

15. BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY IN THE INDIAN ECONOMY: A COMMENTARY

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ABSTRACT

The effects of globalization and its impact on the transition from the industrial to the digital era are explored. Although the behaviour of business organizations has always had a profound worldwide impact, with the decline of the nation state economic power has, for the first time, eroded political power. Simultaneously, the undergoing revolution in contemporary information and communication technologies has significantly empowered the customer. Responding to enhanced customer awareness and sensitivity to business and social responsibility issues -coupled with consumers' increasing ability to react- companies in the digital age may be expected to develop even stronger cultures of corporate social responsibility, proactively seeking to increasingly honour their moral obligations to society in the 21st century. The paper addresses the concepts of business ethics and corporate social responsibility in the old vis-à-vis the Indian economy.. The implications of the findings are crucial to support policy makers in organizations to consider the relationship between the two concepts as building blocks in their strategic initiative.

KEYWORDS

Business Ethics, Indian Economy, Corporate Social Responsibility, Global Standards, Social Accountability.

INTRODUCTION

In recent year, there is a growing trend toward the value of Ethical Business and Corporate Social Responsibility to a business. The European Commission defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment. In this way, CSR is "about how companies manage the business processes to produce an overall positive impact on society". Besides, according to The World Business Council for Sustainable Development in its publication "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 communities and society at large". Business ethics is a "form of applied ethics or professional ethics that examines the ethical principles and moral or ethical problems which arise in a business environment". In the same vein, we find that ethics in business "involves a basic dislocation relating to phenomenal experiences arising when things are out of place". The role and the importance of Corporate Social Responsibility and Business Ethics are evident essentially in business development. It is expected in research works speaking

about the major benefits these two concepts may bring to a business. For example, they may: 1) attract customers to the company's products, thereby boosting sales and profits; 2) encourage employees to adhere to the business, reducing labor turnover and therefore increasing productivity; 3) attract more employees to the business, thus enabling the company to hire the most skilled employees; and 4) attract investors and keep the company's share price high, thereby protecting the business from takeover. The paper addresses the concepts of business ethics and corporate social responsibility in the old vis-à-vis the Indian economy. The implications of the findings are crucial to support policy makers in organizations to consider the relationship between the two concepts as building blocks in their strategic initiative. The paper studies the CSR and Business Ethics as a concept and tries to identify the relation, which can exist between them. The methodology persuaded by this study is qualitative in nature based on the comparative content analysis of reported literature about both CSR and business ethics. Therefore, based on the secondary data reported in books and journals, we intend to carry out our analysis to explore the relationship between CST, Business Ethics and Indian Economy. Consequently, the next sections of this paper expose what CSR and Business Ethics are followed by addressing their relationship.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

There have been active efforts and discussions for the international standardization of CSR, such as the UN Global Compact. In 2000, the UN enacted the UN Global Compact as an international protocol, which establishes ten principles in four large areas: human rights, labor, environment, and anti-corruption and classifies CSR as an international norm. The International

Standardization Organization (ISO) and the Organization for Economic Cooperation and Development (OECD) have also implemented measures to internationally standardize CSR. This work toward international standardization suggests that CSR may become the new trade barrier in the near future, requiring more active and strategic responses from firms. As efforts toward international standardization are increasing and the environment and ethics of firms are becoming main issues domestically, a new perspective on CSR has become more prominent. The concept of CSR has different terminology. It is called, social accounting, corporate citizenship, corporate responsibility, sustainable business and finally corporate social and environmental responsibility; and corporate social performance. It is interesting to observe that none of the definitions actually define the social responsibility of businesses, but rather describe it as a phenomenon. Many definitions call for a business to make a "commitment" to contribute to sustainable economic development, to work with society, and to contribute to a cleaner environment to improve quality of life without the need for coercion.

Corporate Social Responsibilities (CSR) is divided into economic, legal, and ethical responsibilities. Also, CSR is seen "as integrated corporate activities abiding by the legal regulations and going beyond compliance, and investing more in human capital, the environment and the relations with stakeholders; as the business pursuit of sustainable development and focus on economic, social and environmental aspects; and, as primarily concerned about the environmental protection and the wellbeing of employees, the community and civil society in general".

BUSINESS ETHICS

Ethics symbolize codes of values

and principles that govern the action of a person or a group of people regarding what is right versus what is wrong. Therefore, ethics set standards pertaining to what is good or bad in organizational conduct and decision making. It also deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility regarding the external environment. Furthermore, the terms ethics and values are not interchangeable. Nevertheless, ethics is concerned with how a person should behave morally, and the values are the inner judgments that determine how a person actually behaves. Values concern ethics when they pertain to beliefs about what is right and wrong. The aforementioned is confirmed by Jones and George who define ethics as "ethics are the inner guiding moral principles, values, and benefits that people use to analyze and interpret a situation and then decide what is right or the appropriate way to behave". Nowadays, business ethics has a considerable growth in organizations. It is a comprehensive term covering all ethical issues that arise in the course of doing business. It represents rules, standards, symbols or principles that provide guidance for ethically appropriate behavior in management decisions related to company operations, and working relationship with the community. It applies to all aspects of business behavior and is relevant to the behavior of individuals and the entire organization. Moreover, the main purpose of ethics in business is to lead businessmen and businesswomen to abide by the codes of conduct that would help them secure public confidence in the services and products they offer to the concerned stakeholders.

