Chapter 1
Understanding the Maze

Relativity applies to physics, not ethics

– Albert Einstein

Learning Objectives

Business ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large but also to their one-on-one dealings with a single customer. Many businesses have gained a bad reputation just by being in business. To some people, businesses are interested in making money, and that is the bottom line. It could be called capitalism in its purest form. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior.

There has been a long history of philosophical debate as to the complex nature of values/ethics as well as the validity of business or its purpose in society. Therefore, it is often argued that one should find a way to lead one's business life in harmony with one's inner life. Thus, with this "connectivity" between the subjective and objective perspectives, business is not to be regarded as something evil, unethical, or tainted. Business should be considered to be sacred, depending upon the spirit in which it is set up and carried out. All is a matter of attitude and approach, which is based on three major attributes:

1. Formulating attitude of business
2. Humanization of and
3. Interiorization of management

It becomes imperative, therefore, that the fresh thinking is done so as to underline the role of Man in contrast to mere emphasis on the wage earner. Technology makes things possible, but it is Man who makes it happen. Man is an integrated creature of the Divine Craftsman. Understanding of the nature of human values may

be so intimately associated with what might otherwise be considered to be distinct concepts that they cannot be effectively separated from some perspectives:

(a) *Economic Value*: The concept of the value of a thing is central to traditional economic value theory for which value is the so-called exchange or market value of a commodity. Economists distinguish between value in this sense and the value of individuals or societies, which in welfare economics mean much the same as preferences or tastes. Such values may then be realized by the appropriate allocation of resources.

(b) *Value Assessments and Imputations*: Value assessments are assertions to the effect that something did, will, or would favorably affect the life of someone. Value imputations are assertions to the effect that someone or some group has, holds, or subscribes to some value (*e.g.*, achievement, work, altruism, comfort, equality, thrift, friendship) or that some such thing is one of his values. The word value then means different things in these two contexts. Assessed values then become measures of the capacities of various kinds of entities, including persons, to confer benefits, whereas imputed values are measures of tendencies of persons to promote certain ends, for certain reasons.

(c) *Instrumental and Intrinsic Values*: A distinction may also be made between instrumental values, which are the means to something else, and intrinsic values, which are those desired for themselves (such as goodness, truth, and beauty).

(d) *Attitudes and Opinions*: Many surveys of the "values" held by people do not find it useful to distinguish between attitudes or opinions held by people and the values that they hold. A survey of values then becomes a survey of attitudes and opinions. Presumably some attitudes may be considered as relating to values, but the distinction is then difficult to establish in that context. It is difficult to identify "values" from such survey data.

1.1   Human Development and Values

Human development can be seen as the process of giving more effective expression to human values. Many of the advocated approaches to human development are quite explicit concerning the values in terms of which they are conceived or which they are desired to enhance. The more sophisticated approaches to policy making and management are quite deliberate in their efforts to identify the values on which any action is to be grounded.

Through some processes of human development, providing access to more subtle modes of awareness, new value insights emerge. In such cases there may be a very intimate relationship between the state of awareness and comprehension of the value. Emerging awareness of certain states may even lead to the articulation of more subtle understanding of commonly identified values. Certain modes of awareness can be understood as the embodiment of specific values or configurations of values.

Perhaps of most importance is the manner in which certain processes of human development integrate together previously disparate insights. Values can easily decay into empty, "bloodless" categories unless they are sustained by appropriate levels of awareness. Human development may thus build a subtle connecting pattern between values. Such integration provides a new foundation from which action may be undertaken in a sustainable manner. Again it is ironic that there is less and less in modern society that people are prepared to die for or to allow others to die for. Whole societies can now be held to ransom for a single known hostage. Millions can be spent to maintain a comatose, brain-damaged patient on life support for decades.

Euthanasia is illegal, no matter what the desire of the person concerned. Exposure to risk is progressively designed out of society, to be replaced by vicarious experiences of risk through videos or with the protection of required safety devices. The paradox is that unknown numbers are however sacrificed through carcinogenic products, abortion, structural violence, massacres, gang murders, cult rituals, "snuff" movies and associated perversions, or a failure of food and medical supplies.

The attitude to life has become as immature as that to death. Millions of dollars are spent on efforts to maintain youthfulness, whether through cosmetics, cosmetic surgery, or attempts to reverse the ageing process. Every other value is sacrificed to save lives in industrialized societies while allowing others to die elsewhere. Individuals in industrialized societies are prosecuted for life-endangering neglect. But these same societies fail to apply the same standards in their policies towards other societies. Reproduction is tacitly encouraged without any provision for the resulting population growth or for the effects on the environment. Society evokes problems to provide solutions for its own irresponsibility – a control mechanism for the immature lacking the insight for a healthy relationship to cycles.

The challenge of the times would seem to involve a call for personal transformation through which social and conceptual frameworks can be viewed anew. Willingness to sacrifice inherited perspectives is an indication of the dimension of the challenge – most dramatically illustrated by willingness to risk death. However, physical death is not the issue and may easily be a simplistic, deluded impulse lending itself to manipulation. Destruction of frameworks valued by others is equally suspect. Such dramatics provide rewards within the very frameworks whose nature the individual needs to question but by which he or she may need to choose to be constrained.

1.2   Value-based Management

Values are deeply held beliefs, the fundamental building blocks of a workplace culture reflecting a view about "what is good." In a law firm, they can include integrity, superior performance, putting the client first, making a big profit, and so forth, but it is important to note that there is no real right or wrong in values.

There are two visions of the new approach of management: First is a new vision of business based on an evolutionary spiritual humanism. Second is the possibility of business

becoming an experimental workshop for a creative synthesis of ethics and management. This second possibility, if it becomes a reality, can provide the insights, learning, experience, and the capabilities for a creative synthesis of East and West in business.

To succeed in today's competitive market requires a high professional competence as well as a continual improvement of that competence. Equally important is cooperation among professionals, often of a great variety. Success also requires communication and cooperation with customers and with the community. Communication and cooperation require social and cultural competence. Cultural competence is shared knowledge and hence communal knowledge. Cultural or communal knowledge bridges the gap between individuals and between professions.

The whole set of values needed for management can be summed up in the words of dharma in the code of right conduct. In these days when corporate governance is emerging as a significant factor, we find that Indian management can emerge successfully in the marketplace if it is able to draw on its route for good corporate governance, which is available in our culture and tradition. But then the question may arise, how many of us are aware of scriptures, Upanishads, culture, and so on. Though one may not be consciously aware, one learns about basic principles from childhood, from parents, and from religion.

Spiritual identity of the character is essential for the buildup of a new paradigm characterizing integrity, truthfulness, caring, compassion, honesty, and supportive attitude.

1.2.1 Ethics and Conflicts

First, there is a private or personal interest. Often this is a financial interest, but it could also be another sort of interest, say, to provide a special advantage to a spouse or child. Taken by them, there is nothing wrong with pursuing private or personal interests; for instance, changing jobs for more pay or helping your daughter improves her golf stroke. The problem comes when this private interest comes into conflict with the second feature of the definition, an "official duty" quite literally the duty you have because you have an office or act in an official capacity. As a professional you take on certain official responsibilities, by which you acquire obligations to clients, employers, or others. These obligations are supposed to trump private or personal interests.

Third, conflicts of interest interfere with professional responsibilities in a specific way, namely, by interfering with objective professional judgment. A major reason why clients and employers value professionals is that they expect professionals to be objective and independent. Factors, like private and personal interests, that either interfere or appear likely to interfere with objectivity are then a matter of legitimate concern to those who rely on professionals – be they clients, employers, professional colleagues, or the general public. So it is also important to avoid apparent and potential as well as actual conflicts of interest. An apparent conflict of interest is one, which a reasonable person would think that the professional judgment is

likely to be compromised. A potential conflict of interest involves a situation that may develop into an actual conflict of interest.

Ethics should start from the top down in any organization. Being honest and open is the only way to succeed at business. As a chief executive officer (CEO) or top manager, how can one avoid ethics problems within the business? The Better Business Bureau offers the following tips:

1. Bringing highest sense of ethics to business and lead by example. Demonstrate high ethical standards of behavior towards the customers, suppliers, shareholders, employees, and communities in which one does business. Be honest in all the dealings.
2. Developing an ethics policy. Make certain that the policy starts at the top level so that company management sets an important example for all employees. Set up training programs that will assist employees in carrying out established ethics policies. Although an ethics policy may not stop unethical behavior, it may give people something to think about and provide a measurement against which to assess their behavior.
3. Establish an internal communication system that allows employees to express concerns directly to top management if they suspect wrongdoing or are uncomfortable with current practices. Consider appointing an ombudsman.
4. Treating employees with respect and fairness.
5. Rewarding employees for ethical decision making and actions.
6. Meeting with the accounting staff to reinforce the highest reporting and accounting standards and expectations. When the line between doing what is right and what is legal is not clear, move back to what one knows is right.
7. Know what is going on in the company. Routinely walking around and talking to the employees directly. Getting a feel for what they are doing. Becoming accessible and interested.

1.3   New Paradigm

We are almost bound to welcome the new paradigm in business because it opens the path for a decisive step forward in evolution from an authoritarian, mechanistic, Taylorian era to a freer and a more humanistic ethos in business. But even while the new paradigm values are spreading fast and getting established in business, we have to think ahead and visualize the next stage in the evolution of business. The crucial question we have to ask is what the highest potentiality of humanism is or, in other words, what the highest potential in man is and how to manifest it in the individual and corporate life, especially in business. Some ideas can be put forward, we believe, as a *New Paradigm for Management with Positivism* (NPMP):

A Holistic Approach to Management

1. Managing others
2. Need to play one's role well

3. Need to understand the importance and place of one's role
4. Need to understand and function within a proper hierarchy
5. Need for common and individual goals
6. Need to "give" and "take"

Values-Based Administration: To Add Value to Administration
an Administrator Should:

1. Possess strategic thinking to integrate one's region with the nation
2. Recognize the world beyond one's office and face its challenge
3. Understand society's goals
4. See people as potential and strategic resources and mentor them accordingly
5. Nurture belief in value adding

The Real Need

1. Hierarchy should be replaced by self-managing structures such as (a) networks, (b) multidisciplinary teams, and (c) small action dyads.
2. Information dissemination should be a routine work.
3. Delivering service should be effective in terms of its cost, quality, and quantity.

Working with Others

1. Empathy
2. Teamwork

Modern business philosophy has a certain viewpoint or perspective on human potential based on the secular humanistic values of the West and the scientific theories on the nature of man and his evolution. We are presenting a complementing perspective based on the values of spiritual humanism and the spiritual vision of the Vedantic sciences of the East. In general most of the conceptions on spirituality emerging in business and management denote some form of moral, religious, social, and psychological fulfillment, like creativity, self-expression, sharing, charity, or community service.

Business cannot be abstracted from the society in which it exists and functions; it is an integral part of the human society. This "holistic" view of business is another perception emerging in modern business philosophy. And business happens to be the most dominant and representative organ of the modern society. So in an organic vision of business, it has to be viewed as an integral part of the economic, technological, social, political, and cultural environment in which it functions. And this environment, and the forces of the environment, at once influences and is influenced by the social organs which constitute it. But our focus will be not on the environment that belongs to the past, but of the new world of the future which is struggling to emerge from the ashes of the past and the facts of the present.

There are three major factors or forces, which, we believe, will shape the new world of the future. First is the urge for a new synthesis in thought and action; second, in the external world, the development of science and technology; and third, in the inner world, mapping a new horizon for the development of consciousness.

Indian moral system has a metaphysical basis. In the West, ethics is autonomous and it does not need to have a metaphysical or religious foundation. It is a social affair and therefore the ought-questions of morality are to be decided simply on social and rational considerations. It does not need to have any transcendental basis. Moreover, metaphysics purports to deal with factual (although of a fundamental nature) questions, and purely factual considerations can never become a foundation of deciding ought-questions.

The two distinguished features of Indian concept of morality are as follows:

1. Authority has the basis for deciding what is moral and what is immoral.
2. Morality refers not only to the social obligations but also to obligations related to one's own self.

In the Indian context, man's own nature furnishes a justification for his being moral. Perhaps this is why most Indian systems prove to be deontological in nature. According to them, "dharma" is to be followed because it is its own justification. "Moksa" has been brought forth as a motivation in the sense that one who will follow "dharma" will automatically pave his way for that, but "Moksa" has never been taken as a justification for being moral. Morality is involved in the nature of man. This can find an apt solution in solving the corporate ethical dilemmas.

On the other hand, we find that the "modern" Western conception of morality is a successor to the Judeo-Christian notion of a divine law that binds all souls. Another is that the moderns accept the empirical methods of modern science and want to achieve an understanding of ethics that is consistent with the worldview of modern science. Next is the rise of the idea of the liberal democratic state and the idea that the state must be justifiable to its citizens on equal terms without any premise that some lives are inherently better and nobler than others.

1.4   Indian Context on Moral System

1.4.1   Business Ethics and Socially Responsible Initiatives in India

1.4.1.1   The Genesis

The Indian economy has been under two distinct and diverse forces of "Swadeshi," i.e., buy Indian goods and the need to integrate with the larger world economy. Both forces have significant economic and political implications in the region.

Liberalization of the Indian economy in the late 1980s and early 1990s also saw the reestablishment of transnational corporations on the Indian horizon. The Indian political and economic climate has been far from stable in the last decade, and it has been claimed that transnational corporations, to influence this unstable political and economic climate in their favor, have used the concept of corporate social responsibility as bait. It is worth mentioning that though the concept of corporate social responsibility is gaining popularity with the Indian business too, its practice

has been under varied external and internal influences. Therefore, the benefit or loss of the increase in numbers and reach of transnational corporations is open to debate in the Indian context.

1.4.1.2   The Trends

The family-run businesses of the 1920s and 1930s such as the Tatas, the Shriram Group, and the Birla Group were actively involved in running and establishing schools, colleges, hospitals, temples, cultural centers, and training centers. Most of these infrastructural establishments are all well known today by the names of business that were instrumental in their establishment, for example, the Shriram College of Commerce, the Birla Mandir (temple) one of which exists in almost each major city of the country, and the Tata Institute of Fundamental Research. These infrastructural initiatives were instrumental in popularizing the identity of these companies. The initiatives were also essential as per independence and early post-independence India lacked advanced centers of research and education. The infrastructural initiatives and the economic reach of these businesses have made the Tatas, Birlas, and the Shrirams household names in the Indian context.

1.4.2   Change in Threshold

In the age of globalization corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. In the last 20 years the role of multinational corporations in defining the markets and consumers has been tremendous. The rules of corporate governance have changed. And there has been a range of reactions to this change. On the one hand, globalization and liberalization have provided a great opportunity for corporations to be globally competitive by expanding the production base and market share. On the other hand, the same situation discounted against multinational corporations in different parts of the world. Laborers, marginalized consumers, environmental activists, and social activists have protested against the unprecedented predominance of multinational corporations. The ongoing revolution in communication technology and the effectiveness of knowledge-based economics have created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability has paved the way for a new generation of business leaders concerned about the responses of the community and sustainability of the environment.

1.4.3   Issues on Board

Globalization along with changed norms of *production*, *labor*, and *environment* with conditions of best practice has influenced behavior of businesses across the world. The success of the acceptance of these norms has been outside the letter of

law, and the adoption has often influenced the state to adopt better/improved or at least changed role for itself. The norms of resettlement and rehabilitation as dictated by the Indian state are by law adopted by joint venture companies involved in extractive industries, yet many other activities are also undertaken as corporate social responsibility, which are neither detailed nor dictated by law. Growth of civil society organizations has also led to increasing democratization in the marginalized and impoverished communities creating local responses to the grant meta-narratives.

Yet the nation-state needs to evolve a new role for itself in this fast changing world. A stable nation providing good governance is thus a basic requirement for developing countries in their attempt to safeguard rights and interests of their poor and marginalized. Yet, the businesses are wary of investing time and resources in proactively dealing with pressure groups, media, and local people for social or community development as they often lack familiarity and the skills to do so (Business World 1998). Indian business has been actively involved in corporate philanthropy since the early 1900s. The charitable outlook of Indian businesses is progressively undergoing change under some external and internal influences. The increase in the momentum of corporate social responsibility has created new routes or avenues via which issues of corporate social responsibility are put to practice.

1.4.4 New Waves in India: Aligning Brand with Values

The time for unmotivated philanthropy seems to be coming to an end in the Indian context, and the usage of the term "corporate social responsibility" is gaining currency since the 1990s. It needs to be mentioned that progressively businesses keen on corporate social responsibility also want "some visible benefits" identifying with the issue of "mutuality" of corporate social responsibility. Therefore, well-established business also may have a well-established strategy of "corporate social responsibility" to (a) effectively deal with the instability of the Indian politico-economic climate, (b) proactively deal with all the other stakeholders, and (c) meet the demands of international customer especially as regard to labor and environment.

1.4.4.1 Align with Brand Differentiator

Ideally ethical initiatives will directly support brand promise. Remember, a brand is a *promise delivered*… so consider what makes brand unique from competitors and develop key initiatives to support that. For example, one of Target's philanthropy programs is to support the arts and design, which directly supports Target's "affordable design" brand differentiator. Instead of cutting CSR programs during the downturn, consider shifting resources from generic programs to those that support and drive not just category, but the brand.

1.4.4.2   Create an Ingredient Brand

Creating a brand for ethical initiatives accomplishes several important objectives: helps clarify for employees and customers' ethical value proposition; makes it easier to allocate human and financial resources to initiative (hint: assign a brand manager to own, drive, and measure); serves as a growth platform for customer experiences, products, and services; and elevates social and environmental initiatives above me-too commodity status. There are a few risks of good washing with this approach, so be sure that everyone is committed to creating something of unique value that's completely aligned with the vision and values of the parent brand. And any misstep by the parent brand may end up discrediting the hard work done to build the ethical ingredient brand.

1.4.4.3   Create a Product Brand

If there are values-driven buyers in category (highly likely), consider launching a product just for them. Clorox GreenWorks and BP Solar are good examples. Note that these brands are tied closely to their parent brands, so don't consider this option unless the parent company is doing its part on the ethics front. But a product brand is an excellent opportunity to help customers experience values and simultaneously boost the profit part of the triple bottom line. Case in point, GreenWorks has now captured 42 % of the natural cleaner category in a little over a year.

1.4.4.4   Create a New Sub-brand

A separate brand (with its own customer experience, distribution channels, etc.) that is completely anchored on the triple bottom line puts a bit of distance between it and the parent company. Why use a sub-brand strategy? To lead category in capturing the hearts and minds of values-oriented consumers without being saddled with baggage of the parent company and to minimize claims of green washing, as all actions of the sub-brand are (should be) congruent.

1.4.4.5   Reposition the Brand

This option is especially important for companies with a history of contributing to the problems of the planet rather than the solutions. Formerly "evil" companies like Wal-Mart, McDonald's, and BP have made great strides in redefining their brands as more responsible. With a very large company, this is a process that takes years and top-down dedicated effort to fundamentally change the essence and ethos of the company. For a smaller brand it's definitely easier.

   Reference: http://indiancsr.wordpress.com/ (Jennifer Rice, May 27; 2009).

1.5   Research Areas

The emerging concept of CSR goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental, and ethical concerns into the company's business process. What is generally understood by CSR is that the business has a responsibility – towards its stakeholders and the society at large – that extends beyond its legal and enforceable obligations. The triple bottom line (people, planet, profit) approach to CSR emphasizes a company's commitment to operating in an economically, socially, and environmentally sustainable manner. The emerging concept of CSR advocates moving away from a "shareholder alone" focus to a "multi-stakeholder" focus. This would include investors, employees, business partners, customers, regulators, supply chain, local communities, the environment, and the society at large. The key components of CSR would therefore include the following:

1. *Corporate Governance*: Within the ambit of corporate governance, major issues are the accountability, transparency, and conduct in conformity with the laws which enable the company to realize its corporate objectives, protect shareholder rights, meet legal requirements, and create transparency for all stakeholders.
2. *Business Ethics*: Relates to values-based and ethical business practices.
3. *Workplace and Labor Relations*: Human resources can help in improving the workplace in terms of health and safety and employee relations as well as result in a healthy balance between work and nonwork aspects of employees' life.
4. *Supply Chain*: The business process of the company is not just limited to the operations internal to the company but to the entire supply chain involved in goods and services.
5. *Environment:* Merely meeting legal requirements in itself does not comprise CSR, but it requires the company to engage in such a way that goes beyond mandatory requirements and delivers environmental benefits.
6. *Community:* A major stakeholder to the business is the community in which the company operates. The involvement of a company with the community would depend upon its direct interaction with the community and assessment of issues/risks faced by those living in the company surrounding areas.

1.6   The Ethical Texture

1.6.1   Ethical Issues and Approaches

Philosophers and others disagree about the purpose of a business in society. For example, some suggest that the principal purpose of a business is to maximize returns to its owners or, in the case of a publicly traded concern, its shareholders.

Thus, under this view, only those activities that increase profitability and shareholder value should be encouraged. Some believe that the only companies that are

likely to survive in a competitive marketplace are those that place profit maximization above everything else. However, some point out that self-interest would still require a business to obey the law and adhere to basic moral rules, because the consequences of failing to do so could be very costly in fines, loss of licensure, or company reputation. The economist Milton Friedman is a leading proponent of this view.

Corporate social responsibility (CSR) is about how businesses align their values and behavior with the expectations and needs of stakeholders – not just customers and investors but also employees, suppliers, communities, regulators, special interest groups, and the society as a whole. CSR describes a company's commitment to be accountable to its stakeholders. CSR demands that businesses manage the economic, social, and environmental impacts of their operations to maximize the benefits and minimize the downsides. Key CSR issues include governance, environmental management, stakeholder engagement, labor standards, employee and community relations, social equity, responsible sourcing, and human rights. CSR is not only about fulfilling a duty to society; it should also bring competitive advantage. Through an effective CSR program, companies can:

1. Improve access to capital
2. Sharpen decision making and reduce risk
3. Enhance brand image
4. Uncover previously hidden commercial opportunities, including new markets
5. Reduce costs
6. Attract, retain, and motivate employees

Different organizations have framed different definitions – although there is considerable common ground between them. My own definition is that CSR is about how companies manage the business processes to produce an overall positive impact on society.

Take the following illustration:

Reference: http://www.mallenbaker.net/csr/definition.php
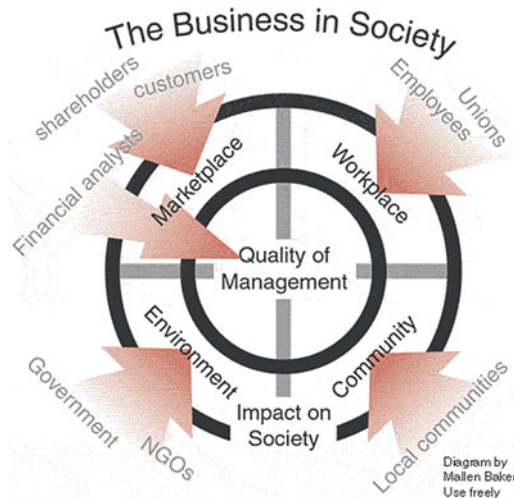
Companies need to answer to two aspects of their operations.

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.

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, I 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 maximize 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. And even the observations above are changing over time. The USA has growing numbers of people looking towards core business issues.

For instance, the CSR definition used by business for social responsibility is:

Operating a business in a manner that meets or exceeds the ethical, *legal*, *commercial, and public expectations that society has of business*

On the other hand, the European Commission hedges its bets with two definitions wrapped into one:

1. A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment
2. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis

CSR has been systematically growing in companies of all sizes and across all sectors. Those companies have developed innovative strategies within their programs in areas such as:

1. Workplace
2. Environment

3. Responsible marketing
4. Community involvement

The topic of mission, vision, and ethical values as it relates to business is connected to the way in which a company integrates its underlying principles, thus structuring an overall "values-based" business approach.

1. Mission refers to a company's fundamental purpose and the main reason for its existence; it is an action-oriented and enduring expression of what a company wants to accomplish and how it plans to achieve that goal.
2. Vision refers to a company's long-term goals; it is a conception of the organization's desired lasting impact.
3. Ethical values refer to a company's core ideals and beliefs; these are the principles considered key factors to build a frame of reference to guide the organizational decisions.

Many companies are choosing to make an explicit commitment to corporate social responsibility in their mission, vision, and values statements. Such statements frequently extend beyond profit maximization to include an acknowledgement of a company's responsibility to a broad range of stakeholders, as well as employees, customers, communities, and the environment.

1.6.2 Workplace

Generally speaking, workplace refers to human resource policies that connect directly to the employees: contracts, compensations and benefits, career development, diverse initiatives that promote work-fair environment balance, flexible work schedules, health and wellness programs, job security, family plans, and benefits for domestic partners. Beyond specific policies, workplace encompasses corporate culture, values, and an organizational design.

Several leading socially responsible companies are crafting innovative workplace policies and practices that closely reflect and respect the needs of all employees in order to meet core business objectives, including attracting and retaining the most talented employees.The dramatic changes in business that characterize the New Economy are reshaping the workplace. Global competition forces corporations to foster innovative, diverse, and flexible workplaces. In addition, consumers and investor groups are demanding that companies create fair, productive, and empowering workplaces. Media coverage of workplace issues has also increased, constantly challenging companies to change.

1.6.3 Environment

Over the past years, environmental responsibility has expanded to involve substantially more than compliance with all applicable laws and government regulations. Currently, many leadership companies define environmental responsibility a process

that involve participation and dialogue with their community and nongovernmental organizations. Companies must consider the impact that their operations have on the environment, which involves a comprehensive approach towards the company's processes and operations, products, and services; waste disposal and emissions; maximizing the efficiency and productivity of all assets and resources; and minimizing practices that might have negative impact for the planet's resources putting in risk the future generations. For example, initiatives such as recycling and energy efficiency regulations have become frequent practices.

Important amount of companies in a wide sectoral range and different geographic regions have found added value and competitive advantage in environmental initiatives. Those initiatives are into several categories: pollution prevention, energy efficiency, design for the environment, supply-chain management, industrial ecology, and sustainable development. Leadership companies have integrated environmental responsibility as a core for business value at all levels of their operations and practices.

1.6.4 Responsible Marketing

Marketplace issues extend across a wide range of business activities that define a company's relationship with its customers. These activities may be grouped into different categories:

1. Product manufacture and integrity
2. Labeling and packaging
3. Marketing and advertising
4. Selling practices
5. Prices
6. Distribution

In each of these areas, companies, which face increased scrutiny by consumers and nongovernmental organizations, are reorganizing their business strategies to address new issues, especially privacy and technology, marketing to children, heightened expectations of product safety, and environmental impact.

The scope of marketplace issues has expanded in recent years to include an ever-widening array of topics, including environmental sustainability and a firm's relationship to its competitors. In general, there has been a shift away from "buyer beware" towards an ethos in which companies are expected to accomplish a greater responsibility for the integrity, use, and consequences of their products and services. While businesses must first satisfy customers' key buying criteria – such as price, quality, appearance, taste, availability, safety, and convenience – other marketplace factors are taking on growing importance.

The globalization of commerce and competition has placed increasing value on companies and brands that are not only trusted by customers, also to which customers feel a sense of loyalty and commitment.

Achieving this relationship companies had to examine their operations, from customer service to community relations to cause-related marketing, in view of how

they may be directly or indirectly perceived by customers and employees. Overall, this situation has opened broader levels of issues which are driving companies to recognize that their success depends in the relationship with their customers, built as much on their reputation and practices as on the nature of their goods and services.

1.6.5   Community Involvement

Community involvement refers to a wide range of actions taken by companies to maximize their beneficial impact on the communities in which they operate. Involvement includes providing money, time, products, services, influence, management knowledge, and other resources. When strategically designed and executed, those initiatives not only bring value to recipients but also enhance the reputation of companies and their brands, products, and value in local communities where they have significant commercial interests, as well as around the world.

For many years, companies have been involved with their local communities, playing significant roles through philanthropy. At present time, companies are engaging in the community in a variety of ways (including donating products or services, creating global employee volunteer projects, lending executives and managers, creating projects to support social issues) and for a broader variety of reasons. One of the main reasons is that stakeholders (investors, customers, employees, public-interest groups, and government officials) are holding companies to a higher standard of citizenship, demanding a positive net impact on society.

1.7   New Horizon: Rationale for Social Impact Assessment and Management

Corporations are increasingly being challenged to act in ways that serve the best interests of society. Many companies are aggressively seeking strategies that can allow them to "do well by doing good," leaving a positive "footprint" on the world and avoiding actions that could harm consumers, employees, investors, competitors, suppliers, and the general public. In this course, we will examine how corporations can become more effective at managing their social impact, improving the relationships they have with all of their stakeholders in the process.

Among the corporate social impact challenges that will be addressed in the course will be the following: How to achieve transparency without revealing proprietary information? How to differentiate a company/brand in the marketplace using social involvement? How to persuade consumers to engage in socially beneficial (e.g., healthier, environmentally friendly) behaviors? How to avoid misinforming consumers about product benefits and shortcomings? How to serve less-advantaged populations at the "bottom of the pyramid" profitably?

How to improve operational efficiency through careful environmental management? How to protect the welfare and rights of workers? How to manage and

promote employee volunteering? How to avoid antitrust charges of collusion, monopolization, or exclusionary behavior? Recent debates about issues such as obesity, tobacco and alcohol marketing, the immigration issues, and gasoline prices will receive special attention.

Some theorists have adapted social contract theory to business, whereby companies become quasi-democratic associations, and employees and other stakeholders are given voice over a company's operations. This approach has become especially popular subsequent to the revival of contract theory in political philosophy, which is largely due to John Rawls' A Theory of Justice, and the advent of the consensus-oriented approach to solving business problems, an aspect of the "quality movement" that emerged in the 1980s. Professors Thomas Donaldson and Thomas Dunfee proposed a version of Contract Theory for business, which they call Integrative Social Contract Theory. They posit that conflicting interests are best resolved by formulating a "fair agreement" between the parties, using a combination of:

1. Macro-principles that all rational people would agree upon as universal principles.
2. Micro-principles formulated by actual agreements among the interested parties. Critics say the proponents of contract theories miss a central point, namely, that a business is someone's property and not a ministate or a means of distributing social justice.

1.8   Social Responsibility and Business Ethics

Social responsibility and business ethics are often regarded as the same concepts. However, the social responsibility movement is but one aspect of the overall discipline of business ethics. The social responsibility movement arose particularly during the 1960s with increased public consciousness about the role of business in helping to cultivate and maintain highly ethical practices in society and particularly in the natural environment.

Corporations are increasingly being challenged to act in ways that serve the best interests of society. Many companies are aggressively seeking strategies that can allow them to "do well by doing good," leaving a positive "footprint" on the world and avoiding actions that could harm consumers, employees, investors, competitors, suppliers, and the general public. In this course, we will examine how corporations can become more effective at managing their social impact, improving the relationships they have with all of their stakeholders in the process.

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Already an increasing number of companies are recognizing that globalization is transforming corporate responsibility from a choice into an imperative. A recent international inquiry into consumer expectations concluded, for example, that 20 % of consumers surveyed had avoided products and services of particular companies because of their negative ethical profile and a further 20 % were considering doing so. The fact is that in today's connected world there is no hiding place for poor corporate citizens and no excuse for poor corporate citizenship. Whether it is labor practices, environmental habits, or human rights, companies today must be concerned about their global reputations because their actions can quickly become globally known. The Internet is both the great advertiser and the great tattler – it can open doors faster than you would believe. But it can also close them faster than you'd imagine.

1.8.1   The Threshold of CSR

CSR is generally understood to be the positive role that businesses can play in a host of complex areas, including safeguarding employees' core labor rights (to non-discrimination, freedom of association, and collective bargaining; against child labor and forced labor), protecting the natural environment, eliminating bribery and corruption, and contributing to respect for human rights in the communities where they operate.

CSR is not new to the international agenda; it has been around for many years. It has been gaining prominence and momentum worldwide: conferences are held weekly, papers and articles are published almost daily, and new and innovative partnerships are being developed. There is reason for optimism. Even if we look only as far back as the Battle of Seattle in the fall of 1999, since then numerous initiatives such as the OECD [Organization for Economic Co-operation and Development] Guidelines for Multinationals and the Global Compact have been introduced, implemented, and, in some cases, refined and implemented again.

1.8.2   The Global Scenario

The growing international and domestic interest in CSR stems largely from the concerns held by many in every society about the real and perceived effects of rapid globalization. The interest has been reflected in the expectation that globalization

must proceed in a manner that supports sustainable development in all regions of the world. People insist that the activities of corporations should make a positive contribution not only to the economic development and stability of the countries in which they operate but also to their social and environmental development. Failure to respond to such an agenda satisfactorily will contribute to increased social tensions, environmental degradation, and political upheavals. Good corporate conduct makes an important contribution to sustainable development in any community and thus goes a long way towards responding to the concerns that globalization raises.

Many companies and business associations have recognized the importance of CSR. Not very long ago, the dividing line between business and society appeared to be clearly drawn. According to the economist Milton Friedman, "There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits." This view no longer prevails. The CSR agenda is a complex one, requiring cooperation among a wide variety of stakeholders to be addressed effectively.

Improved dialogue between the private and nongovernmental sectors is one positive pattern emerging from recent corporate social responsibility trends. While early relationships were often characterized by mistrust and misunderstandings that fed a cycle of opposing actions and reactions, today stakeholders are increasingly recognizing the value of multi-sector dialogue or partnerships to achieve substantive, long-term reform. Such a dialogue can facilitate a better understanding of the expectations and concerns of key stakeholders, and it can also act as a forum where debates over differences are more about identifying mutually acceptable solutions and practical implementation steps than reiterating entrenched, nonretractable positions.

Forward-looking companies and NGOs are working with their stakeholders and, in the process, are benefiting from the expertise of all involved. Responsible development brings major challenges, and no one stakeholder is capable of adequately responding to them alone.

The international community has policy tools to influence business activity within and between nations and to help ensure that globalization proceeds in a way that benefits all. These tools include legislation and regulatory frameworks, voluntary compliance with an agreed set of standards monitored by a third party, or self-regulation by businesses, often in conformance with voluntary codes of conduct.

1.8.3   Indian Context

India is working to promote CSR through support for the development of globalization that is already a force for great change, not simply a specter on the horizon. Through technology, communications, and economics, globalization and our increasing interconnection are inevitable. Time, distance, and geography are disappearing: globalization is a reflection of that reality. In this environment, companies can and do make an important contribution to sustainable development in communities where they operate. Certainly progress has been made in some areas.

But we must temper our optimism with the awareness that there is still much to be done and many challenges for us to keep in mind as we strive to ensure that globalization is for the benefit of all people, in all countries of the world.

During the last 20 years, human resource management (HRM) has become a common way of managing people. Such an approach involves human resource professionals partnering with other managers so that people are used in the most effective way. More recently there have been calls for HRM to demonstrate that it adds value to the business.

Corporate social responsibility and responsible capitalism pose a number of challenges for HRM and for leadership in organizations. The HRM paradigm is based on a rational strategic management framework which is consistent with traditional economic analysis. This paradigm is limited in circumstances where organizations seek to behave responsibly with regard to a range of internal and external stakeholders and seek to take a longer-term perspective.

According to Milton Friedman, a business has no social responsibilities other than to maximize its profits. However, today there is a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximizing short-term profits, but instead through market-oriented yet responsible behavior. This responsible behavior of corporations can be called corporate social responsibility.

There are different approaches in explaining CSR. One of them is the classical theory stressing that the primary goal of a company is to secure its shareholders' financial goals and to respond to their wishes relative to the corporation. Secondly, the social demandingness theory of CSR means to promote and protect the general public's interests. On the other hand, the social activist theory holds that there exists a universal standard for determining responsible corporate conduct that is independent from the stockholders' interests.

Finally, the stakeholder theory on CSR, influenced by the view that companies are also corporate citizens, seeks to balance among the competing demands of stakeholders that support a company. From the stakeholder perspective, corporate social responsibility means a commitment by a company to manage its roles in a society as producer, employer, marketer, customer, and citizen in a responsible and sustainable manner.

Especially since the 1980s, CSR has become an important business issue. Today, it has an impact not only on the local and national levels but also on the global scale. It is getting more crucial for the global companies to support the social programs. They especially realize several social projects that the national governments can't give enough money. The purpose of this study is to present the main findings from a survey of the top 50 Turkish companies on the extent to which they evaluate the HRM dimensions of their CSR policies and practices. The paper analyzes five HRM dimensions of CSR: To what extent do the companies see the role of HRM in their CSR policies and practices? How do the companies communicate their CSR policies to their stakeholders? To what extent do the companies view the influence of CSR policies and practices on the HRM functions? To what extent do the companies consider the HRM practices from their CSR perspective? What kind of incentives do the companies offer to employees to get involved in CSR activities?

The stakeholder theory is an important and commonly used framework within corporate social responsibility. Therefore, the study relies on the stakeholder view as a basic approach in analyzing the dimensions of CSR.

In both practice-oriented and academic discourses, the concepts of corporate social responsibility (CSR) and human resource management (HRM) are often treated separately. It is argued here that this is an outdated approach. Starting from the observation that organizations develop towards open systems, it becomes obvious that CSR and HRM are intertwined. In open systems cooperative action is based on the willingness of humans to bring in and develop their talents as part of communities of work. The proper functioning of organizations becomes dependent on shared values between networks of people. At the same time these networks broaden the perception of what (new) roles and functions an organization should fulfill. This brings in the notion of CSR. Organizations are expected to encompass a broadening range of responsibilities combining the delivery of added value in the marketplace with broadening responsibilities. These developments require a repositioning of the role and perception of HRM towards a new strategic approach labelled here as Human Value Management.

Corporate social responsibility (CSR) and sustainable development is gaining increasing prominence in the global business culture, as many businesses attempt to accommodate the CSR agenda. The concept of corporate sustainable development is still the subject of controversy, and therefore the indicators used to measure CSR continue to be the topic of debate. However, no matter what indicators are used, the notion of responsibility includes responsibility for people in the collective sense (such as communities) and also for individuals.

The criteria used to measure workplace practices relate specifically to HR practices. The criteria include employee involvement, fair and reasonable rewards and conditions, a positive commitment to diversity and work-life balance, industrial relations arrangements based on mutual respect, occupational health and safety arrangements, executive remuneration that is fair and reflects the concerns of internal stakeholders, and independently verifiable performance measurement and evaluation systems and training and development policies. These criteria indicate that an organization that is seen as socially responsible creates a culture that is perceived as open, fair, and attractive to potential and existing employees.

Research demonstrates CSR initiatives have a positive impact on employee morale, motivation, commitment, loyalty, training, recruitment, and turnover. Benefits in these areas have been found to improve the bottom line of companies. Three surveys across Europe and the USA and a survey involving 25 countries found employees felt greater loyalty, satisfaction, and motivation when their companies were socially responsible.

Therefore, corporate initiatives can contribute to the branding of organizations in the labor market. These initiatives can make the organization attractive to employees with similar values and so assist the organization to become an employer of choice for these potential employees. And, if it lives out the values and initiatives on a daily basis, it will assist the retention of desirable employees.

This is supported by the experience at the 2004 Economic Forum in Switzerland. Less than 20 % of the 1,500 delegates, most of whom were business leaders,

identified profitability as the most important measure of corporate success. Almost 30 % identified criteria that reflected CSR – almost one in four cited reputation and integrity of the brand and one in 20 cited CSR as the most important measure of corporate success. CSR certainly seems to be the emerging flavor of the month, but is it a reflection of a "two-faced capitalism"? In some senses it could be.

First, Porter argues CSR initiatives need to be undertaken not for "feel-good reasons" or as defensive actions to avoid scandals, but they should be integrated into an organization's competitive strategy. Companies need to be clear about how CSR initiatives contribute to organizational success and efficiency. This view reflects an emphasis on the desired outcomes of one stakeholder: shareholders.

Second, many CSR initiatives could just reflect the intention of management and be no more than rhetoric. The intention to further corporate and social responsibility does not appear to be implemented in many cases. Research by Business in the Community (BiTC) found that 60 % of firms are not living up to their values. In addition, a report by a charity, Christian Aid, cites Shell, British American Tobacco (BAT), and Coca-Cola as paying lip service to CSR, but in reality the community development projects they undertake are ineffective.

