

Ch 6 Social Responsibilities of Business and Business Ethics

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Exercises

Multiple Choice Questions

1. Social responsibility is
- (a) Same as legal responsibility
 - (b) Broader than legal responsibility
 - (c) Narrower than legal responsibility
 - (d) None of them
- (b) Broader than legal responsibility

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2. If business is to operate in a society which is full of diverse and complicated problems, it may have
- (a) Little chance of success
 - (b) Great chance of success
 - (c) Little chance of failure
 - (d) No relation with success or failure
- (a) Little chance of success
3. Business people have the skills to solve
- (a) All social problems
 - (b) Some social problems
 - (c) No social problems

(d) All economic problems

► (c) No social problems

4. That an enterprise must behave as a good citizen is an example of its responsibilities towards

- (a) Owners
- (b) Workers
- (c) Consumers
- (d) Community

► (d) Community

5. Environment protection can best be done by the efforts of

- (a) Business people
- (b) Government
- (c) Scientists
- (d) All the people

► (d) All the people

6. Carbon monoxide emitted by automobiles directly contributes to

- (a) Water pollution
- (b) Noise pollution
- (c) Land pollution
- (d) Air Pollution

► (d) Air Pollution

7. Which of the following can explain the need for pollution control?

- (a) Cost savings
- (b) Reduced risk of liability
- (c) Reduction of health hazards
- (d) All of them

► (d) All of them

8. Which of the following is capable of doing maximum good to society?

- (a) Business success
- (b) Laws and regulations
- (c) Ethics
- (d) Professional management

► (c) Ethics

9. Ethics is important for

- (a) Top management
- (b) Middle-level managers
- (c) Non-managerial employees
- (d) All of them

► (d) All of them

10. Which of the following alone can ensure effective ethics programme in a business enterprise?

- (a) Publication of a code
- (b) Involvement of employees
- (c) Establishment of a compliance mechanism
- (d) None of them

► (a) Publication of a code

Short Answer Questions

1. What do you understand by social responsibility of business? How is it different from legal responsibility?

Answer

Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.

Social responsibility is broader than legal responsibility of business. Legal responsibility may be fulfilled by mere compliance with the law whereas Social responsibility is a firm's recognition of social obligations even though not covered by law, along with the obligations laid down by law. In other words, social responsibility involves an element of voluntary action on the part of business people for the benefit of society.

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2. What is environment? What is environmental pollution?

Answer

The environment is defined as the totality of man's surroundings - both natural and man-made.

Environmental Pollution is injection of harmful substances into the environment. It is result of industrialisation. Pollution changes the physical, chemical and biological characteristics of air, land and water. Pollution harms human life and the life of other species. It also degrades living conditions while wasting or depleting raw material resources.

3. What is business ethics? Mention the basic elements of business ethics?

Answer

Business ethics refer to the values and principles that govern the behaviour of individuals in an organisation such that the business activities are desirable from the viewpoint of society.

Elements of business ethics are:

- Top management commitment
- Publication of a 'Code'
- Establishment of compliance mechanism
- Involvement of employees at all levels
- Measurement of results

4. Briefly explain (a) Air pollution, (b) Water pollution and (c) Land pollution.

Answer

(a) Air pollution: Air pollution is the result of a combination of factors which lowers the air quality. It is mainly due to carbon monoxide emitted by automobiles which contributes to air pollution.

(b) Water pollution: Water becomes polluted primarily from chemical and waste dumping. It has led to the death of several animals and posed a serious threat to human life.

(c) Land pollution: Dumping of toxic wastes on land causes land pollution. This damages the quality of land making it unfit for agriculture or plantation.

5. What are the major areas of social responsibility of business?

Answer

The major areas of social responsibility of business are:

→ Economic responsibility: A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit. There is little discretion in performing this responsibility.

→ Legal responsibility: Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.

→ Ethical responsibility: This includes the behaviour of the firm that is expected by society but not codified in law. For example, respecting the religious sentiments and dignity of people while advertising for a product.

→ Discretionary responsibility: This responsibility is completely voluntary in nature. It means that a business enterprise may choose to open a charitable school or hospital for the poor, grant aid to people affected by natural calamities, provide employment opportunities to the physically challenged and so on.

Long Answer Questions

1. Build up argument for and against social responsibilities.

Answer

The argument for social responsibilities are:

→ Justification for existence and growth: Business exists for providing goods and services to satisfy human needs. Though, profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people. In fact, the prosperity and growth of business is possible only through continuous service to society.. Therefore, assumption of social responsibility by business provides justifications for its existence and growth.

→ Long-term interest of the firm: A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society'. Therefore, it is in its own interest if a firm fulfills it's social responsibility. The public image of any firm would also be improved when it supports social goals.

→ Avoidance of government regulation: Government regulations are undesirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.

→ Maintenance of society: Business enterprises should assume social responsibilities as the people who are dissatisfied with the business may resort to anti-social activities which may harm the interest of business itself.

→ Availability of resources with business: This argument holds that business institutions have valuable financial and human resources which can be effectively used for solving problems.

→ Converting problems into opportunities: Business enterprises can solve the social problems and can reap gains from them by accepting the challenge of converting risky situations into profitable deals.

→ Better environment for doing business: Business may have little chance of success if it is to operate in a society full of diverse and complicated problems. Therefore, the business system should do something to solve the social problems to create a better environment conducive to its own survival.

→ Holding business responsible for social problems: Some of the social problems like environmental pollution, unsafe workplaces, corruption in public institutions, and discriminatory practices in employment have either been perpetuated by business enterprises themselves. Therefore, it is the moral obligation of business to contribute in solving these problems.