RELATIONSHIP BETWEEN BUSINESS ETHICS AND CSR

To be implemented successfully,

sound ethics policy is required for companies. Therefore, companies that adhere to the highest ethical policy must communicate clearly a strong and contemporary code of ethics to employees who are formally trained in it and invited to deal with ethical challenges. The unethical and scrupulous practices always necessitate spirituality and ethical support from management. Ethics policy is concerned with providing the assurances essential to all trust-based relationships. It does not regulate only business conduct and personal acts, but also offers an important form of liability limitation.

Hence, and according to the vital role that represents ethics for business and for the corporate social responsibility, it is possible to distinguish a relation between business ethics and corporate social responsibility. Moreover, the interpretation of theory in business literature and society considers that both CSR and business ethics are the same. In fact, both corporate social responsibility and business ethics are part of the other, which means that business ethics are part of corporate social responsibility or vice versa. In addition, locating an organization's "pressure points" that highlight the need for CSR action is recommended. The first pressure point is "The firm's values and ethics". The concepts of work ethics and social responsibility are distinct Matches. However, they are often used to refer to the same argument or symbol. The term business ethics is supposed to be "a combination of two very familiar words, business and ethics." The call to align business ethics and CSR in practice is mirrored by calls from scholars to better define the conceptual relationship between business ethics and CSR in the aim to better support theory development. While still contested, most scholars interpret business ethics and CSR as having a close relationship.

BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY IN THE OLD ECONOMY

Economy has been defined as “a systematic way of describing how goods and services are exchanged among members of a given community”. The earliest economies were agricultural in nature and centered on producing, exchanging and consuming products derived from the natural world. In agricultural economies land and labour were understandably the most important factors determining economic and business success. The emergence of industrial economies, following the Industrial Revolution, was characterized by a drive of business organizations to produce goods for mass markets. In the industrial era capital and labour were by far the most important ingredients of success, leading to a hundred years of astonishing economic progress: “the industrialised countries are about 20 times better off at the end of this century than they were a hundred years earlier”.

The close link between economy and the nation state constitutes one of the most prominent features of the industrial era, with political power significantly surpassing economic power. Traditionally, national governments in industrialized countries tended to focus on economic growth and full employment via creating a business environment characterized by a fairly low degree of uncertainty. The most successful type of organization in this environment was the “make-and-sell” organization, namely the organization that was able to accurately predict what the market should demand, made the product and then went out and sold it.

BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY IN THE NEW ECONOMY

Just as the industrial economy gradually evolved from the agricultural economy, so the industrial economy is currently giving way to the emerging digital economy. In the new economy

technology becomes the dominant factor of wealth generation “rather than land, labor and particularly capital”, whereas “information and its proper management through information technology are making the difference and separating the winners from the losers”. In the digital environment the balance of power shifts inexorably from the manufacturer to the consumer. To be competitive in the new economy companies must offer products and services that are specifically customized to meet the needs of individual consumers. This implies that “businesses in the digital age must employ product development processes that interact dynamically with customers; that they perform a more constant-and precise- monitoring of overall market trends; that cycle times get dramatically reduced; that raw materials are procured rapidly and in a cost-effective manner; and that distribution methods that suit the customer’s, not the company’s convenience are put into place. In short, the free flow of information made possible in the digital age will put the customer at the center of business priorities and strategies”.

ECONOMICS, ETHICS, AND CSR: TOWARDS AN INTEGRATED APPROACH

Economics and Ethics: The concept of action plan incorporates a series of elements that are extremely important for explaining rational human action. Let us consider two fundamental elements: the goals of action and the projective character of action. Agents choose their action goals after taking into account a multitude of factors: psychological, social, cultural, ethical, etc. These plans are constituted using the imagination, considering that the goals pursued are located in a future that is imagined by the agent. The purpose of Economic Theory is not to value the goodness or badness of certain behaviors, change processes or the novelties that arise;

this is the domain of Ethics. However, Economics does consider what the agents conceive as ought to be (and not only what they understand as is) because this determines decisively how agents form and select their action plans and, therefore, the actions they will take to achieve their goals and the consequences they have for the physical and natural world and the human and socio-cultural domain. And this points out the exact location of the element of connection between the ethical and economic domains. Economic action presupposes Ethics; however, economic actions do not prescribe ethical contents.

CSR and Economics: Let us now briefly examine the relationship between Economics and CSR from the point of view proposed here. Economic agents (individuals or organizations) not only differ from each other in their knowledge and capabilities but can also be distinguished by the goals to which they aspire. For example, with quite similar capabilities, different individuals or organizations may have very different aspirations. It is not our intention here to examine whether the particular prescriptive content of the goals each agent pursues is good or bad. The point here is to indicate that the content of the agents' goals also has an ethical origin. This specific content is an essential constituent part of the agents' action, and it cannot be explained as a mere result of knowledge and learning processes, but is direct and intimately tied to the conceptions of those agents and their ethical formation.

CONCLUSION

Business Ethics and Corporate Social Responsibility have always been a preoccupation of research works and present topic of debates. The objective of this paper was to present a literature review about the concepts of CSR, Business Ethics and Economics, the main relationship that

we should consider as a major factor of the development of business and society. Regardless of the summarized approach to justify the current study considered a limitation, this research does offer indispensable insight into how companies deal with CSR and Business Ethics besides it contributes to further understanding of how the relationship in fact is a fundamental requirement for organizations while transforming their strategic intent into an actual strategy seeking organizational sustainability. In this way, a new framework for strategic CSR implementation stress the above is presented. According to this framework, "there are four components that are essential to defining strategic CSR: First, that firms incorporate a CSR perspective within their strategic planning process; second, that any actions they take are directly related to core operations; third, that they incorporate a stakeholder perspective; and fourth, that they shift from a short-term perspective to managing the firm's resources and relations with key stakeholders over the medium to long term".

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