It appears that many CSR initiatives reflect the essence of human resource management activities. So what is the role of HRM in CSR? At present, it appears HR is falling down in this task. A survey by Cronin and Zappala in Australia revealed that HR played a negligible role in decision making in corporate citizenship. However, CSR will become an even more widespread and accepted way of doing business and it should have a further impact on HR's role. Not only will HR need to see its role as strategic from the shareholders' viewpoint but it will also need to accommodate this view with the need to create a situation in which the workforce and the organization is sustainable over the longer term.

HR has a role in demonstrating the benefits of workplace practices that both reflect CSR and, at the same time, contribute to organizational efficiency and success. In order to do this, HR needs to be familiar with the latest research on work practices and employee performance and also the language of business. It requires HR to integrate CSR initiatives through its roles as business partner, employee champion, administrative expert, and change agent. It also requires HR to be an organizational advocate in the community and with other external stakeholders.

Much examination of corporate social performance has related whether or not good social performance is directly related to financial performance (Harrison and Freeman 1999). By analyzing the interest of stakeholder groups, such as customers, employees, and investors, the multifaceted aspects and contributions of corporate citizenship can be understood. Implementing a balanced perspective of stakeholder management can provide the opportunity to obtain maximum productivity from each stakeholder.

A key principle is that managers should acknowledge the potential conflicts between:

(a) Their own role as corporate stakeholders
(b) Their legal and ethical responsibilities for the interest of other stakeholders and should address such conflict through open communication, appropriate reporting, and incentive systems, and where necessary, third-party review (Clarkson 1995).

Our overall hypothesis is that corporate citizenship contributes to competitive advantage. We argue that corporate citizenship is a potentially lucrative business practice, a position based primarily on the findings of two research projects that demonstrate the existence of a relationship between corporate citizenship and improved competitive advantage.

1.8.4 Stakeholders' Responsibilities

Despite the variety of stakeholder groups and their demands, corporate social responsibilities can be classified into four broad categories: (1) economic, (2) legal, (3) ethical, and (4) discretionary responsibilities. Corporate citizenship can therefore be defined as the extent to which businesses meet the responsibilities imposed by their various stakeholders.

As society's economic agents, businesses are expected to:

1. Generate and sustain profitability
2. Offer goods and services that are both desired and desirable in society
3. Reward employees and other agents who help create success. To satisfy these expectations, businesses develop strategies to keep abreast of changing customer needs, to compensate employees and investors fairly, and to continually improve the efficiency of organizational processes. A long-term perspective is essential when establishing these strategies: a responsible business must continue to earn profits from its ongoing business in order to benefit its stakeholders.

Regardless of their economic achievements, businesses must abide by established laws and regulations in order to be good citizens. Because training all the members of an organization as lawyers is impossible, the identification of legal issues and implementation of compliance training are the best approach to preventing violations and costly litigation. The establishment of strict ethical standards in the workplace may also be an excellent way to prevent legal violations by creating a focus on integrity in decision making.

In addition, an organization guided by strong ethical values may also be better able to satisfy ethical responsibilities, the third type of responsibility imposed by stakeholders. Two main types of ethical issues are likely to emerge in an organizational context:

1. Decisions in so-called gray areas in which the right decision is debatable
2. Decisions in which the right course of action is clear, but individual and organizational pressures propel even well-intended managers in the wrong direction. A proactive corporate citizen develops precise guidelines that help organizational members deal with such pressures by stressing the importance of stakeholders' viewpoints relative to organizational achievements.

In addition to meeting economic, legal, and ethical responsibilities, businesses are also expected to display a genuine concern for the general welfare of all constituencies.

For example, society desires a cleaner environment, the preservation of wildlife and their habitats, as well as living wages for employees, but it also demands low-priced products. Companies must balance the costs of these discretionary activities against the costs of manufacturing and marketing their products in a responsible manner.

1.8.5 The Relationship Between Ethical Citizenship and Intra-firm Trust: Commitment to Quality and Market Orientation

One of the dimensions of corporate citizenship is an ethical work climate that includes values, traditions, and pressures exerted in the work environment to make legal and ethical decisions. An ethical climate involves formal values and compliance requirements as well as an understanding of how interpersonal relationships affect the informal interpretation of ethics. Loe (1996) examined the association between an ethical climate and improved organizational processes. When clear barriers are established to limit the opportunity for unethical activities, and when ethical behaviors are rewarded, an ethical climate prevails in an organization.

In an ethical work climate, employees are able to identify ethical issues as they arise and are aware of the company resources available to help them act ethically and according to organizational policy and culture. An ethical climate characterizes businesses that are committed to ethical citizenship. Before we examine the benefits of an ethical work climate, it may be useful to briefly consider the negative outcomes that may arise from a work climate that does not emphasize ethical conduct. Consider the case of Bausch and Lomb.

The company's operations were governed almost exclusively by strict sales and earnings objectives. Under stringent bottom-line pressures and with no counterbalancing values helping them to differentiate right from wrong, managers engaged in unscrupulous pricing and fraudulent billing. These practices translated into a series of lawsuits from customers and distributors, bad publicity, and a sharp decline in the firm's market value. Thus, a major benefit of an ethical climate is avoidance of negative consequences that may result from unscrupulous conduct in the workplace.

1.8.6 The Linkages Between "Business" and "Society"

The linkages, relationship, and interface between "business" and "society" are from their inception; however, over the years it has undergone spectacular changes. The survival and effectiveness of any organizational entity depend on the quality of support it gets from all stakeholders including the society at large. Although in the initial years of this interface between "society" and "business," corporate social responsibility (CSR) was confined to "philanthropy," but there have been successive changes and developments in the understating of these stakeholders to make it more of "business strategy" rather than philanthropy.

The corporate social responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, of their families, as well as of the local community and society at large. Business needs a stable social environment that provides a predictable climate for investment and trade. Understanding society's expectation is quite simply enlightened self-interest for business in today's interdependent world. The CSR, therefore, will be centered on (a) treating employees fairly and equitably, (b) operating ethically and with integrity, (c) respecting basic human rights, (d) sustaining the environment for future generations, and (e) being a caring neighbor in their communities.

Due to globalization, corporations are no longer confined to the traditional boundaries of the nation-state. On the one hand, globalization has provided a great opportunity for corporations to be globally competitive by expanding their production base and market share. On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses. Laborers, marginalized consumers, environmental activists, and social activists have protested against the unprecedented predominance of MNCs. The success of CSR initiatives, in future, will largely depend upon the relationship between the corporate system and the social and political systems. The notion of a generalized responsibility is not an operational concept, anymore than is the idea of profit maximization. A company's goals, policies, and strategies must be uniquely determined in the light of opportunities and threats sighted in its external environment, its internal resource strengths and weaknesses, and the values hailed by its principal managers.