The arguments against social responsibilities are:

→ Violation of profit maximisation objective: Business exists only for profit maximisation. Therefore, any talk of social responsibility is against this objective.

→ Burden on consumers: It is argued that social responsibilities like pollution control and environmental protection are very costly and often

require huge financial investments which are likely to be shifted on to the consumers in the form of higher prices.

→ Lack of social skills: According to this argument, social problems should be solved by specialized agencies as businessmen do not have the necessary understanding and training to solve social problems.

→ Lack of Broad Public Support: The public in general does not like business involvement or interference in social programmes because of which business cannot operate successfully in solving social problems.

2. Discuss the forces which are responsible for increasing concern of business enterprises towards social responsibility.

Answer

The forces which are responsible for increasing concern of business enterprises towards social responsibility are:

→ Threat of public regulation: Democratically elected governments is meant to safeguard the interests of society. Thus, in case the government feels that a business enterprise is behaving in a manner that is not socially desirable, then it can regulate the operations of that enterprise accordingly.

→ Pressure of labour movement: Labour movement for ensuring fair gains for the working class throughout the world has become very powerful as labour has become far more educated and organized. This has forced business enterprises to pay due regard to the welfare of workers.

→ Impact of consumer consciousness: Development of education and mass media and increasing competition in the market have made the consumer conscious of his right and power in determining market forces. Thus, business enterprises are made to work more efficiently and produce better products at reasonable rates to satisfy their customers.

→ Development of social standards: Business enterprises are not mere profit-making entities. For their long-term growth and existence, they require to fulfil the new standards of social welfare.

→ Development of business education: Educated persons as consumers, investors, employees, or owners have become more sensitive towards social issues than was the case earlier, when such education was not available.

→ Relationship between social interest and business interest: No business enterprise can work in isolation from society. Thus, there should be a balance between business interests and social interests, such that the business can grow by doing the maximum good to society.

→ Development of professional, managerial class: Previously business was managed by the owners but now professional management education in universities and specialized management institutes have created a separate class of professional managers who have a positive attitude towards social responsibility along with profit earning.

3. 'Business is essentially a social institution and not merely a profit making activity'. Explain.

Answer

The primary objective of any business enterprise is profit maximisation. This is because profit acts as a measure of success and at the same time is the main source of income for an enterprise. Also, profits are often used to finance the expansion projects of a business enterprise. However, it is argued that business enterprises are not mere profit-making entities. They are considered as social institutions, too, as they are created by society. As every business makes use of society's resources in terms of human and physical capital, it cannot work in isolation from society. A business needs consumers to buy its products or services. It needs some suppliers to source raw materials and equipments. It needs to maintain a good relationship with its suppliers and consumers so that it can smoothly conduct business. Thus, a need arises to create a balance between the business interests and social interests of a business enterprise, such that it can grow by doing the maximum good to society. Hence, we say that a business enterprise is a social institution and not merely a profit-making entity.

4. Why do the business enterprises need to adopt pollution control measures?

Answer

Business enterprises need to take suitable measures for pollution control not merely to avoid criticisms against them but also to enjoy other benefits which are:

→ Reduction of health hazards: Pollutants in environment causes many diseases like cancer, heart attacks and lung complications. Pollution control measures can not only check the seriousness of such diseases

but can also be supportive of a healthy life on earth.

→ Reduced risk of liability: It is possible that an enterprise is held liable to pay compensation to people affected by the toxicity of gaseous, liquid and solid wastes it has released into the environment. Pollution control helps in reducing the risk of such liabilities.

→ Cost savings: An effective pollution control programme is also needed to save costs of operating business.

→ Improved public image: As society becomes increasingly conscious of environmental quality, a firm's policies and practices for controlling wastes will increasingly influence people's attitude towards its working.

→ Other social benefits: Pollution control results in many other benefits like clearer visibility, cleaner buildings, better quality of life, and the availability of natural products in a purer form.

5. What steps can an enterprise take to protect the environment from the dangers of pollution?

Answer

The steps which can be taken by business enterprises for environmental protection are:

→ A definite commitment by top management of the enterprise to create, maintain and develop work culture for environmental protection and pollution prevention.

- Ensuring that commitment to environmental protection is shared throughout the enterprise by all divisions and employees.
- Developing clear-cut policies and programmes for purchasing good quality raw materials, employing superior technology, using scientific techniques of disposal and treatment of wastes and developing employee skills for the purpose of pollution control.
- Complying with the laws and regulations enacted by the Government for prevention of pollution.
- Participation in government programmes relating to management of hazardous substances, clearing up of polluted rivers, plantation of trees, and checking deforestation.
- Periodical assessment of pollution control programmes in terms of costs and benefits so as to increase the progress with respect to environmental protection.
- Arranging educational workshops and training materials to share technical information and experience with suppliers, dealers and customers to get them actively involved in pollution control programmes.

6. Explain the various elements of business ethics?

Answer

Elements of business ethics are:

→ Top management commitment: Top-level officers, such as CEO's and senior managers, must strongly follow the ethical codes and guide the other employees in adopting such behaviour.

→ Publication of a 'Code': Enterprises must clearly define the ethical code of conduct, which would include quality standards, laws governing production and health and safety standards for the employees.

→ Establishment of compliance mechanism: In addition to standards, an enterprise must also devise a mechanism through which compliance with the code of conduct can be measured.

→ Involvement of employees at all levels: The successful implementation of ethical standards requires the involvement of all the employees at all levels.

→ Measurement of results: Although it is difficult to accurately measure the end results of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards.