race to the top' over ethics amongst businesses." While CSR efforts often "offer good PR," which companies of course like, "in some cases businesses may be able to capitalize on well-intentioned efforts, say by signing the U.N. Global Compact [see below], without necessarily having to actually change their behaviour."
4. "In the global economy, countries will compete to have the best ethical practices." Although companies often claim that their presence in "developing" countries will improve health, environmental and labour conditions, Doane counters, "companies often fail to uphold voluntary standards of behaviour in developing countries, arguing instead that they operate within the law of the countries in which they are working. In fact, competitive pressure for foreign investment among developing countries has actually led to governments limiting their insistence on stringent compliance with human rights or environmental standards, in order to attract investment."

Development and analysis

Today's heightened interest in the proper role of businesses in society has been promoted by increased sensitivity to environmental and ethical issues. Issues like environmental damage, improper treatment of workers, and faulty production leading to customers inconvenience or danger, are highlighted in the media. In some countries Government regulation regarding environmental and social issues has increased, and standards and laws are also often set at a supranational level (e.g. by the European Union). With the growing popularity of CSR in the last few years, especially in Europe and more recently in the U.S., a number of major PR firms have responded by establishing specialist CSR practice groups within their companies.

It is important to distinguish CSR from charitable donations and "good works". Corporations have often, in the past, spent money on community projects, the endowment of scholarships, and the establishment of Foundations. They have also often encouraged their employees to volunteer to take part in community work thereby create goodwill in the community which will directly enhance the reputation of the company and strengthen its brand. CSR goes beyond charity and requires that a responsible company will take into full account the impact on all stakeholders and on the environment when making decisions. This requires them to balance the needs of all stakeholders with their need to make a profit and reward their shareholders adequately.

A widely quoted definition by the World Business Council for Sustainable Development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".. This holistic approach to business regards organizations as (for example) being full partners in their communities, rather than seeing them more narrowly as being primarily in business to make profits and serve the needs of their shareholders.

5.3.2 Corporate Social Responsibility Reporting

The application of the principles of Sustainable Development through the introduction of a CSR policy is often accompanied by what is called triple bottom line reporting which declares not only financial results but also the social and environmental impact of the business. Some countries (e.g. France) have made such reporting mandatory. However the measurement of social and environmental performance is difficult and new measurement techniques need to be developed. CSR is often used to promote voluntary corporate initiatives, as an alternative to additional or existing mandatory regulations. The International Chamber of Commerce has aggressively promoted a standards-free concept of "corporate responsibility" that enables companies to proclaim their "responsibility" without necessitating companies to meet minimum standards.

Many large companies now produce annual reports that cover Sustainable Development and CSR issues, and these reports are often externally audited. But there is no common template for the reporting and the style and the evaluation methodology varies between companies (even within the same industry).

The business case for CSR

The benefits of CSR to businesses vary depending on the nature of the enterprise, and are typically very difficult to quantify. A major meta-analysis has been conducted seeking to draw a correlation between social/environmental performance and financial performance.

It should be noted that the definition of CSR used within business can vary from the strict ‘stakeholder impacts’ definition used in this article and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or PR departments of a company, or may be given a separate unit reporting to the CEO or in some cases directly to the board.

One thing that is for sure - the pressure on business to play a role in social issues will continue to grow. Over the last ten years, those institutions which have grown in power and influence have been those which can operate effectively within a global sphere of operations. These are effectively the corporate and the NGOs. Those institutions which are predominantly tied to the nation state have been finding themselves increasingly frustrated at their lack of ability to shape and manage events. These include national governments, police, judiciary and others.

There is a growing interest, therefore, in businesses taking a lead in addressing those issues in which they have an interest where national government have failed to come up with a solution. The focus Unilever has on supporting a sustainable fisheries approach is one example. Using the power of their supply chain, such companies are placed to have a real influence. National governments negotiating with each other have come up with no solutions at all, and ever-depleting fish stocks. That is not to say businesses will necessarily provide the answers - but awareness is growing that they are occasionally better placed to do so than any other actors taking an interest.

Case Study-CSR at Canon

Successful global businesses have the power to make a real difference. Economic performance and social responsibility can go hand in hand, when there is a genuine consideration to make an impact on the communities and the environment. True global companies must foster good relations with customers, communities in which they operate, nation and bear the responsibility of the impact their activities have on environment and society. Corporate Social Responsibility at Canon is a true effort to influence society in a manner that earns the trust and respect of stakeholders and society. This belief in positive behavior has been embedded in the way canon work for decades since introduction of its corporate philosophy of Kyosei. A concise definition of Kyosei is "Living and working together for the common good". According to Canon, All people, regardless of race, religion or culture, harmoniously living and working together into the future.

CSR seems to be a mandatory practice adopted by almost all companies but at GE India, CSR being handled in a different way. GE had adopted an NGO called Vidya which has been educating underprivileged children for the past 18 years at New Delhi. GE's association with Vidya began when 15 employees of GE India started mentoring school children and helping them in clearing their 10th and 12th standard examinations.

GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities. SAP India in partnership with Hope Foundation, an NGO that works for the betterment of the poor and the needy throughout India, has been working on short and long-term rebuilding initiatives for the tsunami victims. Together, they also started The SAP Labs Centre of HOPE in Bangalore, a home for street children, where they provide food, clothing, shelter, medical care and education. Pepsico plans to widen its product its portfolio in India and build the brand's image around corporate social Responsibility. Nike managed CSR as a core part of business.

Benefits of CSR

A new era of social consciousness is evolving throughout the world. Over the last 20 years, we have shifted from functionally centric brands to emotionally centric- brands to values-centric brands. Today, brands must be inspirational in a socially responsible way. It is no longer enough for brands to define themselves in terms of what they are: they must make a statement—environmentally, culturally, and socially— about what they want to be. A key advantage of these corporate initiatives is that unlike in the traditional brand-marketing domain, a firm's intangible assets, when strategically deployed, can be marketed not just to its customers but to other stakeholders as well.

Clearly, measures of intangible assets and their dependencies are growing more important. Many companies use CSR as a way to burnish their image, generate brand equity, and increase employee loyalty. In this era of global competition, declining brand differentiation, and increasing media clutter, companies are going beyond the conventional marketing mix to incorporate corporate-level intangible assets such as their identities and reputations and the goodwill associated with being a good corporate citizen into their marketing initiatives in efforts to gain sustainable competitive advantages.

Companies have been encouraged to adopt and expand CSR efforts as a result of pressures from customers, employees, communities, investors, activist organizations and other stakeholders. As a result

CSR has grown dramatically in recent years. Companies have experienced a range of bottom line benefits from being engaged in CSR which include improved financial performance, reduced operating costs and increased sales and customer loyalty A number of studies conducted in past arrived at positive association between CSR and financial performance.

A company considered socially responsible can get benefit both by its enhanced reputation with the public as well as its reputation within the business community. Social action programs create favourable public image. Hindustan Unilever Ltd. (HUL) through its Surf Excel brand gained immeasurable reputation in the course of its campaign of education to poor children. In a survey conducted by Confederation of Indian Industry, majority of the corporate respondents had the perception that CSR leads to improved brand image.

Companies going for CSR find it comparatively easy to recruit and retain the skilled employees for a sufficient long period of time which are vital for the success of business. This is empirically tested and proved by Turban and Greening that corporate social responsibility is positively related to a firm's attractiveness as an employer. In a subsequent study by Luce, it was evidenced that corporate social performance is positively related to a firm's familiarity which in turn affects organizational attractiveness as an employer. Consumers expect firms to conduct business ethically, and they also showed their willingness to reward ethical behaviour and punish the unethical behaviour of firms through their purchase behaviour. Customers prefer to purchase from the companies which are conscious about CSR.
Companies are changing the way they market their corporate social responsibility (CSR) initiatives – more and more of them are becoming increasingly transparent about their supply chains and are fostering dialogue with their customers. Companies such as Nike and Hewlett-Packard have led the way by making information available online regarding their supply chains. Openness builds trust and trust translates into transactions. Corporations often willingly engage in socially responsible behaviour precisely because it enhances shareholder value. Moreover management believes such activities create goodwill among customers in excess of their price tag.
Today companies with the help of CSR reaping the benefits that are proactively and strategically building their "Social Brand Capital". Social Brand Capital (SBC) is the loyalty value that stakeholders attribute to a company's brand as a result of the company's commitment to social/environmental causes. As Michael Porter and Mark Kramer recently stated, "adding a social dimension to your value proposition offers a new frontier in competitive positioning." GE and FedEx are great examples of companies in this stage of building their SBC. FedEx is introducing a low-emission hybrid electric powered delivery vehicle that could become the standard medium duty delivery truck in FedEx's fleet. GE's "ecoimagination" project is infusing US$1.5 billion into developing ecologically responsible innovation that will reduce greenhouse emissions .

CSR helps in increased market share and new market penetration and also helps understand and transform public perception of a company and industry. In fact companies can successfully make a business case for improving profitability through higher market share and increased customer loyalty if they can demonstrate their CSR practices as unique differentiator. CSR is considered to be an important aspect of business success through efficient resource management, environment protection, employment, eco-friendly atmosphere, etc.

Question

1. Describe the benefits of CSR.
2. Describe the brief history of CSR at Canon.

5.4 Summary

- Business environment, as such, is the total of all external forces, which affect the organisation and operations of business.
- Economic environment refers to the aggregate of the nature of economic system of the country.
- The social-cultural environment includes everything that is not included in the economy or the political system.
- The environment of society is a key concept in analyzing business and society relationships.
- CSR is a concept that frequently overlaps with similar approaches such as corporate sustainability,

5.5 Keywords

Affluence**:** It is refers to the level of wealth, disposable income, and standard of living of the society

Business power: It is refers to the ability or capacity to produce an effect or to bring influence to bear on a situation or people.

Consumerism: It is refers to the view that achieving higher levels of consumption of goods and services leads to greater happiness.

Pluralism**:** It is refers to a diffusion of power among society's many groups and organizations.

Technological environment**:** It is represents the total set of technology-based advancements taking place in society.

5.6 Self Assessment Questions

1. Business is vitally affected by the .... factors.

(a) Economic	(b) Social
(c) Legal	(d) All of these.

2. Business environment are classified into the following three major categories, they are ......

(a) Internal environment	(b) Operational environment
(c) External environment	(d) All of these.

3. The political environment of a country is influenced by the .... organisations.

(a) Political	(b) Social
(c) Both (a) and (b)	(d) None of these.

4. The social environment focuses on........ And .... values of the society.

(a) Lifestyles	(b) Social
(c) Demographics	(d) All of these.

5. The social-cultural environment, then, consists of the whole range of behaviours and relationships.

(a) True	(b) False

6. Culture is an .... of groups.

(a) Attribute	(b) Object
(c) Module	(d) None of these.

7. The environment of society is a key concept in analyzing business and society relationships.

(a) True	(b) False

8. ....environment represents the total set of technology-based advancements taking place in society.

(a) Economical	(b) Logical
(c) Technological	(d) None of these.

9. Legal environment includes flexibility and adaptability of law and other legal rules governing the business.

(a) True	(b) False

10. Economic environment refers to the aggregate of the nature of economic system of the ......

(a) Village	(b) State
(c) Country	(d) None of these.

5.7 Review Questions

1. What is business power?
2. What is the difference between business and society?
3. What is the CSR?
4. Define an economical and social environment.
5. Which factors are affecting of business environment?
6. Define a social cultural environment.
7. Describe a Legal regulatory environment.
8. What is Affluence?
9. Define factors of the social environment.
10. Explain a special-interest society.

Answers for Self Assessment Questions

1. (d)	2. (d)	3. (a)	4. (d)	5. (a)
6. (a)	7. (a)	8. (c)	9. (a)	10. (c)