Globalization along with changed norms of production, labor, and environment with conditions of best practice has influenced behavior of businesses across the world. The success of the acceptance of these norms has been outside the letter of law, and the adoption has often influenced the state to adopt better/improved or at least changed role for itself. The norms of resettlement and rehabilitation as dictated by the Indian state are by law adopted by joint venture companies involved in extractive industries, yet many other activities are also undertaken as corporate social responsibility, which are neither detailed nor dictated by law. Growth of civil society organizations has also led to increasing democratization in the marginalized and impoverished communities creating local responses to the grant meta-narratives. Yet a nation-state needs to evolve a new role for itself in this fast changing world. A stable nation providing good governance is thus basic requirement for developing countries in their attempt to safeguard rights and interests of their poor and marginalized.

Indian business has been actively involved in corporate philanthropy since the early 1900s. The charitable outlook of Indian businesses is progressively undergoing change under some external and internal influences. The increase in the momentum of corporate social responsibility has created new routes or avenues via which issues of corporate social responsibility are put to practice. This has led to a marked and a welcome participation of corporate house in the local development agenda, showing that they do feel responsibility for the environment and people of the area where they set up business. Now it is no longer a question of what and how they help, because they have already proven, more so in the last decade, that they do want to help and that they do have the local welfare at heart. This attitudinal shift is not a

response to any industrial, commercial, or government diktat, of course, certainly increasing goodwill. The fact that this makes it a two-way interaction is very welcome too, as that was the primary goal of the exercise anyway.

The time for unmotivated philanthropy seems to be coming to an end in the Indian context, and the usage of the term "corporate social responsibility" is gaining currency since the 1990s. Therefore well-established business also may have a well-established strategy of "corporate social responsibility" to (a) effectively deal with the instability of the Indian politico-economic climate, (b) proactively deal with all the other stakeholders, and (c) meet the demands of international customer especially as regard to labor and environment.

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1.8.6.1   Critical Issues

Mainstreaming Social Impact Assessment

- Concepts of Social Impact Management and Its Significance
- Environmental Decision Making vis-à-vis Social Impact Management
- Public Participation and Its Thrust upon Social Impact Managements
- The Legal Framework for Social Impact Management in India
- Mainstreaming Social Impact Management: Need of the Hour

Corporate Environmental Management Practices in India: Socially Responsible Initiatives for Sustainable Development

- Background: Industrialization Versus Environmentalism
- Regulatory Policies: Good Governance and CSR Initiatives
- The Challenges Before India: Business and Social Perspectives
- Socially Responsible Initiatives: Towards Future Mapping

Social Impact Assessment and Management: Few Practical Case Studies

The bunch of case studies here would focus to explain the phenomenon of pushing the Social Impact Assessment/Management studies to the backseat. However, the instructor would put emphasis on the need for mainstreaming the Social Impact Assessment and Management in today's globalized world.

Application of Ethics: Cases

Enron

The downfall of Enron provides proof positive of the thesis of this paper. For years, Enron excelled at satisfying one of its goals: (seemingly) increasing shareholder value. Enron did a mediocre job of serving the common good, and it did not satisfy all of the numerous stakeholders it affected. While some employees were very well compensated, others worked in unsafe conditions. To Enron's credit, it did greatly benefit the community surrounding and its corporate headquarters. Its ultimate failure was that it did not truly increase shareholder value, at least not at the rate it reported to. By reporting gross overestimates of actually financial conditions, Enron raised its stock price but also lost future credibility. When the public learned of Enron's misdeeds, the lost credibility translated into a lack of trust and a loss of customer business and financial credit. If Enron had honestly reported its financial condition all along, the gigantic bankruptcy would have been avoided.

Nike: Labor Practice

The case describes the maltreatment of employees and sweatshop conditions in Nike's Asian factories. In many Asian countries, Nike violated local labor laws. According to the Vietnam labor watch, Nike did not pay the minimum wages, did not provide proper working conditions, and did not take adequate health and safety measures. In addition, Nike turned a blind eye to child labor and sexual harassment in its factories. Though the company has taken some measures to improve the situation, it has failed to improve the working conditions and put an end to the ill treatment of its employees.

On 17 October 1996, CBS News ran a 48-h program covering the inhumane treatment of workers by their supervisors, the payment of wages below the legal minimum wage, and the sexual abuse of several women workers at Nike's shoe manufacturing plants in Vietnam. Workers had been physically assaulted on the job. Temporary workers were paid, on an average, 20 cents per hour, while team leaders were paid $42 per month; regular workers were paid even less.

The CBS news program aired interviews with team leaders and even showed a copy of a labor contract to substantiate its claims. On March 14, 1997, Reuters reported that 56 women were forced to run around one Nike factory. Twelve of them went into shock, fainted, and were taken to the hospital. As a result of these reports, a group of Vietnamese Americans contacted labor groups and journalists in Vietnam. A group called Vietnam Labor Watch (VLW) was organized to study the working conditions of workers at factories in Vietnam and monitor Nike's labor practices on an ongoing basis. VLW visited Nike's factories in Vietnam and met workers, shoe manufacturing executives, labor union representatives, and legal experts.

By late 1997, VLW came out with a report that accused Nike of violating numerous labor laws. According to the report, Nike did not pay the minimum wages, did not provide proper working conditions, and did not take adequate health and safety measures. In addition, Nike turned a blind eye to child labor and sexual harassment in its factories.

The report also observed that there was a difference between the practices in Nike's factories in Vietnam and what Nike told American consumers about its labor

practices. Analysts said that in spite of its good image in the USA, Nike was a very different company in Vietnam and other Asian countries. The sweatshop conditions in Nike's Asian factories were confirmed by several leading newspapers and journals including The New York Times, USA Today, The Wall Street Journal, AP, and Reuters. However, Nike had repeatedly claimed that it did not tolerate worker maltreatment in its Asian factories. The company had developed and published both a "code of conduct" and an agreement with its Asian subcontractors, setting out the company's position on wages and working conditions.

1.9   Study Questions for "Introduction to Business Ethics"

Introduction

1. What three things do business people usually mean by "business ethics"?
2. Why can't philosophers "teach" people to be ethical?

Deriving Business Ethics from the Profit Motive

3. What is the weak version of theory that connects business ethics to the profit motive?
4. What are the problems with the weak version?
5. What is the strong version of theory that connects business ethics to the profit motive?
6. What are the problems with this?

Deriving Business Ethics from General Moral Obligations

7. Give an example of a broad moral principle suggested by philosophers.
8. What is the problem with deriving business ethics from broad moral principles?
9. What is a stakeholder?
10. What is the problem with articulating good business behavior in corporate codes of ethics?

Conclusion

11. What are some benefits of all three approaches to business ethics?
12. What can we learn by looking at case studies in business ethics?

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